



Nominated Adviser and Broker

**Admission Document**  
Placing and Admission to AIM

# Gateley (Holdings) Plc

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, or the action you should take, you are recommended to seek immediately your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") if you are in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.**

This document, which comprises an AIM admission document drawn up in accordance with the AIM Rules for Companies, has been issued in connection with the application for admission to trading on AIM of the entire issued and to be issued ordinary share capital of the Company. This document does not constitute an offer or constitute any part of an offer to the public within the meaning of sections 85 and 102B of FSMA. Accordingly this document does not comprise a prospectus within the meaning of section 85 of FSMA and has not been drawn up in accordance with the Prospectus Rules or approved by or filed with the Financial Conduct Authority or any other competent authority.

**Application will be made for all of the Ordinary Shares, issued and to be issued, to be admitted to trading on AIM, a market operated by London Stock Exchange plc (the "London Stock Exchange"). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document. The AIM Rules for Companies are less demanding than those of the Official List. The Ordinary Shares are not dealt in on any other recognised investment exchange and, apart from the application for admission to AIM, no other such applications have been made or will be made.**

The Directors, whose names are set out on page 5 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept individual and collective responsibility for compliance with the AIM Rules for Companies.

The whole of this document should be read. An investment in the Company is speculative. The attention of prospective investors is drawn in particular to Part II of this document which sets out certain risk factors relating to any investment in Ordinary Shares. All statements regarding the Group's business, financial position and prospects should be viewed in light of these risk factors.

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# GATELEY (HOLDINGS) PLC

*(incorporated and registered in England and Wales under the Companies Act 2006 with registered number 09310078)*

## Placing of 31,589,937 Ordinary Shares at 95 pence per Ordinary Share

### Admission to trading on AIM

#### *Nominated Adviser and Broker* **Cantor Fitzgerald Europe**

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### Expected share capital of the Company immediately following Admission

	<i>Number</i>	<i>Amount</i>
Issued and fully paid Ordinary Shares of 10 pence each	105,274,159	£10,527,416

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The New Shares will rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends or other distributions declared, made or paid on the Ordinary Shares after Admission. It is expected that Admission will take place, and that trading in the Ordinary Shares will commence on 8 June 2015. The Ordinary Shares are not traded on any other recognised investment exchange and no other applications have been made.

**This document does not constitute an offer to sell or issue, or the solicitation of an offer to subscribe for or buy, Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation.** In particular, this document is not for distribution in or into the United States of America, Canada, Japan, the Republic of Ireland, the Republic of South Africa or Australia. The issue of the Ordinary Shares has not been, and will not be, registered under the applicable securities laws of the United States of America, Canada, Japan, the Republic of Ireland, the Republic of South Africa or Australia and the Ordinary Shares may not be offered or sold directly or indirectly within the United States of America, Canada, Japan, the Republic of Ireland, the Republic of South Africa or Australia or to, or for the account or benefit of, any persons within the United States of America, Canada, Japan, the Republic of Ireland, the Republic of South Africa or Australia.

The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Ordinary Shares have not been and will not be registered under the US Securities Act of 1933 and may not be offered or sold within the United States.

Cantor Fitzgerald Europe, which is a member of the London Stock Exchange and is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as nominated adviser and broker to the Company in connection with the proposed Placing and Admission and will not be acting for any other person or otherwise be responsible to any person for providing the protections afforded to customers of Cantor Fitzgerald Europe or for advising any other person in respect of the proposed Placing and Admission. Cantor Fitzgerald Europe's responsibilities as the Company's nominated adviser and broker under the AIM Rules for Companies and the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of such person's decision to acquire shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by Cantor Fitzgerald Europe as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued) and Cantor Fitzgerald Europe has not authorised the contents of any part of this document and accepts no liability whatsoever for the accuracy of any information or opinions contained in this document or for the omission of any material information from this document for which the Company and the Directors are solely responsible.

The information contained in this document has been prepared solely for the purposes of the Placing and Admission and is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off market) and accordingly no duty of care is accepted in relation to them.

Copies of this document will be available free of charge during normal business hours on any day (except Saturdays, Sundays and public holidays) at the offices of the Company and at Cantor Fitzgerald Europe at One Churchill Place, London, E14 5RB from the date of this document until the date which is one month from the date of Admission. Additionally, an electronic version of this document will be available on the Company's website, [www.gateleyuk.com](http://www.gateleyuk.com).

## IMPORTANT INFORMATION

An investment in Ordinary Shares carries risk. There can be no assurance that the Company's strategy will be achieved and investment results may vary substantially over time. An investment in Ordinary Shares is not intended to be a complete investment programme for any investor. The price of Ordinary Shares and any income from Ordinary Shares can go down as well as up and Shareholders may not realise the value of their initial investment. Potential investors should consider carefully whether an investment in Ordinary Shares is suitable for them in light of their circumstances and financial resources and should be able and willing to withstand the loss of their entire investment (for further information, see Part II of this document).

Potential investors contemplating an investment in Ordinary Shares should recognise that the market value of Ordinary Shares can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the Group. No assurance is given, express or implied, that Shareholders will receive back the amount of their investment in Ordinary Shares.

If you are in any doubt about the contents of this document you should consult a person authorised under FSMA who specialises in advising on the acquisition of shares and other securities. An investment in Ordinary Shares is suitable only for financially sophisticated individuals and institutional investors who have taken appropriate professional advice, who understand and are capable of assuming the risks of an investment in Ordinary Shares and who have sufficient resources to bear any losses which may result therefrom.

Potential investors should not treat the contents of this document as advice relating to legal, taxation, investment or any other matters. Potential investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares that they might encounter; and (c) the income and other tax consequences that may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Ordinary Shares. Potential investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment in Ordinary Shares.

Statements made in this document are based on the laws and practices in force in England and Wales on the date of this document and are subject to change.

This document should be read in its entirety before making any investment in Ordinary Shares.

### Forward looking statements

Certain information contained in this document, including any information about the Group's strategy, plans or future financial or operating performance, constitutes "forward looking statements" and are based on current expectations, estimates and projections about the potential returns of the Group and the industry and markets in which the Group operates, the Directors' beliefs and assumptions made by the Directors. Words such as "expects", "anticipates", "should", "intends", "plans", "believes", "seeks", "estimates", "projects", "pipeline" and variations of such words and similar expressions are intended to identify such forward looking statements and expectations. These forward looking statements include all matters that are not historical fact. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Directors concerning, amongst other things, the Group's business, results of operations, financial condition, prospects, growth, strategies and the industry in which it operates. These statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties, outcomes of negotiations and due diligence and assumptions that are difficult to predict, qualify or quantify. Therefore, actual outcomes and results may differ materially from what is expressed in such forward looking statements or expectations. Among the factors that could cause actual results to differ materially are: the general economic climate, competition, interest rate levels, loss of key personnel, the results of legal and commercial due diligence, the availability of financing on acceptable terms and changes in the legal or regulatory environment.

The forward looking statements contained in this document speak only as of the date of this document. The Company, the Directors and Cantor Fitzgerald Europe expressly disclaim any obligation or undertaking to update or revise publicly any forward looking statements, whether as a result of new information, future events or otherwise, unless required to do so by applicable law or the AIM Rules.

### Market and financial information

The data, statistics and information and other statements in this document regarding the markets in which the Group operates, or the Group's position therein, are based on the Group's records or are taken or derived from statistical data and information derived from the sources described in this document.

In relation to these sources, such information has been accurately reproduced from the published information and, so far as the Directors are aware and are able to ascertain from the information provided by the suppliers of these sources, no facts have been omitted which would render such information inaccurate or misleading.

Various figures and percentages in tables in this document have been rounded and accordingly may not total. Certain financial data has also been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	1 June 2015
Admission effective and dealings in Ordinary Shares commence on AIM	8.00 a.m. on 8 June 2015
CREST accounts credited with uncertificated Ordinary Shares	8.00 a.m. on 8 June 2015
Despatch of definitive share certificates (where applicable)	22 June 2015

*The times and dates in the above timetable are indicative only and are subject to change. References to time in this document are to London time unless otherwise stated.*

## PLACING STATISTICS

Placing Price	95 pence
Number of Existing Ordinary Shares	100,000,011
Number of New Shares to be issued by the Company pursuant to the Placing	5,274,148
Number of Sale Shares to be sold by Selling Shareholders pursuant to the Placing	26,315,789
Total number of Placing Shares	31,589,937
Number of Ordinary Shares in issue immediately following Admission	105,274,159
Percentage of Enlarged Share Capital represented by the New Shares	5.0 per cent.
Market capitalisation upon Admission at the Placing Price	£100 million
Number of Ordinary Shares in respect of which Options are outstanding upon Admission	7,200,000
Fully diluted number of Ordinary Shares immediately following Admission*	112,474,159
Gross proceeds of the Placing receivable by the Company	£5.0 million
Estimated net proceeds of the Placing receivable by the Company	£3.8 million
ISIN	GB00BXB07J71
SEDOL	BXB07J7
TIDM	GTLY

*\* The fully diluted share capital figure above is calculated on the basis that the Company grants rights to acquire, in aggregate, 7,200,000 new Ordinary Shares under the SAR Scheme and that the granted rights are exercised.*

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors of the Company</b>	Nigel Terrence Payne ( <i>Non-Executive Chairman</i> ) Michael James Ward ( <i>Chief Executive Officer</i> ) Peter Gareth Davies ( <i>Chief Operating Officer</i> ) Neil Andrew Smith ( <i>Finance Director</i> ) Joanne Carolyn Lake ( <i>Non-Executive Director</i> ) Michael Richard Seabrook ( <i>Non-Executive Director</i> )
<b>Company Secretary</b>	Neil Andrew Smith
<b>Registered office of the Company</b>	One Eleven Edmund Street Birmingham West Midlands B3 2HJ
<b>Nominated Adviser and Broker</b>	Cantor Fitzgerald Europe One Churchill Place London E14 5RB
<b>Legal Adviser to the Nominated Adviser and Broker</b>	Field Fisher Waterhouse LLP Riverbank House 2 Swan Lane London EC4R 3TT
<b>Auditors and Reporting Accountant</b>	KPMG LLP One Snowhill Snow Hill Queensway Birmingham West Midlands B4 6GH
<b>Registrars</b>	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Public Relations</b>	Buchanan 107 Cheapside London EC2V 6DN
<b>Website</b>	<a href="http://www.gateleyuk.com">www.gateleyuk.com</a>

## DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“ABS”	Alternative Business Structure
“Act”	the Companies Act 2006 (as amended)
“Admission”	the admission of the Ordinary Shares, issued and to be issued pursuant to the Placing, to trading on AIM and such trading becoming effective in accordance with the AIM Rules
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies published by the London Stock Exchange
“Articles”	the articles of association of the Company
“Board” or “Directors”	the directors of the Company, whose names are set out on page 5 of this document
“Cantor Fitzgerald Europe”	Cantor Fitzgerald Europe, nominated adviser and broker to the Company
“certificated”, or “in certificated form”	the description of a share or other security that is not in uncertificated form (that is, not in CREST)
“CFE Lock-in Agreement”	the lock-in and orderly marketing agreement dated 1 June 2015 entered into between the Company (1), Cantor Fitzgerald Europe (2) and the Locked-in Shareholders (3), details of which are set out in Part V of this document
“Company” or “Gateley”	Gateley (Holdings) Plc, registered number 09310078 whose registered office is at One Eleven Edmund Street, Birmingham B3 2HJ
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended)
“Disclosure and Transparency Rules” or “DTR”	the disclosure and transparency rules made by the FCA in exercise of its functions as competent authority pursuant to Part VI of FSMA, as amended from time to time
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“Enlarged Share Capital”	the issued share capital of the Company immediately following Admission, comprising the Existing Ordinary Shares and the New Shares
“Entrust”	Entrust Pension Limited
“Euroclear”	Euroclear UK & Ireland Limited
“Executive Directors”	the executive directors of the Company as at the date of this document namely, Michael Ward, Peter Davies and Neil Smith

“Existing Ordinary Shares”	the 100,000,011 Ordinary Shares in issue after completion of the Reorganisation but immediately prior to Admission
“Existing Shareholders”	those shareholders of the Company who are partners
“FCA”	the UK Financial Conduct Authority
“Fee earner”	an employee or member of staff who is directly responsible for generating fee income for the Group
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“FY”	financial year ended 30 April
“Gateley plc”	Gateley plc, registered number 09310087, whose registered office is at One Eleven, Edmund Street, Birmingham B3 2HJ, a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries and subsidiary undertakings
“HMRC”	HM Revenue and Customs
“HY”	half year ended 31 October
“IFRS”	International Financial Reporting Standards as adopted for use in the European Union
“IPO”	the proposed initial public offering of Gateley as described in this document
“LLP”	limited liability partnership
“Licensed Body”	has the meaning given in the Legal Services Act 2007
“Locked-in Shareholders”	those partners who are parties to the CFE Lock-in Agreement and the Second Lock-in Agreements
“London Stock Exchange”	London Stock Exchange plc
“MiFID”	the Markets in Financial Instruments Directive (2004/39/EC) (as amended)
“New Shares”	new Ordinary Shares to be issued by the Company pursuant to the Placing
“NOMAD Agreement”	the nominated adviser and broker agreement dated 1 June 2015 between the Company, the Directors and Cantor Fitzgerald Europe, details of which are set out in paragraph 9.2 of Part VI of this document
“Non-Executive Directors”	Nigel Payne, Joanne Lake and Michael Seabrook and “Non-Executive Director” means any one of them
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 10 pence each in the capital of the Company
“Panel”	the Panel on Takeovers and Mergers



“partner”	a person who was a member of Gateley LLP immediately prior to the Reorganisation and who will be an employee of Gateley plc after the Reorganisation with the title “partner”
“Placee”	any person agreeing to subscribe for or purchase Ordinary Shares pursuant to the Placing
“Placing”	the conditional placing of the Placing Shares pursuant to the Placing Agreement and the Selling Shareholders Agreement
“Placing Agreement”	the conditional agreement dated 1 June 2015 relating to the placing of New Shares between (1) the Company, (2) the Directors, other members of the Strategic Board and (3) Cantor Fitzgerald Europe, further details of which are set out in paragraph 13 of Part VI of this document
“Placing Price”	95 pence per Placing Share
“Placing Shares”	the New Shares and the Sale Shares
“PLC”	public limited company
“Pound Sterling”, “£” or “pence”	the lawful currency of the United Kingdom
“Pre-existing Group”	Gateley plc (prior to the Reorganisation, being the business carried on by Gateley LLP) and its subsidiaries and subsidiary undertakings
“Prospectus Directive”	EU Directive 2003/71/EC (as amended) and any relevant implementing directive measure in any member state of the European Economic Area
“QCA Guidelines”	the corporate governance guidelines for small and mid-size quoted companies published by the Quoted Companies Alliance in May 2013
“Registrars”	Capita Registrars Limited
“Reorganisation”	the reorganisation of the Group as set out in paragraph 8 of Part VI of this document
“SAR Scheme”	the Gateley (Holdings) Plc Equity Settled Stock Appreciation Rights Scheme adopted on 1 June 2015, a summary of which is set out in paragraph 12 of Part VI of this document
“Sale Shares”	the 26,315,789 existing Ordinary Shares to be sold by the Selling Shareholders pursuant to the Placing
“Second Lock-in Agreements”	the lock-in agreements each dated 1 June 2015 and entered into between the Company (1) and each of the Locked-in Shareholders (2) details of which are set out in Part V of this document
“Selling Shareholders”	those persons who were partners and are selling Sale Shares pursuant to the Selling Shareholders Agreement
“Selling Shareholder Agreement”	the agreement dated 1 June 2015 between the Company and the Selling Shareholders relating to the placing of the Sale Shares, details of which are set out in paragraph 13 of Part VI of this document
“Shareholder”	a holder of an Ordinary Share and “Shareholders” shall be construed accordingly

“SRA”	Solicitors Regulation Authority, the regulatory body for solicitors in England and Wales
“Strategic Board”	the strategic board of the Company as at the date of this document comprised of the Executive Directors, Paul Hayward, Brendan McGeever, Rod Waldie and Callum Nuttall, whose details are set out in paragraph 14 of Part I of this document
“Takeover Code”	the City Code on Takeovers and Mergers published by the Panel
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK GAAP”	generally accepted accounting principles in the United Kingdom
“UK Listing Authority”	the United Kingdom Listing Authority of the Financial Conduct Authority, acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“uncertificated” or “in uncertificated form”	Ordinary Shares held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“VAT”	UK Value Added Tax

Note: any reference to any provision of any legislation includes any amendment, modification, re-enactment or extension of it. Words importing the singular include the plural and vice versa and words importing the masculine gender shall include the feminine or neuter gender.

## PART I

### INFORMATION ON GATELEY

#### 1. Introduction

Gateley is a leading national commercial law firm that provides legal services in the UK and has a presence in Dubai. The Group has over 380 fee earners including over 340 solicitors and employs a total of over 600 people including administration and support staff across six UK offices in Birmingham, Leeds, Leicester, London, Manchester and Nottingham as well as an office in Dubai. The existing LLP business has 100 partners in its English offices. Gateley is also affiliated with a Scottish practice, HBJ Gateley, which has three offices in Aberdeen, Edinburgh and Glasgow, although this business is independent of Gateley and excluded from the proposed IPO.

Founded in Birmingham in the 19th Century, Gateley provides a comprehensive offering of commercial legal services to over 4,000 corporate and 1,500 private clients. The Group prides itself as a national firm providing a high quality, integrated partner-led, client focused service across its five core groups: (i) Banking and Financial Services; (ii) Corporate; (iii) Business Services; (iv) Employment and Pensions; and (v) Property.

The Group has generated improved year-on-year pro-forma results:

	<i>FY12</i> £000	<i>FY13</i> £000	<i>FY14</i> £000	<i>HY14</i> £000	<i>HY15</i> £000
Revenue	<u>45,313</u>	<u>51,372</u>	<u>54,616</u>	<u>23,086</u>	<u>26,672</u>
Adjusted EBITDA <sup>1</sup>	<u><u>3,417</u></u>	<u><u>6,350</u></u>	<u><u>8,422</u></u>	<u><u>1,501</u></u>	<u><u>2,992</u></u>

Note:

1. Definition of adjusted EBITDA set out in note 1 to the “Summary historical financial information and adjusted historical financial information” in section 10 of this Part I.

Gateley took advantage of changes in the law to adopt an Alternative Business Structure (“**ABS**”) with effect from 1 January 2014 allowing non-lawyers to own and invest in law firms. The Board believes the combination of the new ABS structure, the transitioning from an LLP to a PLC and proposed admission to trading on AIM, will provide a platform to enhance and diversify its business through:

- Enhanced opportunities to grow Gateley organically – including lateral hires of individuals or teams;
- The opportunity to make selective acquisitions, including other (i) legal firms which offer geographical expansion or specialist services and (ii) businesses offering complementary professional or other business services;
- Alignment, through share participation, of employees’ goals with those of the business aiding retention of staff and enhancing Gateley’s recruitment appeal;
- Facilitating a more flexible career structure, further widening Gateley’s appeal in the employment market; and
- Enhancing the visibility of Gateley generally.

The Group is seeking to raise £5.0 million (before expenses) through the Placing of the New Shares, the net proceeds of which will be used initially to support the transition from the existing LLP structure and for general working capital purposes. In addition, the Placing will raise approximately £25.0 million (before expenses) for the Selling Shareholders.

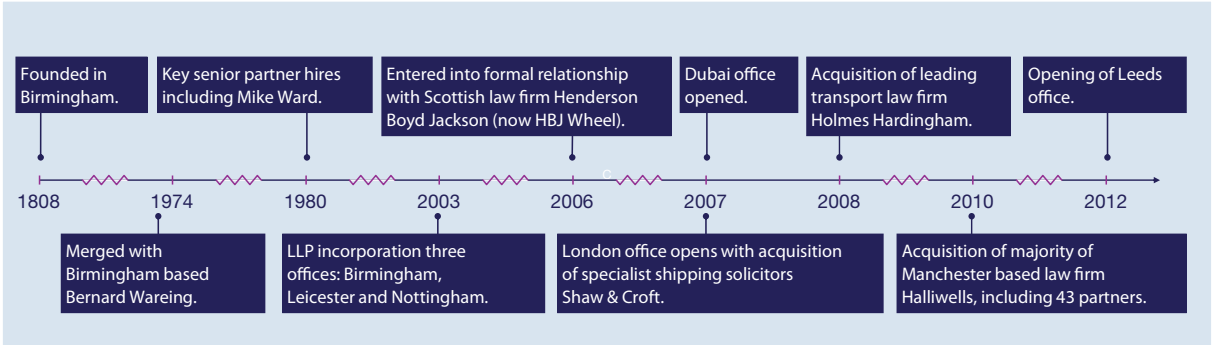
Further details of the Placing are set out below at section 12 of this Part I.

**2. History and background**

The origins of Gateley can be traced back to the 19th Century when the commercial law firm of Stephen Gateley & Sons was established in Birmingham. Four generations of the Gateley family grew the firm from its Victorian beginnings to service the rising industrial and commercial needs of both individuals and their companies in Birmingham and the surrounding region.

The practice of Bernard Wareing was formed in the early part of the twentieth century and was equally committed to helping the mercantile activities of Birmingham prosper in an age when the city was renowned for being 'the workshop of the world'. These two firms came together in 1974, initially as Gateley Wareing & Co, and grew from just 12 people, to over 200 by the late 1990s. Key senior partner hires, including that of Mike Ward, were made in the late 1980s and early 1990s.

The below diagram summarises the subsequent openings by the business of new offices, the entering into of an arrangement with its Scottish affiliate, the acquisition of specialist legal teams and other legal practices:



Gateley has established a strong brand and standing of the business having won numerous awards since 2010. In 2012 the firm was ranked as the leading national firm in the Legal Week Client Satisfaction Survey, following its ranking as the leading national firm for personal partner relationships in 2011. The independent survey was conducted by Legal Week amongst over 1,000 senior in-house legal personnel and across 14 industry sectors as well as the public sector. In the 2012 survey, Gateley beat client satisfaction benchmarks to head the national group on service delivery and responsiveness as well as use of IT/knowledge management and personal/partner relationships. It was ranked third by deal volume in the UK in the Experian Corpfin Deal Review League 2014 and in the Q1 2015 rankings Gateley is currently retaining its first place position in the Midlands while breaking into the top 10 in the South East for the first time. Ninety-four of the Company's lawyers are ranked as 'Leading Individuals' in the 2015 edition of Chambers (a leading industry directory).

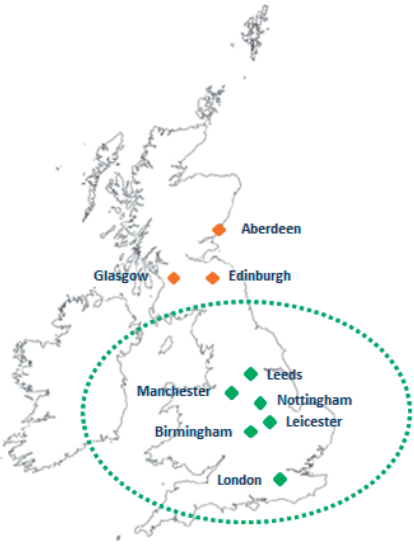
**3. Business overview**

Gateley is a national commercial law firm with six offices across England as well as a Dubai office, providing legal services tailored to those required by local, regional and national clients.

Gateley is affiliated with a Scottish practice, HBJ Gateley, which has three offices in Aberdeen, Edinburgh and Glasgow.

Gateley also has informal relationships with a number of law firms in European countries enabling it to offer clients access to advice in those jurisdictions.

The Group has more than 5,500 clients, the majority of whom are corporate rather than individuals, although it is well regarded for its private client work.



The Group generates fee income across 15 business lines, grouped into five administrative segments. Dependent on a client's requirements, any given mandate or assignment can involve more than one department, working across one or more office locations:

		Corporate	Business Services	Employment & Pensions	Property	Banking & Financial Services
People	Number of fee earners (as at 31 March 2015)	55	48	40	134	72
	% of fees (FY14)	16.8%	17.2%	12.0%	33.1%	20.9%
Financial	FY12-FY14 CAGR	2.8%	10.1%	(5.2%)	13.7%	12.4%
	Sub departments	Corporate Private clients Family Tax	Commercial Regulatory Commercial dispute resolution	Employment Pensions	Construction Real Estate Planning Residential Development	Corporate recovery Asset finance Banking
Operational	Offices	Birmingham Leicester Nottingham London Manchester Leeds Dubai	Birmingham Leicester Nottingham London Manchester Leeds	Birmingham Leicester Nottingham London Manchester	Birmingham Leicester Nottingham London Manchester Leeds Dubai	Birmingham Nottingham London Manchester Leeds

**4. Market overview**

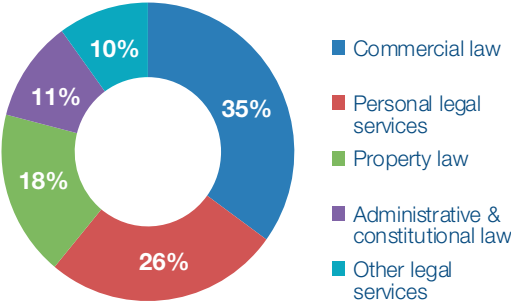
There are three distinct legal jurisdictions in the UK: England and Wales, Northern Ireland and Scotland. Each has its own judicial system, history and origins.

The UK legal sector has been polarised into three broad offerings, being global law firms (“magic circle”), UK-centric mid-market firms (where Gateley sits) and high street offerings.

The UK legal services sector represents a significant part of the national economy and the Office for National Statistics (ONS) shows 2014 fee income generated of £30 billion in its February 2015 Production & Services Turnover dataset. The ONS data implies a 4.1 per cent. CAGR in legal activities between 2010 and 2014.

The UK legal services sector directly employs approximately 316,000 people – two-thirds of whom are located outside London – with solicitors accounting for 66 per cent. of the total (source: *TheCityUK – UK Legal Services 2015*).

Revenues of the UK legal market can be attributed to different sectors of practice as follows:



Source: 2014-2015 IBIS World – Legal activities in the UK

**Market trends**

The legal services market in the UK (and globally) experienced challenging market conditions over the most recent recession, resulting in reduced earnings and margin pressure on firms, which, in some cases, has forced firms into mergers or insolvency. The market has shown signs of recovery over the last couple of years with some consolidation, in particular a number of mergers of firms in the mid-market subsector.

The Directors believe that, with evidence of recovery in both the UK and global economies, there appears to be a degree of stability and confidence returning to the legal sector. Corporate activity has increased with a corresponding uplift in transactional work for firms offering corporate legal services, as well as UK housing and commercial property activity. In PwC’s Law Firm’s Study 2014, they note “law firms generally are experiencing a return to growth in the UK.”

The increase in recent merger activity is expected to continue whilst changes in the legal sector may facilitate further merger activity going forward.

The changes permitted by the Legal Services Act 2007 enabled new forms of legal practices to develop, and also introduced the ABS, permitting external ownership of legal businesses. Gateley was granted an ABS licence by the Solicitors Regulation Authority in December 2013. At the time, it was only the second large UK law firm to secure such a licence, permitting non-lawyers to own and invest in the firm from 1 January 2014.

More than 300 ABSs have been granted so far to a broad range of entities including large corporate groups such as BT Group, Capita, Saga and the Automobile Association. The aim of these firms is to offer a wider range of services to customers at a lower cost.

The introduction of the ABS has created a new environment for the provision of legal services in England and Wales and, for those with a retail rather than commercial focused business, has produced an increase in competition. It has led to a greater focus on the needs of the end-user of legal services and the Directors believe will ultimately re-shape the commercial mid-market as the demands of commercial clients create a need for an ever more relevant and value-based service offering.

The Directors believe the traditional LLP ownership structure has various inherent shortcomings; accordingly, in an evolving environment, the incorporation of Gateley and proposed flotation on AIM will provide substantial advantages to stakeholders as set out further in Section 7 of this Part I.

**5. Competition**

The UK legal services market is well established and highly competitive at all levels, from the ‘Magic Circle’/global firms who dominate the market in terms of fees, down through the still substantial UK-centric mid-market firms and the smaller high street practices.

Gateley operates in what is defined as the UK mid-market. Whilst often providing similar legal services to Gateley, and competing in certain areas, specialisms and client work, the Magic Circle/global firms generally do not compete directly with Gateley. Similarly, Gateley does not generally compete directly with the smaller high street practices.

Given the competitive market place, pricing pressures remain acute. PwC noted in their Law Firm Study 2014 that “law firms need to build on changes made over the last few years and should not allow improved performance to be a reason for relaxing the disciplines developed over the recession. Competition and changing client demands will require firms to continue to identify new, better and innovative ways of doing things to position themselves ahead of the competition.”

The Board believes Gateley has carved out a successful niche through a combination of relevant sector expertise, its focus on clients local to their offices, the quality of advice given and its brand and reputation

## **6. Key strengths**

The Directors believe that the Group has the following key strengths:

### *6.1 First mover advantage – first UK law firm to float on AIM*

The Directors believe that Admission, together with its ABS, will provide Gateley an immediate advantage over its competitors in terms of the ability of management to grow the business, organically and through further acquisitions, by expanding and adding to existing service lines and by acquiring complementary business services businesses. In addition, the AIM listing will provide the Company the opportunity to use its shares as acquisition currency which its LLP competitors cannot.

### *6.2 Highly experienced and committed management team*

Four of the current six management board members have been involved in the management of the firm for at least the last 20 years. Notwithstanding the recession of recent years, this management team has a proven track record of delivering results, achieving significant organic growth and of acquiring and integrating businesses (including the acquisition of the Manchester office of Halliwells in 2010).

The commitment of senior management is demonstrated by the fact that 81 of the 82 existing selling partners who are to become salaried employees of the Group have entered into lock-in agreements with the firm for five years including punitive claw-back provisions in respect of shares and cash.

### *6.3 High client satisfaction, rankings and strong brand*

In growing the business, the management team has developed a level of client service which has produced some excellent feedback in ranking tables and in surveys and is one of the firm’s key tools in driving new and existing business. Gateley has won numerous awards since 2010 and 94 of the Group’s lawyers are ranked as ‘Leading Individuals’ in the 2015 edition of Chambers (a leading industry directory).

In a recent client survey (commissioned by Gateley), the majority of respondents stated they would recommend Gateley, with almost two thirds stating they have recommended the firm in the last 12 months.

### *6.4 Strong track record of growth*

Gateley has generated profitable growth with compound annual growth of 14.3 per cent. in UK GAAP turnover and 14.8 per cent. in operating profit over the last ten years achieved through new office openings and expansion, selective acquisitions and increased numbers of fee earners. The Company has also exhibited consistency between operating profits and income from operating activities as typically over 95 per cent. of such profits have been realised in cash over FY2012 to FY2014 supporting both growth aspirations and an attractive dividend policy.

### *6.5 Proven, scalable business model*

Gateley has a proven track record of successfully integrating acquisitions and establishing and growing new offices. This experience combined with recent IT infrastructure upgrades provides scalability without immediate major capital commitment from the Group.

## 6.6 *Strong employee culture*

Gateley places emphasis on retaining and rewarding high quality, motivated employees whose careers are supported through a programme of training and development. This has resulted in a relatively low turnover of fee earners and a culture in which overall contribution to the success of the business is rewarded.

## 6.7 *Strong client relationships and no dependence on any one client*

The Directors believe the Group has strong and established relationships with its clients, who currently total more than 5,500 in number. The top 30 clients represent approximately 31 per cent. of gross billings and the largest client represents no more than 4 per cent. of gross billings; the Group is therefore not dependent on any individual client.

## **7. Strategy**

The Group's strategy is to continue to develop its business by way of organic growth, but also by acquisition.

### 7.1 *Organic growth*

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

- (i) the retention of existing partners and fee earners and their commitment to Gateley and opportunities it provides, as demonstrated by the extended five year lock-in arrangements the existing partners have entered into;
- (ii) attracting new talent wishing to be a part of a progressive legal services business;
- (iii) enhanced cross-selling opportunities afforded by the adoption of an ABS. Whilst legal services will always remain at the heart of the business, the Directors believe there is a compelling logic to adding complementary business services, such as regulatory advice, compliance and professional training, alongside Gateley's existing legal service offerings;
- (iv) improving Gateley's bank panel representation and "own account" work for banks;
- (v) 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 for them;
- (vi) obtaining instructions from the Pension Protection Fund to act as independent trustee on large schemes with deficits;
- (vii) expansion of specialist areas such as regulatory into other geographical areas;
- (viii) growing Gateley's corporate teams in each region, in particular Yorkshire and the North West; and
- (ix) developing Gateley's project litigation offering and taking advantage of the offshore work this generates.

### 7.2 *Acquisitive growth*

In addition to organic growth, Gateley intends to take advantage of becoming the first law firm to be admitted to trading on AIM as well as having an ABS and being at the forefront of anticipated consolidation within the UK legal services sector.

Acquisitive growth will be achieved through the acquisition of:

- (i) legal teams or firms offering niche services, sector specialism or geographic expansion; or
- (ii) complementary business services businesses (now permitted under the ABS).

A broader set of services will increase the potential for cross-selling to existing clients and represent a stronger sales proposition for potential new clients.



**8. Staff**

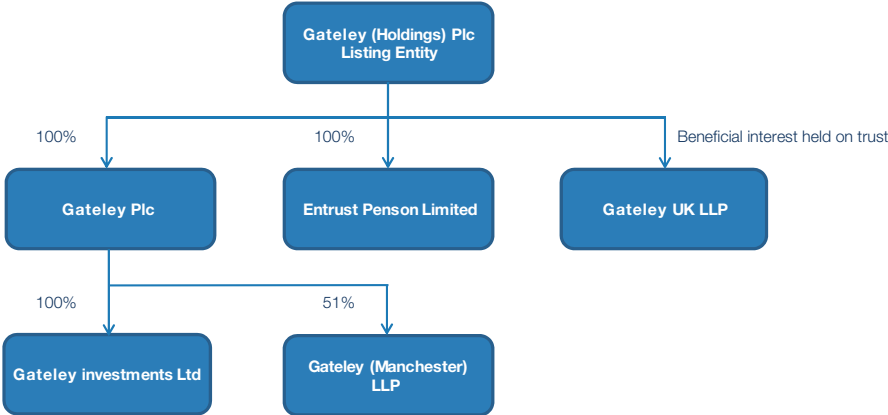
The Directors believe the ability to retain and motivate staff is fundamentally important to the future of the Group and this will be aided by the Company’s ability to offer share incentives to employees following Admission.

Incorporation will enable a wider set of employees, potentially much earlier in their careers, to gain equity ownership while also aligning employees’ day-to-day activities with their long-term capital value in Gateley. The Directors believe that incorporation also creates a more flexible career structure, with partnership, and all that entails, no longer being the only route to long-term returns.

**9. Reorganisation**

9.1 *Group structure*

Gateley is a UK incorporated PLC and, following the Reorganisation, the Group will be as set out in the below diagram:



The majority of the Group’s operations, assets and liabilities will be held in Gateley Plc which will be the principal trading entity of the Group. Other entities of the Group include:

- Entrust, which provides services as an independent professional trustee to various pension schemes; and
- Gateley UK LLP of which the Dubai operating entity is a branch.

9.2 *Loan agreements*

The Group has agreed two five-year term loans of £5.0 million each with HSBC Bank Plc and Lloyds Bank Plc to repay the fixed capital liability of the current Gateley LLP to partners and support the future working capital requirements of the Group.

## 10. Summary historical financial information and adjusted historical financial information

The following summary historical financial information relating to the Group's activities has been extracted from the historical financial information of the Company included in Part III of this document. The adjusted historical financial information illustrates the impact of Reorganisation. **In order to make a proper assessment of the financial performance of the Group's business, prospective investors should read this document as a whole and not rely solely on the key or summarised information in this section.**

	FY12	FY13	FY14	HY14	HY15
	£000	£000	£000	£000	£000
Revenue	45,313	51,372	54,616	23,086	26,672
Operating profit	9,115	16,966	20,072	6,571	8,724
Adjusted EBITDA <sup>1</sup>	3,417	6,350	8,422	1,501	2,992
Adjusted operating profit <sup>2</sup>	2,451	5,286	7,446	1,009	2,604
Adjusted profit before tax <sup>3</sup>	2,323	5,123	7,427	986	2,619
Adjusted retained profit <sup>4</sup>	516	1,168	1,716	226	605

Note:

1. Adjusted EBITDA is the historic operating profit of the Group adjusted for depreciation charges together with changes arising from the transfer of the business from a LLP to a PLC, in particular the adding back of proforma deductions of gross pay and NIC (under the new system) and merit bonuses.
2. Adjusted operating profit is the historic operating profit of the Group adjusted for changes arising from the transfer of the business from a LLP to a PLC, in particular, the adding back of proforma partner deductions of gross pay and NIC (under the new system) and merit bonuses.
3. Adjusted profit before tax is the historic profit before tax of the Group adjusted for changes arising from the transfer of the business from a LLP to a PLC, in particular, the adding back of proforma partner deductions of gross pay and NIC (under the new system) and merit bonuses.
4. Adjusted retained profit is the historic retained profit of the Group adjusted for changes arising from the transfer of the business from a LLP to a PLC, in particular, the adding back of proforma partner deductions of gross pay and NIC (under the new system), merit bonuses, corporation tax and dividends.

A detailed reconciliation of these adjusted results is provided in paragraph 16 of Part VI of this document.

## 11. Current trading and prospects

The Directors are pleased with the Group's trading performance during the year ended 30 April 2015, which has, exceeded their expectations with revenues and contribution from each operating segment up compared with the prior year. The Group has continued to grow, following the performance to HY15 where unaudited revenues increased 15.6 per cent. whilst unaudited adjusted operating profits increased by 158 per cent. compared to the same period in the prior year.

## 12. The Placing

The Placing is being undertaken by Cantor Fitzgerald Europe and comprises:

- Placing of 5,274,148 New Shares to be issued by the Company at a price of 95 pence per Ordinary Share to raise £5.0 million (before expenses); and
- Placing of 26,315,789 Sale Shares to be sold by the Selling Shareholders at a price of 95 pence per Ordinary Share for an aggregate amount of approximately £25.0 million. The Company will not receive any proceeds from the Sale Shares being sold by the Selling Shareholders (all of which will be paid to the Selling Shareholders after the deduction of placing commission).

The Placing is conditional, *inter alia*, on Admission taking place on or before 8 June 2015 (or such later date as the Company and Cantor Fitzgerald Europe may agree, but in any event not later than 22 June 2015) and on the Placing Agreement and the Selling Shareholders Agreement becoming unconditional and not being terminated prior to Admission.

The New Shares will be issued credited as fully paid and the Sale Shares will be sold and transferred credited as fully paid and the Placing Shares will, on Admission, rank *pari passu* in all respects with all other Existing Ordinary Shares including the right to receive all dividends or other distributions declared, made or paid after

Admission. The Selling Shareholders have undertaken that the Sale Shares will be sold fully paid and with full title guarantee.

Further details of the Placing Agreement and the Selling Shareholders Agreement are set out in paragraphs 13.1 and 13.2 respectively of Part VI of this document.

### **13. Reasons for the Placing and Admission and use of proceeds**

The Directors consider that Admission will be an important step in the Company's development, will enhance its profile and standing within its market place and assist the growth of the business.

The net proceeds of the Placing of the New Shares will be used initially to support the transition from the existing LLP structure and for general working capital purposes.

In addition, the Company is looking to develop an institutional following to assist further its acquisition strategy. Admission will also provide the Group with the ability to incentivise employees through the SAR Scheme, which will assist the Group in continuing to attract, retain and motivate high calibre employees.

### **14. Board of Directors and senior management**

#### ***Board of Directors***

##### **Nigel Payne**, aged 55, *Non-Executive Chairman*

Nigel has over 24 years' experience as a director of both publicly listed and private companies. He has extensive experience of listing companies and fund raising, notably in his current role as non-executive director of AIM quoted Gama Aviation Plc and previously as CEO of Sportingbet Plc. Sportingbet was one of the world's largest internet gambling companies and made a number of acquisitions whilst listed on the London Stock Exchange (both FTSE listed and AIM quoted). Nigel holds an Executive MBA from the IMD Business School (Lausanne, Switzerland) and a degree in Economics and Accounting from Bristol University.

##### **Michael Ward**, aged 56, *Chief Executive Officer*

Mike has over 25 years' experience as a corporate lawyer, advising private and public companies, management teams and private investors. He joined Gateley in 1987 and has been instrumental in the development of Gateley. He was elected as Senior Partner in 2001 and sits on the Strategic Board. Mike was former President and Treasurer of the Birmingham Law Society and former President of the Greater Birmingham Chamber of Commerce.

##### **Peter Davies**, aged 57, *Chief Operating Officer*

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

##### **Neil Smith**, aged 39, *Finance Director and Company Secretary*

Neil joined Gateley LLP in 2008 from Grant Thornton and was appointed as Finance Director in 2011. A fellow of the Association of Certified Chartered Accountants, he has more than 20 years' experience working in the professional services industry.

##### **Joanne Lake**, aged 51, *Non-Executive Director*

Joanne has 30 years' experience in financial and professional services; 21 years in investment banking with a number of firms including Panmure Gordon. Evolution Securities, Williams de Broe and previously 9 years in audit and business advisory services at Price Waterhouse. Joanne is a non-executive director of AIM quoted wealth-management group, Mattioli Woods. She 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. Joanne is also a trustee of The Hepworth Wakefield.

**Michael Seabrook**, aged 63, *Non-Executive Director*

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

**Senior Management**

The persons listed below are members of the Strategic Board (other than Nick Smith), a body which will advise the Board on strategic matters relating to the Group.

**Paul Hayward**, aged 57, *Strategic Board member*

Paul has been a corporate partner at Gateley since 1989. He leads the firm's private equity team, regularly acting for institutions and management teams on leveraged transactions. Paul specialises in investment work and all forms of mergers & acquisitions, advising many private equity funds on a wide range of corporate matters. He has been nominated in each of the last nine years for Corporate Lawyer of the Year in the West Midlands, winning on three occasions. Paul is head of Gateley's London office.

**Brendan McGeever**, aged 57, *Strategic Board member*

Brendan is a leading corporate restructuring partner and head of the firm's Banking & Financial Services group. He advises banks, funders and venture capitalists together with other financial institutions and stakeholders in businesses, on all aspects of corporate recovery and turnaround. Brendan has been a partner with Gateley LLP for 29 years. He is also a member of the Institute for Turnaround (ITF) and an accredited CEDR mediator.

**Rod Waldie**, aged 47, *Strategic Board member*

Rod is a real estate partner, head of the firm's Property group and managing partner of the Manchester office. Rod leads a team of property lawyers handling a mixture of work made up of investment acquisitions, disposals and estate management, development and landlord and tenant – mainly within the retail and leisure sector.

**Callum Nuttall**, aged 47, *Strategic Board member*

Callum is a partner in the firm's Residential Development Unit and is a leader in the fields of regeneration, house-building and affordable housing. He has more than 20 years' experience specialising in acting for house-builders, housing associations and public bodies on large scale residential developments, regeneration schemes, urban extensions and residential-led mixed use schemes.

**Nick Smith**, aged 47, *Acquisitions Director*

Nick joined Gateley LLP in 2009 and is a Corporate partner in the London office. He has over 20 years' experience in national and international corporate finance, capital markets, private equity and mergers and acquisitions. He was formerly co-head of Nomura's Intergrated Finance Group, a principal finance business focussed on asset-backed deals across Western Europe and Central and Eastern Europe.

**15. Admission, settlement and CREST**

Application has been made to the London Stock Exchange for all of the Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective, and that dealings in the Enlarged Share Capital will commence, at 8.00 a.m. on 8 June 2015.

The Articles permit the Company to issue Ordinary Shares in uncertificated form in accordance with the CREST Regulations. CREST is a computerised share transfer and settlement system. The system allows shares and other securities to be held in electronic form rather than paper form, although a Shareholder can continue dealing based on share certificates and notarial deeds of transfer. For private investors who do not trade frequently, this latter course is likely to be more cost-effective. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in Ordinary Shares held in uncertificated form following Admission will take place within the CREST system.

## **16. Corporate governance and board practices**

The Board fully supports the underlying principles of corporate governance contained in the Corporate Governance Code, notwithstanding that, as its securities are not listed on the Official List, it is not required to comply with such recommendations. It has sought to comply with the provisions of the Corporate Governance Code, insofar as is practicable and appropriate for a public company of its size and nature, and recognises its overall responsibility for the Company's systems of internal control and for monitoring their effectiveness.

The Company will hold regular board meetings. The Directors will be responsible for formulating, reviewing and approving the Company's strategy, budget and major items of capital expenditure. The Directors have established an audit committee (the "**Audit Committee**"), a remuneration committee (the "**Remuneration Committee**") and a nomination committee (the "**Nomination Committee**") with formally delegated rules and responsibilities. Each of these committees will meet as and when appropriate save in the case of the remuneration and audit committees which will meet at least three times each year.

The Audit Committee will comprise Nigel Payne, Joanne Lake and Michael Seabrook; chaired by Joanne Lake. The Audit Committee will, *inter alia*, determine and examine matters relating to the financial affairs of the Company including the terms of engagement of the Company's auditors and, in consultation with the auditors, the scope of the audit.

It will receive and review reports from management and the Company's auditors relating to the half yearly and annual accounts and the accounting and the internal control systems in use throughout the Group.

The Remuneration Committee will comprise Nigel Payne, Joanne Lake and Michael Seabrook; chaired by Michael Seabrook. The Remuneration Committee will review and make recommendations in respect of the Directors' remuneration and benefits packages and that of senior employees, including share options and the terms of their appointment. The Remuneration Committee will also make recommendations to the Board concerning the allocation of share options to employees under the SAR Scheme.

The Nomination Committee will comprise Michael Seabrook, Nigel Payne and Joanne Lake and chaired by Nigel Payne. The Nomination Committee will monitor the size and composition of the Board and the other Board committees, be responsible for identifying suitable candidates for board membership and monitor the performance and suitability of the current Board on an ongoing basis.

## **17. Share dealing code**

The Company will, with effect from Admission, adopt a share dealing code for the Directors and certain applicable employees, which is appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealing during close periods in accordance with Rule 21 of the AIM Rules) and the Company will take all reasonable steps to ensure compliance by the Directors and any relevant employees.

## **18. Lock-in and orderly market agreements**

The Existing Shareholders, who on Admission will be the holders of 73,684,222 Ordinary Shares in aggregate, representing 70.0 per cent. of the Enlarged Share Capital, have (pursuant to the CFE Lock-in Agreements) undertaken to the Company and Cantor Fitzgerald Europe, not to dispose of any interests in Ordinary Shares for a period of 12 months from Admission and for a further 12 months thereafter (limited to certain limited expectations) to deal in their Ordinary Shares only through Cantor Fitzgerald Europe, for so long as they are broker to the Company, with regard to maintaining an orderly market.

In addition to the CFE Lock-in Agreements and to ensure retention of its more senior staff, Gateley has agreed with the locked-in Shareholders to enter into enhanced lock-in arrangements. These are contained in the Second Lock-in Agreements and include five year lock-in arrangements with claw-back provisions for both cash received and Ordinary Shares retained on Admission.

Further details of the CFE Lock-in Agreements and the Second Lock-in Agreements are set out in Part V of this document.

## 19. Dividend policy

The Board intends to adopt a progressive dividend policy to reflect the expectation of future cash flow generation and long-term earnings potential of the Group.

Based on the above expectations, the Directors intend that the Group will pay an interim dividend and a final dividend to be announced at the time of the interim and preliminary results in approximate proportions of one-third and two-thirds, respectively, of the total annual dividend. It is expected that the first dividend payment will be announced with the interim results for the year ending 30 April 2016.

It is the intention, subject to the availability of distributable reserves and where the cash flow requirements of the Company mean it is prudent to do so, to pay as dividends up to 70 per cent. of adjusted profits after tax. The Board may however revise the Group's dividend policy from time to time in line with the actual results of the Group.

## 20. Employee share scheme

The Board considers employee share ownership to be an important part of its strategy for employee incentivisation and will establish the SAR Scheme, further details of which are set out in paragraph 12 of Part VI of this document.

Rights under the SAR Scheme will be granted to certain of the Directors, partners and staff on or around the time of Admission. Employees may be granted further awards under the SAR Scheme in the future at the discretion of the Remuneration Committee.

The Board intends, but no mandatory ceiling has been set, that awards granted under the SAR Scheme will be limited to 10 per cent. of the Company's issued share capital from time to time.

## 21. Taxation

Information regarding taxation is set out in paragraph 11 of Part VI of this document.

Shareholders who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own independent financial adviser immediately

## 22. Concert Party

The Directors, Existing Shareholders and the Company's Employee Benefit Trust (when established) are considered to be acting in concert with each other in relation to the Company for the purposes of the City Code following Admission ("**Concert Party**").

Immediately following Admission, members of the Concert Party will hold, in aggregate, 73,726,222 Ordinary Shares, representing approximately 70.0 per cent. of the Enlarged Share Capital. On Admission, the Company's Employee Benefit Trust (due to it not having been established as at the date of this document) will not have an interest in any Ordinary Shares. Further details of these matters are set out in paragraph 23 of this Part I.

## 23. Application of the Takeover Code

The Company is incorporated in the UK and its Ordinary Shares will be admitted to trading on AIM. Accordingly, the Takeover Code applies to the Company.

Under Rule 9 of the Takeover Code ("**Rule 9**"), where any person acquires an interest in shares (as defined in the Takeover Code), whether by a series of transactions over a period of time or not, which (taken together with any interest in shares held or acquired by persons acting in concert (as defined in the Takeover Code) with him) in aggregate, carry 30 per cent. or more of the voting rights in a company which is subject to the Takeover Code, that person is normally required by the Panel on Takeovers and Mergers (the "**Panel**") to make a general offer to all of the remaining shareholders to acquire their shares.

Similarly, when any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of such a company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interests in shares are acquired by any such person which increases the percentage of shares carrying voting rights in which he is interested.

An offer under Rule 9 must be in cash or be accompanied by a cash alternative and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company during the 12 months prior to the announcement of the offer.

Under the Takeover Code, a concert party arises where persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company. "Control" for these purposes means an interest or interests in shares carrying in aggregate 30 per cent. or more of the voting rights of the company, irrespective of whether the interest or interests give de facto control.

Immediately following Admission, the Concert Party will be interested in, in aggregate, 73,726,222 Ordinary Shares, representing approximately 70.0 per cent. of the Enlarged Share Capital. As described in paragraph 12 of Part VI of this document above, certain members of the Concert Party may be granted rights to acquire, in aggregate, 7,200,000 new Ordinary Shares under the SAR Scheme which, if exercised in full would result in members of the Concert Party holding, in aggregate, 80,926,222 Ordinary Shares representing approximately 76.9 per cent. of the issued share capital following the exercise of those rights (assuming that there are no other changes to the Company's issued share capital prior to such exercise).

For so long as the Concert Party's aggregate interest remains above 50 per cent., it will generally be able to increase its shareholding without incurring any obligation on any member of the Concert Party under Rule 9 of the City Code to make a general offer to Shareholders, and Shareholders will not benefit from any specific minority shareholder protection other than to the extent prescribed under the relevant law. However, should any individual member of the Concert Party: (i) acquire any interest in Ordinary Shares such that they are interested in 30 per cent. or more of the voting rights of the Company; or (ii) (where such individual member is already interested in 30 per cent. or more of the voting rights of the Company but does not hold Ordinary Shares carrying more than 50 per cent. of the voting rights of the Company) acquire any further interest in Ordinary Shares, the Panel may regard this as giving rise to an obligation upon that member of the Concert Party to make an offer for the entire issued share capital of the Company at a price no less than the highest price paid by the individual member of the Concert Party or any other member of the Concert Party in the previous 12 months.

## **24. Regulatory and Compliance**

Under the Legal Services Act 2007, there are restrictions on the holding of "restricted interests" in Licensed Body law firms. A restricted interest for the purpose of these restrictions is an interest of 10 per cent. or more in the issued share capital of the Licensed Body and includes an interest in the ultimate parent company of the Licensed Body, i.e. Gateley.

Gateley LLP is currently a Licensed Body and the SRA has consented to Gateley Plc becoming a Licensed Body following completion of the Reorganisation.

Attention is drawn to the Risk Factor headed "Restrictions on holding 10 per cent. or more" in Part II of this document for a further summary of the effect of these restrictions.

## **25. Further Information**

You should read the whole of this document which provides additional information on the Company and the Placing and not rely on summaries or individual parts only. Your attention is drawn, in particular, to the Risk Factors set out in Part II of this document and the additional information set out in Part VI of this document.

## PART II

### RISK FACTORS

**An investment in the Ordinary Shares involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risks set out below in addition to all of the other information set out in this document before investing in the Ordinary Shares. The investment offered in this document may not be suitable for all of its recipients. Potential investors are accordingly advised to consult a professional adviser authorised under FSMA, who specialises in advising on the acquisition of shares and other securities, before making any investment decision. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his or her personal circumstances and the financial resources available to him or her.**

**The Directors believe the following risks to be the most significant for potential investors. However, the risks listed do not necessarily comprise all of those associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect on the Company and the information set out below does not purport to be an exhaustive summary of the risks affecting the Company. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and tax requirements.**

**If any of the following risks were to materialise, the Company's business, financial condition, results or future operations could be materially adversely affected. In such cases, the market price of the Ordinary Shares could decline and an investor may lose part or all of his or her investment.**

#### **1. Risks Factors Relating to the Business and Operations of the Company**

##### ***Professional liability and uninsured risks***

Gateley provides legal advice. Therefore, like any law firm, it is susceptible to potential liability from negligence, breach of client contract and other claims by clients. As well as the risk of financial damage, such claims also carry a risk of damage to the Company's reputation. Although Gateley holds professional liability insurance and, in the opinion of the Directors has a good claims history, this insurance may not cover all potential claims or may not be adequate to indemnify the Company 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 Gateley's insurance coverage could have a material adverse effect on Gateley's business and financial condition.

##### ***Personnel***

Gateley, as a law firm, is a professional services provider, and therefore heavily reliant on its ability to attract new key personnel and retain existing key personnel. Whilst Gateley has a proven track record of attracting and retaining quality fee earners, the market for high quality lawyers is very competitive, and the Company may experience difficulty in hiring employees with appropriate qualifications and experience.

Further, the Company heavily relies on existing key personnel (including the Selling Shareholders) to maintain business and client relationships. If Gateley is unable to retain and motivate these key employees, the Company's profitability could be harmed. This risk may be mitigated in part by the lock-in arrangements described in Part I and by encouraging key employees to participate in the ownership of the Company through the SAR Scheme. However, key personnel cannot be prevented from ceasing employment with the Company.

##### ***Restrictions on holdings of 10 per cent. or more***

Under the Legal Services Act 2007, there are restrictions on the holding of "restricted interests" in Licensed Body law firms. A restricted interest for the purpose of these restrictions is an interest of 10 per cent. or more in the issued share capital of the Licensed Body and includes an interest in the ultimate parent company of the Licensed Body, i.e. Gateley.



Gateley LLP is currently a Licensed Body and the SRA has consented to Gateley Plc becoming a Licensed Body following completion of the Reorganisation.

The effect of the restrictions is that the consent of the SRA is required should any person who is a non-deemed approved lawyer seek to acquire a shareholding of 10 per cent. or more in the Company. It is a criminal offence for any non-deemed approved lawyer to acquire a restricted interest without first notifying the SRA or to acquire a restricted interest having notified the SRA but before obtaining their consent. Any consent from the SRA may have conditions attached.

The SRA also has power to force the divestment of any shareholding which breaches this rule via the courts and/or to suspend or revoke the Licensed Body status of Gateley Plc, which would have a serious effect on the Group. The Directors intend, should this situation arise, to work with the SRA to minimise any such risk.

### ***Competition***

The Company competes with other legal firms that also offer commercial law services. Gateley competes on the basis of a number of factors, including the quality of advice and service, innovation, reputation and price. However, there is no assurance that competitors will not succeed in developing and offering legal services that are more effective, economic or otherwise more desirable than those being offered by the Company.

In addition, the Company may not be able to compete successfully against current or future competitors where aggressive pricing policies are adopted by those competitors to capture market share. Such price competition could result in revenue reductions, reduced margins, and loss of market share, any of which could materially adversely affect the Group's future business, operating results and financial position.

### ***Reputation***

The success of Gateley's business depends on the maintenance of good client relationships and its reputation for providing high-quality professional services. If Gateley does not meet a client's expectations, or if Gateley is involved in litigation or claims relating to its performance in a particular matter, the reputation of the Company 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. Gateley may be required to incur legal expenses in defending itself against any litigation arising in, or out of, such cases and may also incur significant reputational and financial harm if such litigation is successful or if the Company receives negative press coverage.

### ***Intellectual property rights and brand name***

The Company regards its brand name, trademarks, domain names, trade secrets and similar intellectual property as important to its success. The Company's business has 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 business could be adversely impacted.

While the Group will use all reasonable endeavours to protect its intellectual property rights, unauthorised use or disclosure of its intellectual property may have an adverse effect on the operating, marketing and financial performance of the Group.

### ***Information systems***

The Group is exposed to the risk of catastrophic loss to computer equipment or other facilities that would have a serious impact on the Group's operations. Some of the Group's growth plans are based on its ability to apply its existing infrastructure (including information technology systems) across a growing business. The Group can give no assurance that all such risks will be adequately covered by its existing systems or its insurance policies to prevent an adverse effect on the Group's financial performance.

### ***Employee misconduct***

Gateley is exposed to the risk of employees engaging in misconduct, including by improperly using or disclosing confidential client information. Employee misconduct could result in considerable harm to Gateley's reputation, as well as regulatory sanctions and financial damage.

### **Conflict of duties**

Lawyers have duties both to the courts and to their clients. These duties – including the attendant responsibilities such as client confidentiality and the rules relating to legal professional privilege – are paramount given the nature of the Group's business as an independent law firm. There could be circumstances in which the lawyers of Gateley are required to act in accordance with these duties and contrary to other corporate responsibilities and against the interests of Shareholders and the short-term profitability of the Group.

### **Operational risk**

While Gateley has operational risk management practices, its profitability will continue to be subject to a variety of operational risks including strategic and business decisions (including acquisitions), technology risk (including business systems failure), reputation risk, fraud, compliance with legal and regulatory obligations, counterparty performance under outsourcing arrangements, business continuity planning, legal risk, data integrity risk, client default risk, key person risk and external events.

A further operational risk is that a client or clients may terminate the services of the Group at any time, for any reason.

### **Government actions and legal developments**

Gateley is subject to significant regulatory and legal oversight. Whilst such changes may provide opportunities for Gateley, the Company's business operations could be adversely affected by actions of the Government and changes in government legislation, guidelines and regulations.

The Company is exposed to regulatory change in the areas of law in which the Company practices, such as corporate and individual law and is also exposed to regulatory changes in the laws that regulate the Company, such as tax law, accounting standards and the Legal Services Act 2007.

In general, the extent to which legal and regulatory changes might affect Gateley's business is difficult to predict. Any such changes may detrimentally affect revenue, require increased capital and/or operating expenditures and could prevent or delay certain acquisitions or growth initiatives by the Company, any of which could have a material adverse effect on its business and financial condition.

## **2. General Risks**

### ***Investments in AIM companies may attract a high degree of risk***

The prices of publicly quoted securities can be volatile. The price of securities is dependent upon a number of factors, some of which are general or market or sector specific and others that are specific to a company.

Prior to Admission, there has been no public trading market for the Ordinary Shares. The Ordinary Shares will not be listed on the Official List and although the Ordinary Shares will be traded on AIM, this should not be taken as implying that there will always be a liquid market in the Ordinary Shares. In addition, the market for shares in smaller public companies is generally less liquid than for larger public companies. Therefore, an investment in Ordinary Shares may be difficult to realise and the price of Ordinary Shares may be subject to volatility.

An investment in shares quoted on AIM may carry a higher risk than an investment in shares listed on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for Ordinary Shares cannot be guaranteed. Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and Shareholders may therefore not recover their original investment.

### ***There may be no liquidity in the Ordinary Shares and the price of Ordinary Shares may be volatile***

The Placing Price is not indicative of the market price of Ordinary Shares following Admission. Following Admission, the price of Ordinary Shares may be subject to significant volatility in response to many factors, including variations in the results of the Company, divergence in the Company's financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions or trends in the retail sector generally, legislative changes in the Company's operating sectors

and/or other events and factors outside of the Company's control. The price of Ordinary Shares could also be adversely affected by developments unrelated to the Company's operating performance, such as the operating and share price performance of other companies that investors may consider comparable to the Company, speculation about the Company in the press or the investment community, unfavourable press, strategic actions by competitors (including acquisitions and restructurings), changes in market conditions and regulatory changes. Any or all of these factors could result in material fluctuations in the price of Ordinary Shares, which could lead to Shareholders getting back less than they invested or a total loss of their investment.

In addition, stock market prices generally may be volatile and may go down as well as up. The price at which Shareholders may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Company specifically and others of which do not. These factors could include the performance of the Company's business, changes in the values of its investments, changes in the amount of distributions or dividends it makes or is able to make, changes in the Company's operating expenses, variations in and the timing of the recognition of realised and unrealised gains or losses, the degree to which the Company encounters competition, legislative or regulatory or taxation changes and general economic conditions, large purchases or sales of Ordinary Shares and liquidity (or absence of liquidity) in the Ordinary Shares.

The value of Ordinary Shares will therefore fluctuate and may not reflect their underlying asset value. Shareholders may realise less than the original amount invested. Admission should not be taken as implying that there will be a liquid market for Ordinary Shares. There can be no assurance that an active trading market for Ordinary Shares will develop or, if developed, could be sustained following Admission. If an active trading market is not developed or maintained, the liquidity and trading price of Ordinary Shares could be adversely affected. It may be more difficult for a Shareholder to realise an investment in the Company than in a company whose shares are listed on the Official List. In addition, the price of Ordinary Shares may not reflect the underlying value of the Company's net assets.

#### ***Economic conditions and current economic weakness***

Any economic downturn either globally or locally in any area in which the Company operates may have an adverse effect on the demand for the Company's products. A more prolonged economic downturn may lead to an overall decline in the volume of the Company's sales, restricting the Company's ability to generate a profit.

In addition, although signs of economic recovery have been perceptible in certain countries, the sustainability of a global economic upturn is not yet assured. If economic conditions remain uncertain this might have an adverse impact on the Company's operations and business results.

#### ***Force Majeure***

The Company's operations now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

#### ***Taxation***

The taxation implications of investing in the Company are dealt with in Part VI of this document. The tax rules and their interpretation relating to an investment in the Company may change during the life of the Company. The levels of, and relief from, taxation may change. Any tax reliefs referred to in this document are those currently available and their application depends on the individual circumstances of investors. The information given in this document relates only to UK investors and investors in other jurisdictions must seek their own tax advice.

Any change in the Company's tax status, or the tax applicable to holding Ordinary Shares, or in taxation legislation or its interpretation, could affect the value of the assets held by the Company or the Company, affect the Company's ability to provide returns to Shareholders and/or alter the post-tax return of Shareholders. Statements in this document concerning the taxation of the Company, the Company and/or its investors are based upon current law and practice which are subject to change.

***The trading price of the Ordinary Shares is likely to be volatile, and investors might not be able to sell their shares at or above the Placing Price***

An active or liquid market in the Ordinary Shares may not develop upon completion of the Placing or, if it does develop, it may not be sustainable. The Placing Price may not be indicative of the market price of the Ordinary Shares after Admission and therefore it may vary from the market price of the Ordinary Shares after Admission. As a result of these and other factors, investors may be unable to sell their Ordinary Shares at or above the Placing Price.

The following factors, in addition to other risks described in this document, may have a significant effect on the market price of the Ordinary Shares:

- variations in operating results;
- actual or anticipated changes in the estimates of operating results or changes in stock market analyst recommendations regarding the Ordinary Shares, other comparable companies or the industry generally;
- macro-economic conditions in the countries in which the Company may do business;
- foreign currency exchange fluctuations and the denominations in which the Group may conduct business and holds cash reserves;
- market conditions in the industry, the industries of customers and the economy as a whole;
- actual or expected changes in the Group's growth rates or competitors' growth rates;
- changes in the market valuation of similar companies;
- trading volume of the Ordinary Shares;
- sales of the Ordinary Shares by the Directors or other Shareholders; and
- adoption or modification of regulations, policies, procedures or programs applicable to the Company's business.

In addition, if the stock market in general experiences loss of investor confidence, the trading price of the Ordinary Shares could decline for reasons unrelated to the Company's business, financial condition or operating results. The trading price of the Ordinary Shares might also decline in reaction to events that affect other companies in the industry, even if such events do not directly affect the Group. Each of these factors, among others, could harm the value of the Ordinary Shares.

***There can be no guarantee that any future capital raisings will be successful. If securities or industry analysts do not publish research or publish unfavourable or inaccurate research about the business, the Company's share price and trading volume of the Ordinary Shares could decline***

The trading market for the Ordinary Shares will depend, in part, on the research and reports that securities or industry analysts publish about the Company or its business. The Directors may be unable to sustain coverage by well-regarded securities and industry analysts. If either none or only a limited number of securities or industry analysts maintain coverage of the Company, or if these securities or industry analysts are not widely respected within the general investment community, the trading price for the Ordinary Shares could be negatively impacted. In the event that the Company obtains securities or industry analyst coverage, if one or more of the analysts who cover the Company downgrade the Ordinary Shares or publish inaccurate or unfavourable research about the Company's business, the share price would be likely to decline. If one or more of these analysts cease coverage of the Company or fail to publish reports regularly, demand for the Ordinary Shares could decrease, which might cause the share price and trading volume to decline.

***Dilution of Shareholders' interests as a result of additional equity fundraising***

The Company may need to raise additional funds in the future to finance, amongst other things, working capital, expansion of the business, new developments relating to existing operations or acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pre-emptive basis to existing shareholders, the percentage ownership of the existing shareholders may be reduced. Shareholders may also experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares.

***If the Group fails to maintain proper and effective internal controls, its ability to produce accurate and timely financial statements could be impaired and investors' views of the Group could be harmed***

The Group has systems and controls in place to allow it to produce accurate and timely financial statements. If any of these systems or controls were to fail, the Group may be unable to produce interim and annual financial statements accurately or fail to produce them on a timely basis. As such, investors may have concerns both over the lack of available financial information and the controls that the Group has in place, which could adversely affect the Company's share price.

***Dividends***

Whilst the Company is committed to a progressive dividend policy, there can be no assurance as to the level of future dividends, if any. The declaration, payment and amount of any future dividends of the Company is subject to the discretion of the Directors, and will depend upon, among other things, the Group's earnings, financial position, cash requirements and availability of profits, as well as the provisions of relevant laws or generally accepted accounting principles.

***Currency and foreign exchange***

A portion of the Group's business may be carried out in the future in currencies other than Sterling. To the extent that there are fluctuations in exchange rates, this may have an impact on the figures consolidated in the Company's accounts, which could have a material impact on the Group's financial position or result of operations, as shown in the Company's accounts going forward.

The Group may engage in foreign currency hedging transactions to mitigate potential foreign currency exposure. The Directors cannot predict the effect of exchange rate fluctuations upon future operating results and there can be no assurance that exchange rate fluctuations will not have a material adverse effect on the business, operating results or financial condition of the Company.

## **PART III**

### **HISTORICAL FINANCIAL INFORMATION**

As at the date of this document, the Company has not yet commenced operations and has no material assets or liabilities, and no financial statements have been drawn up. However, the historic financial information presented in this Part III is drawn up on the assumption that the new Group structure described in paragraph 9.1 of Part I of this document had been in existence throughout the period for which historic financial information is presented. Section B of this Part III accordingly presents audited financial information relating to Gateley PLC (formerly Gateley LLP) and its subsidiary under the new Group structure.

## SECTION A

### ACCOUNTANTS' REPORT ON GATELEY PLC

The Directors  
Gateley (Holdings) plc  
One Eleven  
Edmund Street  
Birmingham B3 2HJ

*Ladies and Gentlemen*

#### Gateley plc

We report on the financial information set out on pages 32 to 56 for the three years ended 30 April 2014 and the 26 weeks ended 31 October 2014. This financial information has been prepared for inclusion in the AIM Admission Document dated 1 June 2015 of Gateley (Holdings) plc on the basis of the accounting policies set out in note 1 of the Historical Financial Information. This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose. We have not audited or reviewed the financial information for the 26 weeks ended 31 October 2013 which has been included for comparative purposes only, and accordingly do not express an opinion thereon.

#### Responsibilities

The Directors of Gateley plc are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

#### Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

#### Opinion on financial information

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 1 June 2015, a true and fair view of the state of affairs of Gateley LLP (now Gateley plc) as at 30 April 2012, 30 April 2013, 30 April 2014 and 31 October 2014 and of its profits/losses, cash flows and recognised gains and losses for the year ended 30 April 2012, year ended 30 April 2013, year ended 30 April 2014 and 26 weeks ended 31 October 2014 in accordance with the basis of preparation set out in note 1 of the Historical

Financial Information and in accordance with International Financial Reporting Standards as adopted by the European Union as described in note 1.

**Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

KPMG LLP



## SECTION B

### FINANCIAL INFORMATION RELATING TO GATELEY PLC

#### Consolidated Income Statement

		<i>(Unaudited)</i>				
		<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>6 months</i>	<i>6 months</i>
	<i>Note</i>	<i>30/4/12</i>	<i>30/4/13</i>	<i>30/4/14</i>	<i>ended</i>	<i>ended</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>31/10/13</i>	<i>31/10/14</i>
					<i>£'000</i>	<i>£'000</i>
<b>Revenue</b>	2	45,313	51,372	54,616	23,086	26,672
Other operating income	4	309	596	418	171	209
Personnel costs	6	(22,880)	(20,053)	(19,785)	(9,820)	(10,541)
Depreciation and amortisation	8	(966)	(1,064)	(976)	(492)	(388)
Other operating expenses		<u>(12,661)</u>	<u>(13,885)</u>	<u>(14,201)</u>	<u>(6,374)</u>	<u>(7,228)</u>
<b>Operating profit</b>		9,115	16,966	20,072	6,571	8,724
Financial income	7	25	56	184	76	105
Financial expenses	7	<u>(153)</u>	<u>(219)</u>	<u>(203)</u>	<u>(99)</u>	<u>(90)</u>
<b>Net financing (expense)/ income</b>		<u>(128)</u>	<u>(163)</u>	<u>(19)</u>	<u>(23)</u>	<u>15</u>
<b>Profit for the financial year before members' remuneration and profit shares</b>		8,987	16,803	20,053	6,548	8,739
Members' profit share charged as an expense	6	<u>(9,134)</u>	<u>(17,110)</u>	<u>(20,426)</u>	<u>(4,082)</u>	<u>(3,976)</u>
<b>(Loss)/profit for the financial year after members' remuneration charged as an expense and available for discretionary division amongst members</b>		<u><u>(147)</u></u>	<u><u>(307)</u></u>	<u><u>(373)</u></u>	<u><u>2,466</u></u>	<u><u>4,763</u></u>

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

There were no elements of other comprehensive income for any of the financial periods above other than those included in the consolidated income statements and therefore no statement of comprehensive income has been prepared.

Movements in members' interests are shown in note 19.

The financial information above may not be representative of future results for example, the historical capital structure does not reflect the future capital structure, future interest income and expense, certain operating costs and tax charges may be significantly different from those that resulted from the historical ownership structure.

## Consolidated Statement of Financial Position

	Note	1 May 2011 £'000	30 April 2012 £'000	30 April 2013 £'000	30 April 2014 £'000	31 October 2014 £'000
<b>Non-current assets</b>						
Property, plant and equipment	8	2,706	2,561	1,971	1,552	1,663
Investment property	9	172	172	172	164	160
Investments	10	–	30	30	30	30
Total non-current assets		<u>2,878</u>	<u>2,763</u>	<u>2,173</u>	<u>1,746</u>	<u>1,853</u>
<b>Current assets</b>						
Trade and other receivables	11	25,356	23,010	25,874	28,948	25,161
Cash and cash equivalents		<u>646</u>	<u>629</u>	<u>440</u>	<u>1,994</u>	<u>4,223</u>
Total current assets		<u>26,002</u>	<u>23,639</u>	<u>26,314</u>	<u>30,942</u>	<u>29,384</u>
<b>Total assets</b>		<u><u>28,880</u></u>	<u><u>26,402</u></u>	<u><u>28,487</u></u>	<u><u>32,688</u></u>	<u><u>31,237</u></u>
<b>Current liabilities</b>						
Bank overdraft		(1,125)	(974)	(465)	–	–
Other interest-bearing loans and borrowings	12	–	–	(250)	(333)	–
Trade and other payables	13	(14,945)	(11,625)	(12,119)	(13,589)	(10,602)
Provisions	14	(23)	(98)	(208)	(139)	(260)
Individual members' capital classified as a liability	19	(3,070)	(3,284)	(7,518)	(6,044)	(6,930)
Amounts due to members	19	(7,875)	(6,386)	(7,542)	(12,884)	(9,003)
Liabilities due to members of Gateley (Manchester) LLP		<u>(1,213)</u>	<u>(3,508)</u>	<u>(13)</u>	<u>–</u>	<u>–</u>
Total current liabilities		<u>(28,251)</u>	<u>(25,875)</u>	<u>(28,115)</u>	<u>(32,989)</u>	<u>(26,795)</u>
<b>Non-current liabilities</b>						
Other payables	13	(732)	(601)	(453)	(304)	–
Provisions	14	<u>(55)</u>	<u>(231)</u>	<u>(492)</u>	<u>(328)</u>	<u>(612)</u>
Total non-current liabilities		<u>(787)</u>	<u>(832)</u>	<u>(945)</u>	<u>(632)</u>	<u>(612)</u>
<b>Total liabilities</b>		<u><u>(29,038)</u></u>	<u><u>(26,707)</u></u>	<u><u>(29,060)</u></u>	<u><u>(33,621)</u></u>	<u><u>(27,407)</u></u>
<b>Net (liabilities)/assets</b>		<u><u>(158)</u></u>	<u><u>(305)</u></u>	<u><u>(573)</u></u>	<u><u>(933)</u></u>	<u><u>3,830</u></u>
<b>Equity</b>						
Other reserves classified as equity being equity attributable to members	19	(106)	(253)	(560)	(933)	3,830
Non-controlling interests	10	<u>(52)</u>	<u>(52)</u>	<u>(13)</u>	<u>–</u>	<u>–</u>
		<u>(158)</u>	<u>(305)</u>	<u>(573)</u>	<u>(933)</u>	<u>3,830</u>
<b>Total members' interests</b>						
Members' capital classified as a liability	19	10,945	9,670	15,060	18,928	15,933
Other reserves classified as equity	19	<u>(106)</u>	<u>(253)</u>	<u>(560)</u>	<u>(933)</u>	<u>3,830</u>
<b>Total members' interests</b>		<u><u>10,839</u></u>	<u><u>9,417</u></u>	<u><u>14,500</u></u>	<u><u>17,995</u></u>	<u><u>19,763</u></u>

## Consolidated Statement of Changes in Equity

	<i>Members' other reserves £'000</i>	<i>Non- controlling interests £'000</i>	<i>Total £'000</i>
Balance at 1 May 2011	(106)	(52)	(158)
Total comprehensive income before members remuneration and profit share for the financial year	8,987	–	8,987
Profits allocated to members during the year	(9,134)	–	(9,134)
Balance at 30 April 2012	(253)	(52)	(305)
Total comprehensive income before members remuneration and profit share for the financial year	16,803	–	16,803
Profits allocated to members during the year	(17,110)	–	(17,110)
Other movements	–	39	39
Balance at 30 April 2013	(560)	(13)	(573)
Total comprehensive income before members remuneration and profit share for the financial year	20,053	–	20,053
Profits allocated to members during the year	(20,426)	–	(20,426)
Other movements	–	13	13
Balance at 30 April 2014	(933)	–	(933)
Balance at 1 May 2013	(560)	(13)	(573)
Total comprehensive income before members remuneration and profit share for the financial period	6,548	–	6,548
Profits allocated to members during the year	(4,082)	–	(4,082)
Other movements	(13)	13	–
Balance at 31 October 2013	1,893	–	1,893
Balance at 1 May 2014	(933)	–	(933)
Total comprehensive income before members remuneration and profit share for the financial period	8,739	–	8,739
Profits allocated to members during the year	(3,976)	–	(3,976)
Balance at 31 October 2014	3,830	–	3,830

## Consolidated Cash Flow Statement

	30 April 2012 £'000	30 April 2013 £'000	30 April 2014 £'000	Unaudited 6 months to 31 October 2013 £'000	6 months to 31 October 2014 £'000
<b>Cash flows from operating activities</b>					
Profit for the year	8,987	16,803	20,053	6,548	8,739
<i>Adjustments for:</i>					
Depreciation and amortisation	966	1,064	976	492	388
Financial income	25	56	184	76	105
Financial expense	(153)	(219)	(203)	(99)	(90)
Profit on disposal of property, plant and equipment	–	(4)	(2)	–	–
	9,825	17,700	21,008	7,017	9,142
Decrease/(increase) in trade and other receivables	2,346	(2,864)	(3,074)	2,729	3,787
(Decrease)/increase in trade and other payables	(1,204)	(2,652)	1,420	(2,374)	(3,264)
Increase/(decrease) in provisions	251	371	(233)	(29)	405
<b>Net cash flows from operating activities before transactions with members</b>	11,218	12,555	19,121	7,343	10,070
Payments to members	(10,623)	(16,333)	(15,084)	(7,738)	(7,857)
<b>Net cash from operating activities</b>	595	(3,778)	4,037	(395)	2,213
<b>Cash flows from investing activities</b>					
Interest and other financial income paid	(128)	(163)	(19)	(23)	15
Acquisition of property, plant and equipment	(517)	(511)	(558)	(202)	(495)
Acquisition of investments	(30)	–	–	–	–
Proceeds from sale of property, plant and equipment	–	42	11	–	–
<b>Net cash from investing activities</b>	(675)	(632)	(566)	(225)	(480)
<b>Cash flows from financing activities</b>					
Proceeds from new loan	–	1,000	1,000	583	–
Repayment of borrowings	–	(750)	(917)	–	(333)
Transfer from Manchester members	–	4,379	–	–	–
Drawings by minority interest	–	(39)	13	–	–
Capital introduced by members	279	502	949	245	1,380
Capital repayments to members	(65)	(268)	(2,423)	(1,077)	(494)
Payment of finance lease liabilities	–	(94)	(75)	(133)	(57)
<b>Net cash from financing activities</b>	214	4,730	(1,453)	(382)	496
Net increase/(decrease) in cash and cash equivalents	134	320	2,019	(1,002)	2,229
Cash and cash equivalents at beginning of period	(479)	(345)	(25)	(25)	1,994
<b>Cash and cash equivalents at end of period</b>	(345)	(25)	1,994	(1,027)	4,223

## **NOTES TO THE HISTORICAL FINANCIAL INFORMATION**

### **1. Basis of preparation and significant accounting policies**

Gateley LLP (the “partnership”) is incorporated in the United Kingdom as a Limited Liability Partnership under the Limited Liability Partnership Act 2000.

This historical financial information consolidates those of the partnership and its subsidiaries (together referred to as the “Pre-existing Group”).

The Pre-existing Group financial information has been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”).

The Pre-existing Group has prepared its financial information in accordance with Adopted IFRSs for the first time. The date of transition is 1 May 2011, the beginning of the earliest period reported.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in this financial information of the Pre-existing Group.

Judgements made by the directors in the application of these accounting policies, that have a significant effect on the financial information and estimates with a significant risk of material adjustment in the next year are discussed in note 18.

#### **1.1 Transition to Adopted IFRSs**

The Pre-existing Group is preparing its financial information in accordance with Adopted IFRSs for the first time and consequently has applied IFRS 1. An explanation of how the transition to Adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Pre-existing Group is provided in note 22.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in this financial information:

- Business combinations – Business combinations that took place prior to 1 May 2011 have not been restated.

#### **1.2 Measurement convention**

The financial information has been prepared on the historical cost basis except where Adopted IFRSs require an alternative treatment. The principal variations relate to investment property carried at fair value as referred to in note 1.9.

#### **1.3 Going concern**

The LLP is financed by capital introduced by each member and all member drawings are made subject to the cash requirements of the business. The members have a reasonable expectation that the LLP has adequate resources to continue in operational existence in the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the financial statements.

#### **1.4 Basis of consolidation**

##### *Subsidiaries*

Subsidiaries are entities controlled by the Pre-existing Group. The Pre-existing 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 Pre-existing Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### **1.5 Foreign currency**

Transactions in foreign currencies are translated to the functional currency of the Pre-existing Group at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet 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 Pre-existing Group's presentational currency, sterling, at foreign exchange rates ruling at the balance sheet 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.

#### **1.6 Classification of financial instruments issued by the Pre-existing Group**

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

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

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

#### **1.7 Non derivative financial instruments**

##### *Financial Assets*

The Pre-existing Group's financial assets include investments, cash and cash equivalents and trade and other receivables. All financial assets are recognised when the Pre-existing Group 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. Fair value changes in respect of financial assets held are recognised in the consolidated income statement.

##### *(ii) Trade and other receivables*

Trade and other receivables (except unbilled amounts for client work) are recognised and carried at original invoice amount less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Pre existing Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, and is recognised in the statement of profit and loss in administrative expenses.

##### *(iii) Unbilled amounts for client work (work in progress)*

Work in progress is valued at the lower of cost and net realisable value. Cost includes direct labour and an attributable proportion of overheads based on normal levels of activity. Cost of work in progress excludes any valuation of member time and is defined as the employment cost of staff plus direct expenses and overheads related to both staff and member time.

Full provision is made for losses on contracts in the year in which the loss is first foreseen. Costs in respect of conditional or contingent fee engagements are fully provided for as incurred to the extent they exceed any agreed minimum fee. Once the conditional or contingent event occurs, the associated revenue is recognised.

##### *(iv) Cash and cash equivalents*

Cash and cash equivalents includes cash in hand and deposits held on 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.

*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 Pre-existing Group after deducting all of its liabilities.

The Pre-existing Group’s financial liabilities comprise trade and other payables, borrowings, members’ capital and amounts due to members. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(i) *Bank borrowings*

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

Financial expenses comprise interest expense on borrowings and the cost of foreign currency forward contracts.

(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) *Amounts due to members*

Current amounts due to members are stated at their nominal value, as this approximates to amortised cost.

Certain profits are allocated in accordance with the Members’ Agreement and fixed profit share arrangements with the balance of profits being allocated by the Strategic Board between members. Members receive drawings on account of profits throughout the year in amounts determined by the Strategic Board. Allocated and unallocated but undistributed profits are included in “Loans and other debts due to members” and rank alongside ordinary creditors in the event of a winding up.

**1.8 Property, plant and equipment**

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

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

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

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

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

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

**1.9 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. Rental income from investment property is accounted for on a straight-line basis after the lease term.

### **1.10 Impairment excluding investment properties**

#### *Financial assets (including receivables)*

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

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

### **1.11 Employee benefits**

#### *Defined contribution plans*

The 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 income statement 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 Pre-existing 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.

### **1.12 Professional Indemnity Provisions**

A provision is recognised in the balance sheet when the Pre-existing Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Where material, the impact of the time value of money is taken into account by discounting the expected future cash flow at a pre-tax rate, which reflects risks specific to the liability.

Insurance cover is maintained in respect of professional negligence claims. This cover is principally written through insurance companies with a coverage of up to £150 million for each claim. Premiums are expensed as they fall due with prepayments or accruals being recognised accordingly.

In the event the insurance companies cannot settle the full liability, the liability will revert to the Pre-existing Group.

### **1.13 Revenue recognition**

#### *Revenue*

Revenue represents the fair value of the consideration receivable in respect of professional services provided during the year, inclusive of recoverable expenses incurred on client assignments but excluding value added tax. Where the outcome of a transaction can be estimated reliably, revenue associated with the transaction is recognised in the income statement by reference to the stage of completion at the year end, provided that a right to consideration has been obtained through performance. Consideration accrues as contract activity progresses by reference to the value of work performed.

Where the outcome of a transaction cannot be estimated reliably, revenue is recognised only to the extent that the costs of providing the service are recoverable. No revenue is recognised where there are significant uncertainties regarding recovery of the consideration due or where the right to receive payment is contingent on events outside the control of the group. Amounts deemed to be recoverable on the engagement (on the basis above) are recognised in unbilled revenue (not yet billed).



Expected losses are recognised as soon as they become probable based on latest estimates of revenue and costs.

Unbilled revenue is included in trade and other receivables as 'Unbilled revenue'. Amounts billed on account in excess of the amounts recognised as revenue are included in 'Trade and other payables'.

Recoverable expenses and disbursements represent charges from other professional service firms, sub-contractors and out of pocket expenses incurred in respect of assignments and expected to be recovered from clients.

Rental income is recognised on a straight line basis over the lease term.

#### **1.14 Operating lease payments**

Payments made under operating leases are recognised in the statement of profit and loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of profit and loss as an integral part of the total lease expense.

#### **1.15 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.

#### **1.16 Taxation**

The taxation payable on the Pre-existing Group's profits is the personal liability of the members and, consequently, neither taxation nor related deferred taxation is accounted for in this financial information. Amounts retained for tax are treated in the same way as other profits of the LLP and so are included in "Members' interests" or in "Loans and other debts due to members" depending on whether or not division of profits has occurred.

#### **1.17 Non-controlling interests**

Non-controlling interests represent the share of the profits less losses on ordinary activities attributable for discretionary division to the members of subsidiaries which are not wholly owned by the Pre-existing Group.

#### **1.18 Divisible profits and partners' and members' remuneration**

Remuneration which is paid to salaried partners (who are not members) under an employment contract is expensed to the profit and loss account in arriving at the result before members' remuneration and profit shares.

Members' fixed shares of profits which are automatically allocated are treated as members' profit share and are charged as an expense to the profit and loss account in arriving at results available for discretionary division among members.

#### **1.19 Adopted IFRS not yet applied**

The Pre-existing Group has adopted the following new standards and interpretations:

- IFRS 10 Consolidated financial statements: This standard provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC-12.
- IFRS 11 Joint Arrangements: This standard carves out from IAS 31, those cases in which there is a separate vehicle but that separation is overcome by form, contract or other facts and circumstances and removes the choice of equity or proportionate accounting for jointly controlled entities (as was under IAS 31).
- IFRS 12 Disclosure of Interests in Other Entities: Contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities.

- IAS 27 Separate Financial Statements 2011: IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements, with some minor clarifications.
- IAS 28 Investments in Associates and Joint Ventures 2011: Amendments relating to held for sale interests and changes of classification.
- Amendments to IAS 32 and IFRS 7 for Offsetting Financial Assets and Financial Liabilities: Amendments to clarify offsetting criteria and specific disclosures.

The adoption of the new standards and amendments above have had no significant impact.

## 2. Operating segments

The Chief Operating Decision Maker (“CODM”) is the Strategic Board. The Pre-existing Group have the following five strategic business groups, which are its reportable segments. These business groups offer different products and services and are reported separately because of different specialisms from the legal teams in those business groups.

The following summary describes the operations of each reportable segment:

<i>Reportable segment</i>	<i>Operations</i>
Banking and Financial Services	Provision of legal advice in respect of Asset Finance, Banking and Corporate Recovery services
Corporate	Provision of legal advice in respect of Corporate, Family, Private Client and Taxation services
Business Services	Provision of legal advice in respect of Commercial Dispute Resolution, Regulatory, Shipping, Transport and Insurance services
Employees, Pensions and Benefits	Provision of legal advice in respect of Employment and Pension services
Property	Provision of legal advice in respect of Construction, Planning, Real Estate and Residential Development services

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

	<i>Year to</i>	<i>Year to</i>	<i>Year to</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>30/4/12</i>	<i>30/4/13</i>	<i>30/4/14</i>	<i>6 months</i>	<i>6 months</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>31/10/13</i>	<i>31/10/14</i>
				<i>£'000</i>	<i>£'000</i>
United Kingdom	42,652	49,567	52,072	22,359	25,588
Europe	1,541	1,124	1,164	370	521
Middle East	54	304	654	190	300
North and South America	355	153	369	37	57
Asia	687	194	183	92	141
Other	24	30	174	38	65
	<u>45,313</u>	<u>51,372</u>	<u>54,616</u>	<u>23,086</u>	<u>26,672</u>

## Operating segments

	<i>Banking and Financial Services</i>	<i>Corporate</i>	<i>Business Services</i>	<i>Employees Pensions and Benefits</i>	<i>Property Group</i>	<i>Total segments</i>	<i>Other revenue, expenses and movement in unbilled revenue</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>6 months to 31/10/14</b>								
Segment revenue	4,818	4,261	4,023	3,129	8,889	25,120	1,552	26,672
Segmental Contribution (as reported internally)	2,722	2,397	2,675	1,958	5,437	15,189	1,552	16,741
Costs not allocated to segments	-	-	-	-	-	-	-	(8,017)
Net financial income	-	-	-	-	-	-	-	15
Profit for the financial year before members' remuneration and profit shares	-	-	-	-	-	-	-	8,739
<b>6 months to 31/10/13</b>								
Segment revenue	4,301	3,489	3,592	3,040	7,521	21,943	1,143	23,086
Segmental Contribution (as reported internally)	2,378	1,856	1,993	1,967	4,388	12,582	1,143	13,725
Costs not allocated to segments	-	-	-	-	-	-	-	(7,154)
Net financial expense	-	-	-	-	-	-	-	(23)
Profit for the financial year before members' remuneration and profit shares	-	-	-	-	-	-	-	6,548
<b>12 months to 30/04/14</b>								
Segment revenue	10,903	8,761	9,015	6,348	17,290	52,319	2,297	54,616
Segmental Contribution (as reported internally)	6,572	5,180	5,476	3,945	10,131	31,304	2,297	33,601
Costs not allocated to segments	-	-	-	-	-	-	-	(13,529)
Net financial expense	-	-	-	-	-	-	-	(19)
Profit for the financial year before members' remuneration and profit shares	-	-	-	-	-	-	-	20,053
<b>12 months to 30/04/13</b>								
Segment revenue	10,264	8,895	9,717	6,867	13,770	49,513	1,859	51,372
Segmental Contribution (as reported internally)	6,476	5,184	6,486	4,366	7,041	29,553	1,859	31,412
Costs not allocated to segments	-	-	-	-	-	-	-	(14,446)
Net financial expense	-	-	-	-	-	-	-	(163)
Profit for the financial year before members' remuneration and profit shares	-	-	-	-	-	-	-	16,803
<b>12 months to 30/04/12</b>								
Segment revenue	8,634	8,298	7,441	7,062	13,366	44,801	512	45,313
Segmental Contribution (as reported internally)	5,328	4,580	4,272	4,666	7,227	26,073	512	26,585
Costs not allocated to segments	-	-	-	-	-	-	-	(17,470)
Net financial expense	-	-	-	-	-	-	-	(128)
Profit for the financial year before members' remuneration and profit shares	-	-	-	-	-	-	-	8,987

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

### 3. Earnings per share

Due to the historical capital structure of the group it is not possible to provide a meaningful earnings per share calculation.

### 4. Other operating income

	Year to 30/4/12 £'000	Year to 30/4/13 £'000	Year to 30/4/14 £'000	Unaudited 6 months 31/10/13 £'000	6 months 31/10/14 £'000
Rental income	309	331	267	147	189
Other income	–	265	–	–	–
Gateley (Manchester) LLP income	–	–	151	24	20
	<u>309</u>	<u>596</u>	<u>418</u>	<u>171</u>	<u>209</u>

### 5. Expenses and auditor's remuneration

Included in profit/loss are the following:

	Year to 30/4/12 £'000	Year to 30/4/13 £'000	Year to 30/4/14 £'000	Unaudited 6 months 31/10/13 £'000	6 months 31/10/14 £'000
Depreciation on owned assets	966	988	873	441	337
Depreciation on assets held under finance leases		76	103	51	51
Operating lease costs on fixed assets	232	209	322	151	156
Operating lease costs on property	2,233	2,469	2,549	1,243	1,228
Other operating income – rent received	(309)	(331)	(267)	(147)	(189)
Foreign exchange losses/(gains)	10	(9)	13	–	–
Profit on sale of fixed assets	–	4	2	–	–
	<u>966</u>	<u>988</u>	<u>873</u>	<u>441</u>	<u>337</u>

#### Auditor's remuneration

	Year to 30/4/12 £'000	Year to 30/4/13 £'000	Year to 30/4/14 £'000	Unaudited 6 months 31/10/13 £'000	6 months 31/10/14 £'000
Audit of the financial statements	52	49	45	25	22
Amounts receivable by the company's auditor and its associates in respect of:					
Audit of financial information of subsidiaries of the company	8	13	14	7	7
Other auditing services pursuant to legislation	30	30	25	15	13
Partnership and partners' individual tax compliance fees	37	63	67	32	33
Taxation and business advisory services	30	39	14	20	7
	<u>52</u>	<u>49</u>	<u>45</u>	<u>25</u>	<u>22</u>

## 6. Members and employee information

The average number of persons employed by the Pre-existing Group (including members) during the year, analysed by category, was as follows:

	<i>Number of employees</i>				
	<i>Year to</i> 30/4/12	<i>Year to</i> 30/4/13	<i>Year to</i> 30/4/14	<i>Unaudited</i> 6 months 31/10/13	<i>6 months</i> 31/10/14
Members	82	88	92	90	90
Legal staff	244	269	281	276	277
Administrative staff	204	213	216	220	210
	<u>530</u>	<u>570</u>	<u>589</u>	<u>586</u>	<u>577</u>

The aggregate payroll costs of these persons (excluding members) were as follows:

	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Wages and salaries	16,428	17,948	17,631	8,725	9,352
Social security costs	1,671	1,711	1,721	880	937
Pension costs	395	394	433	215	252
Gateley (Manchester) LLP members' remuneration charged as an expense	4,386	–	–	–	–
	<u>22,880</u>	<u>20,053</u>	<u>19,785</u>	<u>9,820</u>	<u>10,541</u>

In the year ended 30 April 2012 the Pre-existing Group included Gateley (Manchester) LLP, a 51 per cent. owned subsidiary, which subsequently merged its trade, assets and liabilities into Gateley LLP. Prior to this merger and due to the fact that the 49 per cent. owning members of Gateley (Manchester) LLP were not members of Gateley LLP, their profit share was disclosed as remuneration in the consolidated income statements as a personnel cost.

	<i>Unaudited</i>				
	<i>Year to</i> 30/4/12 <i>£'000</i>	<i>Year to</i> 30/4/13 <i>£'000</i>	<i>Year to</i> 30/4/14 <i>£'000</i>	<i>6 months</i> 31/10/13 <i>£'000</i>	<i>6 months</i> 31/10/14 <i>£'000</i>
Members' profit share charged as an expense	9,134	17,110	20,426	4,082	3,976
	<u>9,134</u>	<u>17,110</u>	<u>20,426</u>	<u>4,082</u>	<u>3,976</u>

Profits are shared amongst members in accordance with agreed profit sharing arrangements noted above. The share attributable to the member with the largest entitlement was £570,429 (2013: £566,177; 2012: £365,532). The average profit per member was £222,017 (2013: £194,425; 2012: £164,880).

## 7. Financial income and expense

### Recognised in profit and loss

	Year to 30/4/12 £'000	Year to 30/4/13 £'000	Year to 30/4/14 £'000	Unaudited 6 months 31/10/13 £'000	6 months 31/10/14 £'000
<i>Financial income</i>					
Interest income on unimpaired financial assets	25	56	184	76	105
<b>Total finance income</b>	<b>25</b>	<b>56</b>	<b>184</b>	<b>76</b>	<b>105</b>
<i>Financial expense</i>					
Interest expense on bank borrowings measured at amortised cost	(153)	(204)	(195)	(95)	(86)
Interest payable on finance leases	–	(15)	(8)	(4)	(4)
<b>Total financial expense</b>	<b>(153)</b>	<b>(219)</b>	<b>(203)</b>	<b>(99)</b>	<b>(90)</b>

## 8. Property, plant and equipment

	Leasehold improvements £'000	Equipment £'000	Fixtures and fittings £'000	Total £'000
<b>Cost</b>				
Balance at 1 May 2011	92	4,606	3,574	8,272
Additions	–	652	169	821
Balance at 30 April 2012	92	5,258	3,743	9,093
Balance at 1 May 2012	92	5,258	3,743	9,093
Additions	76	299	137	512
Disposals	(46)	(122)	(44)	(212)
Balance at 30 April 2013	122	5,435	3,836	9,393
Balance at 1 May 2013	122	5,435	3,836	9,393
Additions	–	213	344	557
Disposals	–	(124)	–	(124)
Balance at 30 April 2014	122	5,524	4,180	9,826
<b>Depreciation and impairment</b>				
Balance at 1 May 2011	17	3,259	2,290	5,566
Depreciation charge for the year	11	554	401	966
Balance at 30 April 2012	28	3,813	2,691	6,532
Balance at 1 May 2012	28	3,813	2,691	6,532
Depreciation charge for the year	12	722	330	1,064
Disposals	(22)	(94)	(58)	(174)
Balance at 30 April 2013	18	4,441	2,963	7,422
Balance at 1 May 2013	18	4,441	2,963	7,422
Depreciation charge for the year	5	605	358	968
Disposals	–	(116)	–	(116)
Balance at 30 April 2014	23	4,930	3,321	8,274
<b>Net book value</b>				
At 1 May 2011	75	1,347	1,284	2,706
At 30 April 2012 and 1 May 2012	64	1,445	1,052	2,561
At 30 April 2013 and 1 May 2013	104	994	873	1,971
<b>At 30 April 2014</b>	<b>99</b>	<b>594</b>	<b>859</b>	<b>1,552</b>

<b>Cost</b>				
Balance at 1 May 2014	122	5,524	4,180	9,826
Additions	–	220	279	499
Balance at 31 October 2014	<u>122</u>	<u>5,744</u>	<u>4,459</u>	<u>10,325</u>
<b>Depreciation and impairment</b>				
Balance at 1 May 2014	23	4,930	3,321	8,274
Depreciation charge for the period	2	196	190	388
Balance at 31 October 2014	<u>25</u>	<u>5,126</u>	<u>3,511</u>	<u>8,662</u>
<b>Net book value</b>				
At 1 May 2014	<u>99</u>	<u>594</u>	<u>859</u>	<u>1,552</u>
<b>At 31 October 2014</b>	<u>97</u>	<u>618</u>	<u>948</u>	<u>1,663</u>

At the period end, the assets held under finance lease are: 30 April 2012, £304,000; 30 April 2013, £203,000; 31 October 2013, £152,000; 30 April 2014, £101,000; 31 October 2014, £51,000.

## 9. Investment property

	<i>Year to 30/4/12 £'000</i>	<i>Year to 30/4/13 £'000</i>	<i>Year to 30/4/14 £'000</i>	<i>6 months 31/10/14 £'000</i>
Balance at beginning of year/period	172	172	172	164
Fair value adjustments (unrealised)	–	–	(8)	(4)
Balance at beginning of year/period	<u>172</u>	<u>172</u>	<u>164</u>	<u>160</u>

## 10. Investments

The Pre-existing Group holds an external investment for £30,000 (2012, 2013: £30,000), this investment represents a holding in Mantua Capital (UK) LP.

### **Investments in subsidiaries**

The Pre-existing Group has effective control of the following:

<i>LLP</i>	<i>Country of incorporation</i>	<i>Proportion held during 2012, 2013, 2014, 6 months to 31/10/14</i>	<i>Nature of business</i>
Gateley (Manchester) LLP	England and Wales	51%	Non-trading
Gateley (UK) LLP	England and Wales	**	Legal services (Dubai)
Entrust Pension Limited *	England and Wales	100%	Independent trustees of pension schemes
HCT Consultancy Limited *	England and Wales	100%	Non-trading
Gateley Investments Limited	England and Wales	100%	Holding company

\* these investments are indirectly held

\*\* equity partners of Gateley LLP as individuals are members of this entity, although effective control is held by Gateley LLP

**Non controlling interests**

	Year to 1/5/11 £'000	Year to 30/4/12 £'000	Year to 30/4/13 £'000	Year to 30/4/14 £'000
At beginning of year	–	(52)	(52)	(13)
Transferred from Gateley (Manchester) LLP	–	–	52	–
Profits owed to Gateley (Manchester) LLP only members	(52)	–	(13)	13
At end of year	<u>(52)</u>	<u>(52)</u>	<u>(13)</u>	<u>–</u>

**11. Trade and other receivables**

	1/5/11 £'000	30/4/12 £'000	30/4/13 £'000	30/4/14 £'000	31/10/14 £'000
Trade receivables	14,566	14,146	16,339	19,031	15,304
Unbilled revenue	8,070	6,488	6,841	7,269	8,230
Prepayments and accrued income	2,720	2,333	2,688	2,648	1,627
Other debtors	–	43	6	–	–
Total	<u>25,356</u>	<u>23,010</u>	<u>25,874</u>	<u>28,948</u>	<u>25,161</u>

All trade receivables are due within one year.

**Movement in the allowance for doubtful receivables**

	30/4/12 £'000	30/4/13 £'000	30/4/14 £'000	31/10/14 £'000
Brought forward provision	(1,207)	(1,424)	(1,820)	(1,911)
Provision utilised	149	207	174	153
Charged to income	(576)	(996)	(652)	(551)
Provisions released	210	393	387	437
	<u>(1,424)</u>	<u>(1,820)</u>	<u>(1,911)</u>	<u>(1,872)</u>

These balances are held against trade receivables.

**Ageing of trade receivables**

	30/4/12 £'000	30/4/13 £'000	30/4/14 £'000	31/10/14 £'000
Not past due	10,749	12,725	14,109	10,444
Past due 0-30 days	812	1,289	2,169	850
Past due 31-120 days	1,565	751	1,229	1,285
Past due greater than 120 days	1,020	1,574	1,524	2,725
	<u>14,146</u>	<u>16,339</u>	<u>19,031</u>	<u>15,304</u>

The carrying amount of financial assets recorded in this financial information, which is net of any impairment losses, represents the Pre-existing Group's maximum exposure to credit risk. Financial assets include client and other receivables and cash. The Pre-existing Group does not hold collateral over these balances.



## 12. Other interest-bearing loans and borrowings

The contractual terms of the Pre-existing Group's interest-bearing loans and borrowings, which are measured at amortised cost are described below. For more information about the Pre-existing Group's exposure to interest rate and foreign currency risk, see note 15.

	2012		2013		2014		31/10/14	
	Fair value £'000	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000	Carrying amount £'000
<b>Current liabilities</b>								
Unsecured bank loan	–	–	250	250	333	333	–	–
Finance lease obligations	304	304	209	209	133	133	76	76

The overdraft facilities are repayable on demand and have remained at a maximum of £6 million since 20 July 2011.

Included within trade and other payables are gross finance lease liabilities.

## 13. Trade and other payables

	1/5/11 £'000	30/4/12 £'000	30/4/13 £'000	30/4/14 £'000	31/10/14 £'000
<b>Current</b>					
Trade payables	3,772	3,532	4,135	4,479	3,068
Other taxation and social security payable	3,005	2,757	2,890	3,227	2,212
Other payables	5,865	1,340	160	173	271
Accruals and deferred income	2,303	3,692	4,725	5,577	4,975
Obligations under finance leases	–	304	209	133	76
	<u>14,945</u>	<u>11,625</u>	<u>12,119</u>	<u>13,589</u>	<u>10,602</u>
<b>Non-current</b>					
Other payables	<u>732</u>	<u>601</u>	<u>453</u>	<u>304</u>	<u>–</u>

## 14. Provisions

	Professional indemnity			
	30/4/12 £'000	30/4/13 £'000	30/4/14 £'000	31/10/14 £'000
At beginning of period	78	329	700	467
Provisions made during the period	251	439	284	405
Provisions utilised during the period	–	(68)	(377)	–
Provisions reversed during the period	–	–	(140)	–
<b>At end of period</b>	<u>329</u>	<u>700</u>	<u>467</u>	<u>872</u>
Non-current	231	492	328	612
Current	98	208	139	260
	<u>329</u>	<u>700</u>	<u>467</u>	<u>872</u>

The professional indemnity provision represents amounts equal to the insurance excesses payable on outstanding claims against the LLP which are covered by the LLP's professional indemnity insurance policy.

## **15. Financial instruments and related disclosures**

### ***Financial risk management***

The members have overall responsibility for the oversight of the Pre-existing 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 directors, who also monitor the status of agreed actions to mitigate key risks.

The management's objective in managing financial risks is to ensure the long term sustainability of the Pre existing Group.

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

### ***Credit risk***

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

### ***Liquidity risk***

Liquidity risk is the risk that the Pre-existing Group will not be able to meet its financial obligations as they fall due. The Pre-existing 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 available to meet the cash requirements of the Pre-existing Group.

Gateley LLP is financed through a combination of partners' capital, undistributed profits and tax retentions. The Board reviewed the projected financing requirements annually when agreeing the Pre-existing 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 Pre-existing 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 the market prices, such as foreign exchange rates and interest rates will affect the Pre-existing Group's income. The Pre-existing Group's exposure to market risk predominantly relates to interest and currency risk.

### ***Interest rate risk***

The Pre-existing Group's bank borrowings incur variable interest rate charges linked to LIBOR plus a margin.

### ***Foreign currency risk***

The Pre-existing Group has one overseas operation based in Dubai which, therefore, exposes the Pre existing Group to changes in Sterling/Dirham exchange rates. Due to the current size of the overseas operation management do not consider this to be a significant risk to the Pre-existing Group.

### ***Fair value disclosures***

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

Trade receivables, trade payables, short term deposits and borrowings

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

Long term borrowings

The fair value of bank loans and other loans approximates to the carrying value reported in the balance sheet.

### **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); and
- 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):

	<i>Year to</i> <i>30/4/12</i> <i>£'000</i>	<i>Year to</i> <i>30/4/13</i> <i>£'000</i>	<i>Year to</i> <i>30/4/14</i> <i>£'000</i>	<i>6 months to</i> <i>31 October</i> <i>2014</i> <i>£'000</i>
Cash and cash equivalents	629	440	1,994	4,223
Trade and other receivables	14,146	16,339	19,031	15,304
Total financial assets	<u>14,775</u>	<u>16,779</u>	<u>21,025</u>	<u>19,527</u>
Trade and other payables	(12,226)	(12,572)	(13,893)	(10,662)
Borrowings at amortised cost	(974)	(715)	(333)	–
Insert amounts due to members classified as a liability	<u>(9,670)</u>	<u>(5,060)</u>	<u>(18,928)</u>	<u>(15,933)</u>
Total financial liabilities	<u><u>(22,870)</u></u>	<u><u>(18,347)</u></u>	<u><u>(33,154)</u></u>	<u><u>(26,595)</u></u>

### **Financial instruments sensitivity analysis**

In managing interest rate and currency risks the Pre-existing 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 Pre-existing 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 per cent. The impact on the results in the statement of profit and loss and other comprehensive income and equity would be:

	<i>Year to</i> <i>30/4/12</i> <i>Increase/</i> <i>(decrease)</i> <i>in equity</i> <i>£'000</i>	<i>Year to</i> <i>30/4/13</i> <i>Increase/</i> <i>(decrease)</i> <i>in equity</i> <i>£'000</i>	<i>Year to</i> <i>30/4/14</i> <i>Increase/</i> <i>(decrease)</i> <i>in equity</i> <i>£'000</i>	<i>6 months to</i> <i>31 October</i> <i>2014</i> <i>Increase/</i> <i>(decrease)</i> <i>in equity</i> <i>£'000</i>
+1 % movement in interest rates	N/A	1	5	1
-1 % movement in interest rates	<u>N/A</u>	<u>(5)</u>	<u>(2)</u>	<u>–</u>

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

### Foreign exchange rate sensitivity analysis

The Pre-existing Group had the following net currency denominated financial instruments at period end:

	Year to 30/4/12 £'000	Year to 30/4/13 £'000	Year to 30/4/14 £'000	6 months to 31 October 2014 £'000
Total	<u>35</u>	<u>70</u>	<u>178</u>	<u>156</u>

The effect of foreign currency fluctuations on this financial information in the opinion of the members is immaterial.

### 16. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings			6 months to
	Year to 30/4/12 £'000	Year to 30/4/13 £'000	Year to 30/4/14 £'000	31 October 2014 £'000
Less than one year	2,303	2,517	2,471	2,595
Between one and five years	8,074	9,369	9,705	10,434
More than five years	18,028	19,265	17,376	17,585
	<u>28,405</u>	<u>31,151</u>	<u>29,552</u>	<u>30,614</u>

	Other			6 months to
	Year to 30/4/12 £'000	Year to 30/4/13 £'000	Year to 30/4/14 £'000	31 October 2014 £'000
Less than one year	152	291	295	287
Between one and five years	248	767	583	470
More than five years	–	3	2	–
	<u>400</u>	<u>1,061</u>	<u>880</u>	<u>757</u>

### 17. Related parties

Gateley LLP entered into a lease agreement on 25 December 2013 for the Leicester office, in which some of the partners have a beneficial interest. The annual rent charge under the lease is £90,000 (2013: £145,000; 2012: £145,000) charge for the 6 months to 31 October 2014 of £47,500 (6 months to 31 October 2013: £72,500) and the amounts outstanding at the year end are £Nil (2013: £Nil; 2012: £Nil) and at 31 October 2014 are £nil.

### Compensation paid to key management personnel

The key management personnel comprise the Strategic Board who make any final key decisions.

Compensation paid to key management personnel is as follows: 31 October 2014, £2,016,836; 30 April 2014, £3,347,445; 31 October 2013, £1,673,723; 30 April 2013, £2,942,603; 30 April 2012, £1,882,883.

## 18. Accounting estimates and judgements

The preparation of consolidated financial information under IFRS's requires management to make estimates and assumptions which affect the financial information. The key estimates and assumptions relate to the impairment assessment of client receivables, professional indemnity provisions and the fair value of unbilled revenue on client assignments.

### **Impairment assessment of client receivables**

The total carrying amount of trade receivables and unbilled revenue on client assignment is held net of impairment losses after consideration is given to the clients' willingness to pay those amounts accrued.

### **Professional indemnity provisions**

The Pre-existing Group occasionally receives claims in respect of professional service matters. It defends such claims where appropriate but makes a provision for possible amounts considered likely to be payable, up to the deductible amount under the Pre-existing Group's related insurance arrangements.

### **Unbilled revenue on client assignments**

In calculating revenue on service contracts, the Pre-existing Group makes certain estimates as to the stage of completion of those contracts. In doing so, the Pre-existing Group estimates the remaining time and external costs to be incurred in completing contracts and clients' willingness and ability to pay for the services provided.

## 19. Members interests

Members' interests comprise other reserves, members' capital and other amounts due to/(from) members as follows:

### **Pre-existing Group**

	<i>Members' classified as a liability</i> £'000	<i>Other amounts due to members</i> £'000	<i>Other reserves</i> £'000	<i>Total members' interests</i> £'000
At 1 May 2011	3,070	7,875	(106)	10,839
Profit for the financial year available for division among members	–	9,134	(147)	8,987
Members' capital introduced	279	–	–	279
Members' capital repaid	(65)	–	–	(65)
Drawings and distributions	–	(10,623)	–	(10,623)
<b>At 30 April 2012</b>	<b>3,284</b>	<b>6,386</b>	<b>(253)</b>	<b>9,417</b>

	<i>Members' classified as a liability</i> £'000	<i>Other amounts due to members</i> £'000	<i>Other reserves</i> £'000	<i>Total members' interests</i> £'000
At 1 May 2012	3,284	6,386	(253)	9,417
Transferred from minority interested parties (Gateley (Manchester) LLP)	4,000	379	–	4,379
Profit for the financial year available for division among members	–	17,110	(307)	16,803
Members' capital introduced	502	–	–	502
Members' capital repaid	(268)	–	–	(268)
Drawings and distributions	–	(16,333)	–	(16,333)
<b>At 30 April 2013</b>	<b>7,518</b>	<b>7,542</b>	<b>(560)</b>	<b>14,500</b>

	<i>Members' classified as a liability £'000</i>	<i>Other amounts due to members £'000</i>	<i>Other reserves £'000</i>	<i>Total members' interests £'000</i>
At 1 May 2013	7,518	7,542	(560)	14,500
Profit for the financial year available for division among members	–	20,426	(373)	20,053
Members' capital introduced	949	–	–	949
Members' capital repaid	(2,423)	–	–	(2,423)
Drawings and distributions	–	(15,084)	–	(15,084)
<b>At 30 April 2014</b>	<u>6,044</u>	<u>12,884</u>	<u>(933)</u>	<u>17,995</u>

	<i>Members' classified as a liability £'000</i>	<i>Other amounts due to members £'000</i>	<i>Other reserves £'000</i>	<i>Total members' interests £'000</i>
At 1 May 2014	6,044	12,884	(933)	17,995
Profit for the financial year available for division among members	–	3,976	4,763	8,739
Members' capital introduced	1,380	–	–	1,380
Members' capital repaid	(494)	–	–	(494)
Drawings and distributions	–	(7,857)	–	(7,857)
<b>At 31 October 2014</b>	<u>6,930</u>	<u>9,003</u>	<u>3,830</u>	<u>19,763</u>

## 20. Pensions

The Pre-existing Group participates in a defined contribution scheme operated by Aegon UK plc the assets of which are held separately from the Pre-existing Group. The amounts charged to the profit and loss account in respect of this scheme represent contributions payable in respect of the accounting period. The total annual pension cost for the defined contribution scheme was £433,019 at 30 April 2014 (*30 April 2013: £393,660; 30 April 2012: £395,186*) and the outstanding balance at the year end was £Nil (*30 April 2013: £85,107; 30 April 2012: £66,060*).

For the 6 months ended 31 October 2014 the cost was £252,466 (*6 months to 31 October 2013: £214,804*) and the outstanding balance was £89,554 (*2013: £Nil*).

## 21. Post balance sheet events

On 29 May 2015, with effect from opening of business on 1 May 2015, the entire business, assets and liabilities of Gateley LLP were sold, as a going concern, to Gateley Plc in exchange for shares in Gateley plc (formerly Ensco 1102 Limited). The acquired shares of Gateley plc (formerly Ensco 1102 Limited) were distributed to its members by way of a capital profit distribution as permitted by its Members' agreement. On the same day, all members, except for Michael Ward and Neil Smith, resigned from Gateley LLP, following which Gateley plc (formerly Ensco 1102 Limited) became a partner in Gateley LLP and Neil Smith resigned from Gateley LLP.

## 22. Explanation of transition to Adopted IFRSs

These are the Pre-existing Group's first consolidated financial statements prepared in accordance with Adopted IFRSs.

The accounting policies set out in note 1 and herein have been applied in preparing the financial statements for all periods reported.

In preparing its IFRS balance sheets, the Pre-existing Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP) for the periods ended 30 April 2014, 30 April 2013 and 30 April 2012. An explanation of how the transition from UK GAAP to Adopted IFRSs has affected the Pre-existing Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

The adoption of IFRS represents an accounting change only and does not affect the operations or cash flows of the Pre-existing Group.

### Reconciliation of loss

	Note	Year ended 30 April 2012			Year ended 30 April 2013			Year ended 30 April 2014		
		Effect of transition to			Effect of transition to			Effect of transition to		
		UK GAAP £'000	adopted IFRS £'000	Adopted IFRS £'000	UK GAAP £'000	adopted IFRS £'000	Adopted IFRS £'000	UK GAAP £'000	adopted IFRS £'000	Adopted IFRS £'000
<b>Revenue</b>	b	44,883	430	45,313	50,701	671	51,372	53,842	774	54,616
Other operating income	b	800	(491)	309	1,172	(576)	596	851	(433)	418
Personnel costs		(22,880)	–	(22,880)	(20,053)	–	(20,053)	(19,785)	–	(19,785)
Depreciation and amortisation		(966)	–	(966)	(1,064)	–	(1,064)	(976)	–	(976)
Other operating expenses	a,b	(12,575)	(86)	(12,661)	(13,483)	(402)	(13,885)	(13,487)	(714)	(14,201)
<b>Operating profit</b>		9,262	(147)	9,115	17,273	(307)	16,966	20,445	(373)	20,072
Financial income		25	–	25	56	–	56	184	–	184
Financial expenses		(153)	–	(153)	(219)	–	(219)	(203)	–	(203)
<b>Net financing expense</b>		(128)	–	(128)	(163)	–	(163)	(19)	–	(19)
<b>Profit for the financial year before members' remuneration and profit shares</b>		9,134	(147)	8,987	17,110	(307)	16,803	20,426	(373)	20,053
Members' profit share charged as an expense		(9,134)	–	(9,134)	(17,110)	–	(17,110)	(20,426)	–	(20,426)
<b>(loss)/profit for the financial year after members' remuneration charged as an expense and available for discretionary division amongst members</b>		–	(147)	(147)	–	(307)	(307)	–	(373)	(373)

## Reconciliation of equity

Note	1 May 2011			30 April 2012			30 April 2013			30 April 2014		
	Effect of transition to			Effect of transition to			Effect of transition to			Effect of transition to		
	UK GAAP £'000	adopted IFRS £'000	Adopted IFRS £'000	UK GAAP £'000	adopted IFRS £'000	Adopted IFRS £'000	UK GAAP £'000	adopted IFRS £'000	Adopted IFRS £'000	UK GAAP £'000	adopted IFRS £'000	Adopted IFRS £'000
<b>Non current assets</b>												
Property, plant and equipment	2,706	-	2,706	2,561	-	2,561	1,971	-	1,971	1,552	-	1,552
Investment property	172	-	172	172	-	172	172	-	172	164	-	164
Investments in subsidiaries	-	-	-	30	-	30	30	-	30	30	-	30
Total non current assets	<u>2,878</u>	<u>-</u>	<u>2,878</u>	<u>2,763</u>	<u>-</u>	<u>2,763</u>	<u>2,173</u>	<u>-</u>	<u>2,173</u>	<u>1,746</u>	<u>-</u>	<u>1,746</u>
<b>Current assets</b>												
Trade and other receivables	25,356	-	25,356	23,010	-	23,010	25,874	-	25,874	28,948	-	28,948
Cash and cash equivalents	646	-	646	629	-	629	440	-	440	1,994	-	1,994
Total current assets	<u>26,002</u>	<u>-</u>	<u>26,002</u>	<u>23,639</u>	<u>-</u>	<u>23,639</u>	<u>26,314</u>	<u>-</u>	<u>26,314</u>	<u>30,942</u>	<u>-</u>	<u>30,942</u>
<b>Total assets</b>	<u>28,880</u>	<u>-</u>	<u>28,880</u>	<u>26,402</u>	<u>-</u>	<u>26,402</u>	<u>28,487</u>	<u>-</u>	<u>28,487</u>	<u>32,688</u>	<u>-</u>	<u>32,688</u>
<b>Current liabilities</b>												
Bank overdraft	(1,125)	-	(1,125)	(974)	-	(974)	(465)	-	(465)	-	-	-
Other interest bearing loans and borrowings	-	-	-	-	-	-	(250)	-	(250)	(333)	-	(333)
Trade and other payables	a (14,839)	(106)	(14,945)	(11,372)	(253)	(11,625)	(11,559)	(560)	(12,119)	(12,656)	(933)	(31,589)
Provisions	(23)	-	(23)	(98)	-	(98)	(208)	-	(208)	(139)	-	(139)
Individual members' capital classified as a liability	(3,070)	-	(3,070)	(3,284)	-	(3,284)	(7,518)	-	(7,518)	(6,044)	-	(6,044)
Amounts due to members	(7,875)	-	(7,875)	(6,386)	-	(6,386)	(7,542)	-	(7,542)	(12,884)	-	(12,884)
Liabilities due to members of Gateley (Manchester) LLP	(1,213)	-	(1,213)	(3,508)	-	(3,508)	(13)	-	(13)	-	-	-
Total current liabilities	<u>(28,145)</u>	<u>(106)</u>	<u>(28,251)</u>	<u>(25,622)</u>	<u>(253)</u>	<u>(25,875)</u>	<u>(27,553)</u>	<u>(560)</u>	<u>(28,115)</u>	<u>(32,056)</u>	<u>(933)</u>	<u>(32,989)</u>



## Reconciliation of equity

Note	1 May 2011			30 April 2012			30 April 2013			30 April 2014			
	Effect of transition to			Effect of transition to			Effect of transition to			Effect of transition to			
	UK GAAP £'000	adopted IFRS £'000	Adopted IFRS £'000	UK GAAP £'000	adopted IFRS £'000	Adopted IFRS £'000	UK GAAP £'000	adopted IFRS £'000	Adopted IFRS £'000	UK GAAP £'000	adopted IFRS £'000	Adopted IFRS £'000	
<b>Non current liabilities</b>													
Other interest bearing loans and borrowings	-	-	-	-	-	-	-	-	-	-	-	-	
Other payables	(732)	-	(732)	(601)	-	(601)	(453)	-	(453)	(304)	-	(304)	
Provisions	(55)	-	(55)	(231)	-	(231)	(492)	-	(492)	(328)	-	(328)	
Total non current liabilities	(787)	-	(787)	(832)	-	(832)	(945)	-	(945)	(632)	-	(632)	
<b>Total liabilities</b>	<b>(28,932)</b>	<b>(106)</b>	<b>(29,038)</b>	<b>(26,454)</b>	<b>(253)</b>	<b>(26,707)</b>	<b>(28,500)</b>	<b>(560)</b>	<b>(29,060)</b>	<b>(32,688)</b>	<b>(933)</b>	<b>(33,621)</b>	
<b>Net (liabilities)/assets</b>	<b>(52)</b>	<b>(106)</b>	<b>(158)</b>	<b>(52)</b>	<b>(253)</b>	<b>(305)</b>	<b>(13)</b>	<b>(560)</b>	<b>(573)</b>	<b>-</b>	<b>(933)</b>	<b>(933)</b>	
<b>Equity</b>													
Other reserves classified as equity being equity attributable to members	a	-	(106)	(106)	-	(253)	(253)	-	(560)	(560)	-	(933)	(933)
Non-controlling interests		(52)	-	(52)	(52)	-	(52)	(19)	-	(13)	-	-	-
		(52)	(106)	(158)	(52)	(253)	(305)	(19)	(560)	(573)	-	(933)	(933)
<b>Total members' interests</b>													
Members' capital classified as a liability		10,945	-	10,945	9,670	-	9,670	15,060	-	15,060	18,928	-	18,928
Other reserves classified as equity	a	-	(106)	(106)	-	(253)	(253)	-	(560)	(560)	-	(933)	(933)
Total current liabilities		10,945	(106)	10,839	9,670	(253)	9,417	15,060	(560)	14,500	18,923	(933)	17,995

## Notes to the reconciliations

### Explanation of significant adjustments on transition to Adopted IFRSs

#### (a) Leases (IAS 17, SIC 15)

Under UK GAAP, operating leases incentives were recognised in the profit and loss account over the period to the first rent review. In accordance with Adopted IFRS, lease incentives are now recognised in the Statement of profit and loss over the full term of the lease.

#### (b) Reclassifications

The following presentational changes have been made as a result of the conversion to Adopted IFRSs:

- Expenses recharged to clients have been reclassified from other operating income to turnover in accordance with IAS 18.

### Cash flow statement

There are no significant differences between the cash flow statements as presented under Adopted IFRSs and under UK GAAP.

## **PART IV**

### **UNAUDITED PRO FORMA STATEMENT OF NET ASSETS**

Set out below is an unaudited pro forma statement of net assets for the Group as at 31 October 2014. It has been prepared on the basis set out in the notes below to illustrate the effect of Admission and the Placing described in Part I, as if both had occurred as at 31 October 2014. It has been prepared for illustrative purposes only. Because of its nature, the pro forma statement of net assets addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. It is based on the audited consolidated net assets of the Group as at 31 October 2014 as shown in section B of Part III of this document. Shareholders should read the whole of this document and not rely solely on the summarised financial information contained in this Part IV.

**(A) UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP**

		<i>Adjustments</i>		
	<i>As at 31 October 2014</i>	<i>New loan agreements</i>	<i>IPO proceeds</i>	<i>Pro forma net assets of the Group</i>
	<i>(note 1) £'000</i>	<i>(note 2) £'000</i>	<i>(note 3) £'000</i>	<i>£'000</i>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	1,663	–	–	1,663
Investment property	160	–	–	160
Investments in subsidiaries	30	–	–	30
<b>Total non-current assets</b>	<b>1,853</b>	<b>–</b>	<b>–</b>	<b>1,853</b>
<b>CURRENT ASSETS</b>				
Trade and other receivables	25,161	–	–	25,161
Cash and cash equivalents	4,223	3,070	3,800	11,093
<b>Total current assets</b>	<b>29,384</b>	<b>3,070</b>	<b>3,800</b>	<b>36,254</b>
<b>TOTAL ASSETS</b>	<b>31,237</b>	<b>3,070</b>	<b>3,800</b>	<b>38,107</b>
<b>NON-CURRENT LIABILITIES</b>				
Other interest-bearing loans and borrowings	–	(9,000)	–	(9,000)
Provisions	(612)	–	–	(612)
	<b>(612)</b>	<b>(9,000)</b>	<b>–</b>	<b>(9,612)</b>
<b>CURRENT LIABILITIES</b>				
Other interest-bearing loans and borrowings	–	(1,000)	–	(1,000)
Trade and other payables	(10,602)	–	–	(10,602)
Provisions	(260)	–	–	(260)
Individual members' capital classified as a liability	(6,930)	6,930	–	–
Amounts due to members	(9,003)	–	–	(9,003)
	<b>(26,795)</b>	<b>5,930</b>	<b>–</b>	<b>(20,865)</b>
<b>TOTAL LIABILITIES</b>	<b>(27,407)</b>	<b>(3,070)</b>	<b>–</b>	<b>(30,477)</b>
<b>NET ASSETS</b>	<i>(note 4)</i> <b>3,830</b>	<b>–</b>	<b>3,800</b>	<b>7,630</b>

*Notes:*

- The financial information as at 31 October 2014 has been extracted, without material adjustment, from the audited consolidated historical financial information of Gateley LLP as set out in Section B of Part III of this document.
- The adjustment reflects the draw down of £10 million under the new loan agreements, the proceeds of which are to be used to repay individuals members' capital and support the working capital transition after Admission.
- The adjustment reflects the receipt by the Company of net proceeds from the Placing of £3.8 million.  
This pro forma statement of net assets does not constitute financial statements within the meaning of section 434 of the Companies Act.  
No adjustment has been made to reflect the trading results of the Group since 31 October 2014 or any other change in financial position in that period.
- Net assets of the LLP represent unallocated profits.

## **PART V**

### **LOCK-IN ARRANGEMENTS**

On 1 June 2015 and conditional upon Admission, Gateley entered into the CFE Lock-in Agreement and the Second Lock-in Agreements with the Locked-in Shareholders, the principal terms of which are as follows:

#### **1. CFE Lock-in Agreement**

Under the CFE Lock-in Agreement, each Locked-in Shareholder has undertaken to the Company and Cantor Fitzgerald Europe, not to dispose of any interests in Ordinary Shares for a period of 12 months from Admission and, for a further 12 months thereafter (subject to certain limited exceptions) to deal in their Ordinary Shares only through Cantor Fitzgerald Europe for so long as they are broker to the Company, with regard to maintaining an orderly market in the Ordinary Shares.

#### **2. Second Lock-in Agreements**

Under the Second Lock-in Agreements, each Locked-in Shareholder has undertaken to the Company that over a period of up to five years from Admission they will be subject to claw-back and restrictions such that:

- 2.1 cash will be clawed back on the basis of 100 per cent. in the first year, 66 per cent. in the second year and 33 per cent. in the third year if a Locked-in Shareholder is a “Bad Leaver” or “Retiree” (as defined in the Second Lock-in Agreements);
- 2.2 Ordinary Shares will be clawed back at 100 per cent. discount to market price in the three years from Admission if a Locked-in Shareholder is a “Bad Leaver” or “Retiree” or at a 75 per cent. discount in the fourth year and a 50 per cent. discount in the fifth year for “Bad Leavers”;
- 2.3 sales of Ordinary Shares by Locked-in Shareholders who are not “Bad Leavers” or “Retirees” in the first year after Admission will not be permitted and thereafter will be restricted to 10 per cent. in any given year subject to a minimum hold; and
- 2.4 there will be no restrictions for any Locked-in Shareholders after 5 years from Admission.

## PART VI

### ADDITIONAL INFORMATION

#### 1. The Group

- 1.1 The Company was incorporated and registered in England and Wales on 13 November 2014 under the Act as a private company limited by shares with the name Ensco 1101 Limited and with registration number 09310078. On 29 May 2015, the Company re-registered as a public limited company under the name Gateley (Holdings) Plc.
- 1.2 The principal legislation under which the Company operates is the Act and the regulations made thereunder.
- 1.3 The Company's registered office and principal place of business is at One Eleven, Edmund Street, Birmingham B3 2HJ. The telephone number at the Company's principal place of business is +44121 234 0000.
- 1.4 The principal activity of the Company is that of a holding company.
- 1.5 The Company has the following subsidiary undertakings:

<i>Company</i>	<i>Activity</i>	<i>Place of Incorporation</i>	<i>Percentage Holding</i>
Gateley Plc	Legal services	UK	100
Gateley LLP	Former owner of business of Gateley plc	UK	100
Entrust Pension Limited	Pension trustee company	UK	100
Gateley Investments Limited	Corporate investment vehicle	UK	100
Gateley (Manchester) LLP	Collection of residual assets	UK	51
Gateley Secretaries Limited	Dormant	UK	100
Gateley Wareing Limited	Dormant	UK	100
Gateley Incorporations Limited	Dormant	UK	100
Ensco Trustee Company Limited	Corporate trustee nominee company	UK	100
HBJ Manchester Secretaries Limited	Dormant	UK	100
HBJ Manchester Directors Limited	Dormant	UK	100
Gateley Custodian and Nominee Services Limited	Dormant	UK	100
HCT Consultancy Limited	Dormant	UK	100
Gateley UK LLP	Trades through a branch in Dubai	UK	100

- 1.6 Gateley plc will, following completion of the Reorganisation, be a wholly-owned subsidiary of Gateley and will hold all of the business and assets and liabilities held previously by Gateley LLP.

#### 2. Share Capital

- 2.1 Set out below are details of the issued share capital of the Company (i) as at the date of this document and (ii) as it will be immediately following the Placing and Admission:

<i>Before Admission</i>			<i>Following Admission</i>		
<i>Class of Share</i>	<i>Number</i>	<i>Nominal Value</i>	<i>Class of Share</i>	<i>Number</i>	<i>Nominal Value</i>
Ordinary Shares	100,000,011	£10,000,001.10	Ordinary Shares	105,274,159	£10,527,415.90

- 2.2 On incorporation, the share capital of the Company was £1, being one ordinary share of £1 each, issued credited as fully paid to the subscriber to the Company's memorandum of association.
- 2.3 On 29 May 2015, pursuant to the Reorganisation, the Company issued and allotted a total of 100,000,011 ordinary shares of 10 pence each in exchange for ordinary shares in Gateley plc pursuant to the share exchange agreement, details of which are set out in paragraph 8.3 of this Part VI of this document.
- 2.4 On 29 May 2015, by or pursuant to resolutions of the Company passed on that date by written resolution pursuant to which the Placing Shares will be issued:
- 2.4.1 each of the ordinary shares of £1 each in the capital of the Company was sub-divided into 10 Ordinary Shares;
- 2.4.2 the Directors were generally and unconditionally authorised pursuant to section 551 of the Act to exercise all and any powers of the Company to allot shares of the Company or to grant rights to subscribe for, or to convert any security into shares of the Company up to a maximum nominal amount of £14,756,554.50 being the sum of the consideration shares referred to in paragraph 2.3 above, the new Ordinary Shares referred to in paragraph 12.9 below and one third of the issued share capital upon Admission. The authority expires (unless previously renewed, varied, or revoked by the Company in general meeting) at the earlier of the conclusion of the annual general meeting of the Company next following the passing of the resolution and 15 months from the date of the resolution. The Company may, at any time prior to the expiry of the authority, make an offer or agreement which would or might require relevant securities to be allotted after expiry of the authority and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority had not expired; and
- 2.4.3 the Directors were given power pursuant to section 570 of the Act (with such power expiring at the same time as the authority referred to in paragraph 2.4.1 above (the "**Section 551 Authority**")) to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the Section 551 Authority as if section 561 of the Act did not apply to any such allotment save that the power was limited to:
- 2.4.3.1 the allotment of equity securities pursuant to a rights issue or similar offer to shareholders of the Company where the interests of all shareholders of the Company were proportionate or as nearly as practical to the numbers of Ordinary Shares held by them; and
- 2.4.3.2 the allotment (otherwise than pursuant to paragraph 2.4.3.1 above) for cash of equity securities up to an aggregate nominal amount of £11,053,786.80 being the sum of the consideration shares referred to in paragraph 2.3 above, the new Ordinary Shares referred to in paragraph 2.5 below and approximately 5 per cent. of the issued share capital of the Company upon Admission.
- 2.5 The Placing will result in the issue of 5,274,158 new Ordinary Shares on Admission.
- 2.6 Save as set out in paragraph 12.9 of this Part VI, no share or loan capital of the Company or any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option.
- 2.7 The Ordinary Shares will, on Admission, rank *pari passu* in all respects and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.

### 3. Articles of Association

The Articles which were adopted pursuant to a written resolution of the Company passed on 29 May 2015 contain provisions, *inter alia*, in respect of the Ordinary Shares, general meetings of the Company and the directors to the following effect:

#### 3.1 Objects

The articles of association of the Company contain no restrictions on the activities of the Company.

### 3.2 **Voting Rights**

Subject to any rights or restrictions attached to any class of shares, from time to time on a show of hands every member who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative and is entitled to have a vote shall upon a show of hands have one vote and on a poll every member who is present in person or by proxy and entitled to vote shall have one vote for every share of which he is the holder. Where, in respect of any shares, any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under section 793 of the Act, then not earlier than 14 days after service of such notice the shares in question may be disenfranchised.

### 3.3 **Major Shareholders**

Nothing in the Articles confers on major shareholders in the Company any voting rights which are different to those conferred on the holders of Ordinary Shares as described in paragraph 3.2 above.

Pursuant to Rule 5.1 of the DTR, holders of three per cent. or more of the nominal value of the Company's share capital are required to notify their holdings in writing to the Company. To the extent that persons who already hold at least three per cent. or more of the nominal value of the Company's share capital increase or decrease their holding, Rule 5.1 of the DTR requires that this is also notified to the Company by the shareholder.

### 3.4 **General Meetings**

An annual general meeting shall be held in every year, within 6 months of the previous accounting period end.

Subject to a member's right to requisition a general meeting pursuant to section 303 of the Act, general meetings of the Company are convened at the discretion of the board, and with the exception of the annual general meeting, all such general meetings of the Company shall be general meetings.

An annual general meeting at which it is proposed to pass a special resolution or (except as provided by statute) a resolution of which special notice has been given to the Company, shall be called by at least 21 clear days' notice in writing. All general meetings shall be called by at least 14 clear days' notice to the Company regardless of the type of resolution being passed (under section 307(1) of the Act). A notice must be served on a member in accordance with the provisions of the Act, that is, in hard copy form, or where the member has consented or is deemed to have consented under the Act, in electronic form or via a website. If the notice contains an electronic address for the Company, a member may send any document or information relating to the relevant general meeting to that electronic address. Notice shall be given to all members and the directors and the auditors.

A notice sent to a member by electronic communication shall be deemed to be served on the day it was sent. A notice sent by post to an address in the United Kingdom shall be deemed served one day after (or two days after if sent by second class mail) the date of posting.

### 3.5 **Alteration of share capital**

The Company may, from time to time, by ordinary resolution increase its share capital, by the creation of new shares such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution may prescribe. Subject to such privileges, priorities or conditions as are or may be attached thereto, all new shares shall be subject to the same provisions in all respects as if they had been part of the original capital. The Company may by ordinary resolution consolidate and divide its shares, or any of them, into shares of a larger amount. The Company may by ordinary resolution divide all or any of its share capital into shares of a larger amount, sub-divide all or any of its shares into shares of a smaller amount and cancel any shares not taken or agreed to be taken by any person.

The Company may, by ordinary resolution, cancel any shares which at the date of the passing of the resolution have not been taken (or are subject to agreement to take) and diminish the amount of its share capital by the nominal amount of the shares so cancelled. The Company may, from time to time, by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any manner authorised, and with and subject to any incident prescribed or allowed by the Companies Acts and the rights attached to existing shares. In accordance with the provisions of Companies Acts, the Company may purchase its own shares (including redeemable shares).

### 3.6 **Variation of Rights**

Subject to the Act and every other statute for the time being in force concerning companies and affecting the Company (the “**Statutes**”), if at any time the capital of the Company is divided into different classes of shares, all or any of the rights and privileges attached to any class of share may be varied or abrogated either:

3.6.1 in such a manner (if any) as may be provided by the rights attaching to such class; or

3.6.2 in the absence of any such provision, either: (a) with the consent in writing of the holders of at least 75 per cent. of the nominal amount of the shares of that class; or (b) with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. At any such separate meeting at least two members present in person or by proxy of one third of the issued shares of the class in question shall be a quorum.

The creation or issue of shares ranking *pari passu* with or subsequent to the shares of any class shall not (unless otherwise expressly provided by these Articles or the rights attached to such last-mentioned shares as a class) be deemed to be a variation of the rights of such shares. A reduction of the capital paid up on any shares of any class will not be deemed to constitute a variation or abrogation of the rights attached to those shares. A purchase or redemption by the Company of any of its own shares in accordance with the provisions of the Statutes and of these Articles shall not be deemed to be a variation of the rights attaching to any shares.

### 3.7 **Redemption**

The Company may, by special resolution and subject to the Statutes, create shares which are liable to be redeemed. As at the date of this document, there are no shares in issue which are capable of being redeemed by the Company.

### 3.8 **Conversion**

The Company may from time to time, by ordinary resolution and subject to the Statutes, convert all or any of its fully-paid shares into stock of the same class and denomination and may from time to time in like manner reconvert such stock into fully paid up shares of the same class and denomination.

### 3.9 **Distribution of assets on a winding up**

In the event of liquidation of the Company the holders of shares are entitled *pari passu* to any surplus dividends. A liquidator may, with the sanction of a special resolution, divide the assets among the members *in specie*.

### 3.10 **Transfer of Shares**

The Ordinary Shares are in registered form and may be in certificated or uncertificated form. Shares in uncertificated form may be transferred otherwise than by written instrument in accordance with the Statutes and relevant subordinate legislation and the Company shall register any such transfer in accordance with the Statutes.

Transfers of shares in certificated form may be effected by instrument in writing in any usual or common form or in any other form approved by the directors. Any instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the Company's register of members.

The directors may, in their absolute discretion (but subject to any rules of regulations of the London Stock Exchange or any rules published by the FCA applicable to the Company from time to time) and without assigning any reason therefore, refuse to register the transfer of a share which is in respect of a share which is not fully paid, or which is in favour of more than four transferees or which is in respect of more than one class of shares or which has not been presented for registration duly stamped accompanied by the share certificates for the shares to which the transfer relates and/or such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer.



### 3.11 Dividends and other distributions

Subject to the provisions of the Statutes, the Company may by ordinary resolution declare dividends to be paid to the members according to their respective rights and interests in the profits of the Company, but not exceeding the amount recommended by the directors.

No dividends or moneys payable by the Company in respect of a share shall bear interest as against the Company unless otherwise provided by the rights attached to the share.

The directors may (subject to the Statutes) pay interim dividends if it appears to them that they are justified by the profits of the Company available for distribution.

Except as otherwise provided by the Articles or the rights attached to any shares issued by the Company, the holders of shares are entitled *pari passu* amongst themselves to share in the whole of the profits of the Company paid out as dividends and the whole of any surplus in the event of liquidation of the Company.

A liquidator may, with the sanction of an ordinary resolution, divide the assets among the members *in specie*. The directors shall give effect to any such resolution provided that no such distribution shall be made unless recommended by the directors.

The directors may, with the sanction of an ordinary resolution, offer the shareholders or any class of them (other than those not entitled to the relevant dividend or dividends) the right to elect to receive new Ordinary Shares, credited as fully paid, instead of cash in respect of the whole or part of any dividend or dividends which are the subject of the ordinary resolution.

All unclaimed dividends, interest or other sums payable on or in respect of a share may, be invested or otherwise made use of by the Directors for the benefit of "the Company" until claimed and the Company shall not be constituted a trustee in respect thereof. Any dividend which is unclaimed for a period of 12 years from the date on which the dividend became due for payment shall be forfeited and cease to remain owing by the Company.

### 3.12 Borrowing Powers

Subject to the provisions of the Act and as provided in the Articles, the directors may exercise all the powers of the Company to borrow or raise money, to mortgage or charge its undertaking, property and assets (both present and future) and uncalled capital all or any part of and to issue bonds, debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or its parent undertaking (if any) or any subsidiary undertaking of the Company or of any third party, in each case on such terms as they may in their absolute discretion think proper.

The directors shall restrict the borrowings of the Company and the borrowings of any of its subsidiary undertakings and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure (as regards subsidiary undertakings so far as by such exercise they can secure) that the aggregate principal amount for the time being outstanding (after adjustments provided for in the Articles) at any one time owing by the Group (being the Company and all its subsidiary undertakings from time to time) in respect of monies borrowed, exclusive of moneys borrowed by the Company or any of its subsidiary undertakings from any other of such companies, as determined in accordance with the Articles, shall not at any time without the previous sanction of an ordinary resolution of the Company exceed the greater of £10,000,000 or an amount equal to three times the aggregate of:

- 3.12.1 the amount paid up on the Company's issued share capital;
- 3.12.2 the total amount standing to the credit of the consolidated reserves of the Group whether distributable or undistributable and including (without limitation) share premium account, capital redemption reserve and profit and loss account; and

as shown in a consolidation of the latest audited balance sheets of the Group but adjusted as may be necessary to take account of such deductions as are specified in the Articles.

### 3.13 **Constitution of board of directors**

The minimum number of directors shall not be less than two and unless and until otherwise determined by the Company in general meeting shall not be subject to any maximum. No shareholder qualification is required of any director.

### 3.14 **Retirement of directors by rotation**

At every annual general meeting, any director appointed by the directors since the last annual general meeting and any director who was not appointed or reappointed at one of the previous two annual general meetings shall retire and offer themselves for reappointment by the members.

### 3.15 **Remuneration of directors**

The fees to be paid to the directors shall be recommended by the Remuneration Committee of the Company from time to time and determined by the Board. Such fees shall be divided among such Directors in such proportion or manner as may be determined by the Directors and, in default of determination, equally. A fee payable to a Director pursuant to the Articles is distinct from any salary, remuneration or other amount payable to him pursuant to other provisions of these Articles and accrues from day to day.

Each director may also be paid all reasonable travelling, hotel and other expenses properly incurred by him in respect of or about the performance of his duties as director including any expenses incurred in connection with his attendance at meetings of the directors or committees of the directors of the Company or otherwise in the discharge of his duties as a director.

Any director who holds any executive office or who serves on any committee or who devotes special attention to the business of the Company or who otherwise performs services which, in the opinion of the directors, are outside the scope of the ordinary duties of a director, may be paid such extra remuneration by way of salary, lump sum, participation in profits or otherwise as the directors determine.

### 3.16 **Permitted interests of directors**

Subject to the provisions of the Statutes, a director is not disqualified from his office by entering into any contract, arrangements, transaction or proposal with the Company in any manner, nor is any contract, arrangement, transaction or proposal in which he is interested or in which he has entered into by or on behalf of the Company in which any director or person connected with him is in any way interested, whether directly or indirectly, liable to be avoided, and any director who enters into any such contract, arrangement, transaction or proposal or is so interested is not liable to account to the Company for any profit realised by any such contract, arrangement, transaction or proposal by reason of the director holding that office or of the fiduciary relationship thereby established but the nature and extent of his interest shall be disclosed by him in accordance with the provisions of the Statutes.

A director may hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of director and may act by himself or through his firm in a professional capacity for the Company (other than as auditor) on such terms as to tenure of office, remuneration or otherwise as the directors may determine. A director may also hold office as a director or other officer or be otherwise interested in any other company of which the Company is a member or in which the Company is otherwise interested and shall not be liable to account to the Company for any remuneration or other benefits received by him from that company.

### 3.17 **Restrictions on voting by directors**

Save as provided below, a director shall not vote on or in respect of any contract, arrangement, transaction or any other proposal in which he (together with any person connected with him) has a material interest otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

A director shall not vote or be counted in the quorum on any resolution concerning his own appointment as the holder of any office or place of profit with the Company or any company in which the Company is interested (including, without limitation, fixing or varying the terms of his appointment or the termination or extension thereof).

A director shall (in the absence of some other material interest than is indicated below) be entitled to vote and be counted in the quorum in respect of any resolution concerning any of the following matters:

- 3.17.1 the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- 3.17.2 the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
- 3.17.3 any proposal, contract, arrangement or transaction concerning a placing of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which placing he is or is to be interested as a holder of securities or as a participant in the undertaking or sub-underwriting thereof;
- 3.17.4 any contract, arrangement, transaction or other proposal concerning any other company in which he is interested, directly or indirectly and where as an officer or member or otherwise howsoever provided that he (together with any person connected (within the meaning of section 252 of the Act) with him) is not the holder of or interested in shares representing one per cent. or more of any class of the equity share capital or voting rights;
- 3.17.5 any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of a pension, superannuation or similar fund or scheme, a retirement, death of disability benefits fund or scheme or an employees' share scheme which has been approved by or is subject to and conditional upon approval by HM Revenue & Customs for taxation purposes or does not accord to any director as such any privilege or benefit not generally awarded to the employees to whom such arrangement relates; and
- 3.17.6 any proposal concerning for the grant, purchase and/or maintenance of insurance against any liability of any directors.

### 3.18 **Sell-out Rules, Squeeze-out Rules and Takeover Bids**

#### 3.18.1 **Sell-out**

Under the Act, if an offeror makes an offer to acquire all the Ordinary Shares and successfully acquired 90 per cent. of the Ordinary Shares within four months of making its offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

#### 3.18.2 **Squeeze-out**

The Act also gives minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares.

The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

- 3.18.3 There have been no public takeover bids by third parties in respect of the Company's equity in the current financial year or the previous financial year.

#### 4. Directors' Interests

4.1 The following persons are directors of the Company:

Michael Ward (*Chief Executive Officer*)  
Peter Davies (*Chief Operating Officer*)  
Neil Smith (*Finance Director*)  
Nigel Payne (*Non-Executive Chairman*)  
Joanne Lake (*Non-Executive Director*)  
Michael Seabrook (*Non-Executive Director*)

4.2 The business address of all of the Directors is One Eleven Edmund Street, Birmingham B3 2HJ.

4.3 As at the date of this document and immediately following Admission, the interest in shares of the Directors in the issued share capital of the Company (including related financial products as defined in the AIM Rules), including the interests of each Director's family, (which shall bear the meaning given to it as set out in the AIM Rules) (all of which are beneficial) required to be notified to the Company pursuant to Rule 17 of the AIM Rules the existence of which is known or which could, with reasonable diligence, be ascertained by a Director are, and following Admission, will be, as follows:

<i>Director</i>	<i>At the date of this document</i>		<i>Upon Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Existing Share Capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>
Nigel Payne	nil	nil	nil	nil
Michael Ward	4,294,918	4.29	3,289,004	3.12
Peter Davies	4,294,918	4.29	3,289,004	3.12
Neil Smith	644,238	0.64	474,702	0.45
Joanne Lake	nil	nil	26,300	0.02
Michael Seabrook	nil	nil	15,700	0.01

4.4 Save as disclosed above, none of the Directors nor any member of his immediate family or any person connected with him holds or is beneficially or non-beneficially interested directly or indirectly, in any shares or options to subscribe for, or securities convertible into, shares of the Company.

4.5 In respect of the Directors, there are no conflicts of interest between any duties they have to the Company and their private interests and/or other duties they may have.

4.6 There are no arrangements or understandings with major Shareholders, customers, suppliers or others, pursuant to which any Directors were selected as member(s) of the Board.

4.7 There are no outstanding loans granted by any member of the Group to the Directors or any guarantees provided by any member of the Group for the benefit of the Directors.

4.8 No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the Group and which was effected by the Company during the current or immediately preceding financial year, or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

#### 5. Directors' Terms of Appointment

5.1 The Company has entered into the agreements described at paragraphs 5.1.1 to 5.1.4 below:

5.1.1 a letter of appointment dated 1 June 2015 between (1) the Company and (2) Nigel Payne whereby Nigel Payne was appointed as Non-Executive Chairman of the Company with effect from Admission. The appointment is for an initial fixed term of 3 years unless terminated by either party serving at least 3 months' written notice on the other during or after such initial fixed term. The agreement contains provisions for early termination in the event, *inter alia*, of a serious or repeated breach of the agreement by the director or where the director

ceases to be a director of the Company for any reason. The basic annual fee payable to Nigel Payne is £36,000 per annum to be reviewed annually (without any obligation to increase the same). There is no right to any further benefits;

- 5.1.2 a service agreement dated 1 June 2015 between (1) the Company and (2) Michael Ward whereby Michael Ward was appointed as Chief Executive of the Company with effect from Admission. The service agreement may be terminated by either party serving at least 6 months' written notice on the other. The service agreement contains provisions for early termination in the event, *inter alia*, of a breach of a material term of the service agreement by the director and, where such breach is capable of remedy, the director fails to remedy the breach within 30 days of notice provided by the Board or where the director ceases to be a director of the Company for any reason. The basic annual salary payable to Michael Ward is £131,750 per annum to be reviewed annually (without any obligation to increase the same). The service agreement contains restrictive covenants for a period of 12 months following termination of his employment;
- 5.1.3 a service agreement dated 1 June 2015 between (1) the Company and (2) Peter Davies whereby Peter Davies was appointed as Chief Operating Officer of the Company with effect from Admission. The service agreement may be terminated by either party serving at least 6 months' written notice on the other. The service agreement contains provisions for early termination in the event, *inter alia*, of a breach of a material term of the service agreement by the director and, where such breach is capable of remedy, the director fails to remedy the breach within 30 days of notice provided by the Board or where the director ceases to be a director of the Company for any reason. The basic annual salary payable to Peter Davies is £131,750 per annum to be reviewed annually (without any obligation to increase the same). The service agreement contains restrictive covenants for periods of 12 months following termination of his employment;
- 5.1.4 a service agreement dated 1 June 2015 between (1) the Company and (2) Neil Smith whereby Neil Smith was appointed as Finance Director of the Company with effect from Admission. The service agreement may be terminated by either party serving at least 6 months' written notice on the other. The service agreement contains provisions for early termination in the event, *inter alia*, of a breach of a material term of the service agreement by the director and, where such breach is capable of remedy, the director fails to remedy the breach within 30 days of notice provided by the Board or where the director ceases to be a director of the Company for any reason. The basic annual salary payable to Neil Smith is £131,750 per annum to be reviewed annually (without any obligation to increase the same). The service agreement contains restrictive covenants for periods of 12 months following termination of his employment;
- 5.1.5 a letter of appointment dated 1 June 2015 between (1) the Company and (2) Joanne Lake whereby Joanne Lake was appointed as Non-Executive Director of the Company with effect from Admission. The appointment is for an initial fixed term of 3 years unless terminated by either party serving at least 3 months' written notice on the other during or after such initial fixed term. The agreement contains provisions for early termination in the event, *inter alia*, of a serious or repeated breach of the agreement by the director or where the director ceases to be a director of the Company for any reason. The basic annual fee payable to Joanne Lake is £30,000 per annum to be reviewed annually (without any obligation to increase the same). There is no right to any further benefits;
- 5.1.6 a letter of appointment dated 1 June between (1) the Company and (2) Michael Seabrook whereby Michael Seabrook was appointed as Non-Executive Director of the Company with effect from Admission. The appointment is for an initial fixed term of 3 years unless and thereafter may be terminated by either party serving at least 3 months written notice on the other. The agreement contains provisions for early termination in the event, *inter alia*, of a serious or repeated breach of the agreement by the director or where the director ceases to be a director of the Company for any reason. The basic annual fee payable to Michael Seabrook is £30,000 per annum to be reviewed annually (without any obligation to increase the same). There is no right to any further benefits;

- 5.2 Save as set out in paragraphs 5.1 and 21.9 of this Part VI there are no service contracts between any of the Directors and the Company or any of its subsidiaries and no such contract has been entered into or amended or replaced within the six months preceding the date of this document and no such contracts are proposed.
- 5.3 The Directors receive no Ordinary Shares or options over Ordinary Shares in lieu of remuneration or as any form of compensation.
- 5.4 Other than as disclosed in this paragraph 5, no member of the Group is party to any service contract with any of the Group's directors which provides for benefits on the termination of any such contract.
- 5.5 No Director has any accrued pension or retirement benefits.
- 5.6 There is no arrangement under which any Director has waived or agreed to waive future emoluments.
- 5.7 Save as disclosed in this paragraph 5 there are no existing or proposed service or consultancy agreements between any Director and any member of the Group.
- 5.8 In the year ended 30 April 2014 the total aggregate remuneration paid, and benefits-in-kind granted, to the Directors was £1.43 million. The amounts payable to the Directors by the Group under the arrangements in force at the date of this document in respect of the year ending 30 April 2016 are estimated to be £0.49 million (excluding any discretionary payments which may be made under these arrangements).

## 6. Additional Information on the Directors

- 6.1 The Directors have held the following directorships or been partners in the following partnerships within the five years prior to the date of this document:

<i>Directors</i>	<i>Current</i>	<i>Past</i>
Nigel Payne	Gama Aviation plc Flexwork Limited Payne Idiaz Consultancy Limited Perpetuus Carbon Group Limited Merlin Consultancy Limited Merlin Financial Advisors LLP Stride Gaming plc	Sportingbet plc Foreteller Limited Mucky Pups Childcare Limited Redweb Security (UK) Limited Silver Executive Cars Limited
Michael Ward	Advanced Music Systems Limited Aeternis (Hilltop) Limited Arctos Holdings Limited Artorius Wealth Investment Management Limited CMI Concrete Machinery Limited Ensco 1033 Limited Ensco 1045 Limited Ensco 1050 Limited Ensco 1061 Limited Ensco 1065 Limited Ensco 1073 Limited Ensco 1075 Limited	

<i>Directors</i>	<i>Current</i>	<i>Past</i>
Michael Ward (continued)	<p>Ensco 1082 Limited  Ensco 1085 Limited  Ensco 1103 Limited  Ensco 1106 Limited  Ensco 1110 Limited  Ensco 1112 Limited  Ensco 1121 Limited  Ensco 1122 Limited  Ensco 1123 Limited  Ensco 1125 Limited  Ensco 1128 Limited  Ensco 1129 Limited  Ensco 1130 Limited  Ensco 1131 Limited  Ensco Trustee Company Limited  Gateley Custodian and Nominee Services Limited  Gateley Incorporations Limited  Gateley LLP  Gateley (Manchester) LLP  Gateley Secretaries Limited  Gateley UK LLP  Gateley Wareing Limited  Gatware Nominees Limited  Global Pos Displays Limited  Grove Private Equity 2014 Limited  GW 3155 Limited  Howrigg Properties (Dulwich Propco) Limited  Intrinsic (HCA) Limited  Jamanisi Holdings Limited  Jumi Developments Limited  Kedaho Investments Limited  Larcom Trustees Limited  Majani Investments Limited  Praetura Asset Finance (IFF) Limited  Semhauk Corporation Limited  Seneca (Homebuy) Limited  Stuart Turner Holdings Limited  Stuart Turner Properties Limited  Stuart Turner Property Holdings Limited</p>	
Peter Davies	<p>Gateley LLP  Gateley UK LLP  Gateley (Manchester) LLP  Old Silhillians Association Limited</p>	
Neil Smith	<p>Gateley LLP  Gateley UK LLP</p>	
Joanne Lake	<p>The Hepworth Wakefield  Mattioli Woods Plc</p>	<p>CIT Bank Limited  Leeds Financial Services Initiative Limited</p>
Michael Seabrook	<p>Broadacre Gardens  Management Company Limited  M C (Drayton Gardens) Limited  M C Trustees Limited  M C Trustees (Administration) Limited  M C Nominees Limited</p>	<p>Alycidon Capital Limited  Advanced Interactive Materials  Science Limited  Eversheds LLP</p>

<i>Directors</i>	<i>Current</i>	<i>Past</i>
Michael Seabrook (continued)	Old Station Road Holdings Limited Seabrook Consultancy Services Limited Springboard Corporate Finance Limited Steelite International Holdings Limited West Midlands Enterprise Limited WME Group Limited	

- 6.2 On 19 March 1998, Classic Pine Designs Limited, of which Michael Ward was a non-executive director at the time, went into creditors voluntary winding up.
- 6.3 Michael Seabrook resigned as a director of Leicester Circuits Limited on 22 July 2002. On 7 April 2003, administrators were appointed to this company, which was ultimately dissolved on 9 September 2006.
- 6.4 Save as disclosed in this document, none of the Directors has:
- 6.4.1 any unspent convictions in relation to indictable offences;
  - 6.4.2 been subject to any bankruptcies or individual voluntary arrangements;
  - 6.4.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, been subject to a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company or within the 12 months after he had ceased to be a director of that company;
  - 6.4.4 been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement, whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
  - 6.4.5 been the owner of any asset which has been placed in receivership or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months preceding such events;
  - 6.4.6 been publicly criticised by any statutory or regulatory authorities (including designated professional bodies); or
  - 6.4.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.
- 6.5 Save as disclosed in this document, no Director has or has had any interest in any transaction which is or was significant in relation to the business of the Group and which was effected during the current or immediately preceding financial period or which was effected during an earlier financial period and remains outstanding or unperformed.



## 7. Significant Shareholders

7.1 Insofar as is known to the Company and in addition to the holdings of the Directors disclosed in paragraph 4 above, the following persons hold, as at the date of this document, and are expected (based on the information available as at the date of this document), following Admission, to hold directly or indirectly 3 per cent. or more of the Enlarged Share Capital:

<i>Shareholder</i>	<i>Current</i>		<i>Following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Existing Share Capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>
Michael Ward	4,294,918	4.29	3,289,004	3.12
Peter Davies	4,294,918	4.29	3,289,004	3.12
Brendan McGeever	4,294,918	4.29	3,289,004	3.12
Paul Hayward	4,294,918	4.29	3,289,004	3.12
Callum Nuttall	3,865,426	3.87	2,899,070	2.75
Mark Wilson	3,435,934	3.44	2,531,741	2.40
Andrew Madden	3,435,934	3.44	2,531,741	2.40
Schroder Investment Management	nil	nil	8,421,000	8.00
Miton Asset Management	nil	nil	5,894,700	5.60

7.2 None of the Company's major holders of Ordinary Shares listed above has voting rights different from the other holders of Ordinary Shares.

7.3 Save as disclosed in paragraphs 4 above and in this paragraph 7, and insofar as is known to the Company, the Directors are not aware of any person or persons who either alone or, if connected jointly following Admission, will (directly or indirectly) exercise or could exercise control over the Company.

7.4 Save as far as is known to the Directors, no arrangements are in place, the operation of which may at a later date result in a change of control of the Company.

## 8. Reorganisation

The Reorganisation involves the following transactions, each of which was entered into on 29 May 2015 and becomes effective on the date of this document:

- 8.1 the sale of all of the business assets and liabilities of Gateley LLP to Gateley plc pursuant to a business transfer agreement dated 29 May 2015 entered into between those parties in consideration for the issue of ordinary shares in the capital of Gateley plc;
- 8.2 the distribution by Gateley LLP to its members of the entire issued share capital of Gateley plc;
- 8.3 the transfer by the shareholders of Gateley plc (being the former members of Gateley LLP) of their shares in Gateley plc to Gateley in exchange for ordinary shares of £1 each in the capital of Gateley in the same proportions as their shares in Gateley plc pursuant to a share for share exchange agreement dated 29 May 2015 entered into between Gateley (1) and the former members of Gateley LLP;
- 8.4 the transfer to Gateley plc of the membership interests in Gateley LLP and Gateley UK LLP; and
- 8.5 the transfer to Gateley of the entire issued share capital of Entrust to Gateley plc in consideration of the sum of £1 which will be left outstanding as an intra group loan.

## 9. Material Contracts

The following contracts (a) have been entered into by the Group within the two years immediately preceding the date of this document, not being contracts entered into in the ordinary course of business; or (b) are, or may be, contracts entered into by the Group which are material or contain, or may contain, provisions under which any member of the Group has an obligation or entitlement which is material to the Group:

- 9.1 the Placing Agreement, further details of which are contained in paragraph 13 of this Part VI;

- 9.2 the nomad and broker agreement dated 1 June 2015 made between (1) the Company, (2) the Directors and (3) Cantor Fitzgerald Europe, whereby, conditional upon Admission, Cantor Fitzgerald Europe has agreed to act as nominated adviser and broker to the Company for an annual fee of £50,000 plus VAT (together with out of pocket expenses) for a minimum period of 12 months from Admission. The agreement is subject to termination on 3 months' notice by either party at any time after the initial 12 month period;
- 9.3 the CFE Lock-in Agreement and Second Lock-in Agreements described in Part V of this document;
- 9.4 an agreement dated 22 May 2015 entered into between Gateley LLP and Gateley (Scotland) LLP which sets out the basis of the ongoing relationship between the two entities.

Pursuant to this agreement:-

- 9.4.1 the members agreement relating to Gateley UK LLP entered into in 2005 will terminate immediately;
  - 9.4.2 those members of Gateley (Scotland) LLP who were members of Gateley UK LLP prior to the date of this agreement will resign as members of Gateley UK LLP and Gateley LLP will indemnify those resigning members against all liabilities incurred by Gateley (Scotland) LLP as a result of acts or omissions of Gateley LLP;
  - 9.4.3 no further referral commissions shall be paid by either party;
  - 9.4.4 the parties acknowledge their common intention to consider merging the two businesses to create a single business structure at a time when regulatory financial and business environments permit and subject to agreeing financial terms;
  - 9.4.5 in the interim the parties agree to operate their respective businesses to promote their combined interests and to share certain services on a non-exclusive basis, including granting to each other non-exclusive licenses over certain trade marks, precedents and marketing materials solely for use in relation to their combined interests;
  - 9.4.6 each party will be entitled to nominate a partner to attend meetings of the other's strategic management board (in the case of Gateley the Strategic Board) as an observer;
  - 9.4.7 the parties will agree a management fee for any services provided to each other; and
  - 9.4.8 either party may terminate the agreement by giving not less than six months prior notice. Either party may terminate the agreement immediately for material, unremedied breach or certain insolvency events of the other party;
- 9.5 each of the agreements entered into pursuant to the Reorganisation which are summarised in paragraph 8 of this Part VI of this document.

## **10. Corporate Governance**

- 10.1 The Board fully supports the underlying principles of corporate governance contained in the Corporate Governance Code, notwithstanding that, as its securities are not listed on the Official List, it is not required to comply with such recommendations. It has sought to comply with the provisions of the Corporate Governance Code, insofar as is practicable and appropriate for a public company of its size and nature, and recognises its overall responsibility for the Company's systems of internal control and for monitoring their effectiveness.
- 10.2 The main features of the Company's corporate governance procedures are as follows:
  - 10.2.1 the Board has 3 independent non-executive directors (including the chairman) who take an active role in board matters;
  - 10.2.2 the Company has an Audit Committee, a Remuneration Committee and a Nomination Committee each of which consists of the non-executive directors and meets regularly with executive directors in attendance by invitation. The audit committee has unrestricted access to the Group's auditors and ensures that auditor independence has not been compromised;
  - 10.2.3 all business activity is organised within a defined structure with formal lines of responsibility and delegation of authority, including a schedule of "matters referred to the Board"; and

10.2.4 regular monitoring of key performance indicators and financial results together with comparison of these against expectations.

### 10.3 **Audit Committee**

The following is a summary of the terms of reference under which the Company's Audit Committee operates.

The Audit Committee shall have at least two members and each such member shall be an independent non-executive director. The initial members of the Audit Committee following Admission will be Joanne Lake as Chairman, Michael Seabrook, and Nigel Payne. The Board must be satisfied that at least one member of the Audit Committee has recent and relevant financial experience. Appointments to the Audit Committee should be made by the Board. The Audit Committee shall meet at least three times in every year and any other time as required by either the chairman of the Audit Committee, the finance director of the Company or the external auditors of the Company. In addition, the Audit Committee shall meet with the external auditors of the Company at least once a year without the chief financial officer or any other executive director present.

The Audit Committee shall, *inter alia*:

- 10.3.1 monitor the financial reporting and internal financial control principles of the Company;
- 10.3.2 maintain appropriate relationships with external auditors including considering the appointment and remuneration of external auditors and review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process;
- 10.3.3 review all financial results of the Company and financial statements, including all announcements in respect thereof before submission of the relevant documents to the Board;
- 10.3.4 review and discuss (where necessary) any issues and recommendations of the external auditors including reviewing the external auditors' management letter and management's response;
- 10.3.5 consider all major findings of internal operational audit reviews and management's response to ensure co-ordination between internal and external auditors;
- 10.3.6 review the Board's statement on internal reporting systems and keep the effectiveness of such systems under review; and
- 10.3.7 consider all other relevant findings and audit programmes of the Company.

The Audit Committee shall report annually on the Board's behalf to the Shareholders. The Audit Committee shall compile a report to Shareholders on its activities to be included in the Company's annual report or, where the Audit Committee has determined that there are good reasons for not so complying, an explanation of those reasons.

The Audit Committee is authorised to:

- 10.3.8 investigate any activity within its terms of reference;
- 10.3.9 seek any information it requires from any employee of the Company; and
- 10.3.10 obtain, at the Company's expense, outside legal or other independent professional advice and to secure the attendance of such persons to meetings as it considers necessary and appropriate.

### 10.4 **Remuneration Committee**

The following is a summary of the terms of reference under which the Company's Remuneration Committee operates.

The Remuneration Committee shall have at least two members who shall each be independent non-executive directors. The initial members of the Remuneration Committee will be Michael Seabrook as Chairman, Nigel Payne and Joanne Lake. The members of the Remuneration Committee shall be appointed by the Board. The Chief Executive of the Company will normally be invited to meetings of the Remuneration Committee to discuss the performance of other executive directors but shall not

be involved in any of the decisions. The Remuneration Committee may invite any person it thinks appropriate to join the members of the Remuneration Committee at its meetings. The Remuneration Committee shall meet at least three times in every year and any other time as required by either the chairman of the Remuneration Committee, the finance director of the Company or the external auditors of the Company.

The Remuneration Committee shall, *inter alia*:

- 10.4.1 ensure that the executive directors and senior managers are fairly rewarded for their individual contributions to the overall performance of the Company but to ensure that the Company avoids paying more than is necessary for this purpose;
- 10.4.2 consider the remuneration packages of the executive directors and any recommendations made by the managing director for changes to their remuneration packages including in respect of bonuses (including associated performance criteria), other benefits, pension arrangements and other terms of their service contracts and any other matters relating to the remuneration of or terms of employment applicable to the executive directors that may be referred to the Remuneration Committee by the Board;
- 10.4.3 oversee and review all aspects of the Company's share option schemes including the selection of eligible directors and other employees and the terms of any options granted;
- 10.4.4 demonstrate to the Company's shareholders that the remuneration of the executive directors is set by an independent committee of the Board; and
- 10.4.5 consider and make recommendations to the Board about the public disclosure of information about the executive directors' remuneration packages and structures in addition to those required by law or by the London Stock Exchange.

The chairman of the Remuneration Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Remuneration Committee shall produce an annual report. This should accompany the directors' report in the Company's annual report and accounts and consider each year whether such report should be put to the Company's Shareholders for approval at the annual general meeting.

The Remuneration Committee is authorised to:

- 10.4.6 investigate any activity within its terms of reference;
- 10.4.7 seek any information it requires from any employee of the Company;
- 10.4.8 assess the remuneration paid by other UK listed companies of a similar size in any comparable industry sector and to assess whether changes to the executive directors remuneration is appropriate for the purpose of making their remuneration competitive or otherwise comparable with the remuneration paid by such companies; and
- 10.4.9 obtain, at the Company's expense, outside legal or other independent professional advice, including independent remuneration consultants, when the Remuneration Committee reasonably believes it is necessary to do so and to secure the attendance of such persons to meetings as it considers necessary and appropriate.

## 10.5 **Nomination Committee**

The Nomination Committee will comprise of Nigel Payne, as Chairman, Michael Seabrook and Joanne Lake. It will monitor the size and composition of the Board and the other Board committees. It will also be responsible for identifying suitable candidates for board membership and will monitor the performance and suitability of the current Board on an ongoing basis.

## 11. **United Kingdom Taxation**

The following paragraphs, which are based on current legislation, are a general guide for UK resident Shareholders as to their tax position under United Kingdom law and practice at the date of this document. Such law and practice and rates of tax are subject to change at any time. Non-UK resident and non-UK domiciled Shareholders should consult their own tax advisers.

## 11.1 Taxation of dividends

No tax will be withheld by the Company when it pays a dividend.

A UK resident individual shareholder who receives a dividend from the Company will be entitled to a tax credit, currently at the rate of 1/9th of the net dividend paid (or 10 per cent. of the aggregate of the net dividend and related tax credit). The individual is treated as receiving for tax purposes gross income equal to the net dividend plus the tax credit. The tax credit is set against the individual's tax liability on that gross income.

An individual UK resident shareholder who is subject to income tax at a rate or rates not exceeding the basic rate will be liable to tax on the gross dividend at the rate of 10 per cent., so that the tax credit will satisfy the income tax liability of such a shareholder in full.

The higher rate of income tax on dividends is currently 32.5 per cent. This means that a shareholder who is a higher rate taxpayer will have further income tax to pay at a rate of 22.5 per cent. of the net dividend paid plus the related tax credit (or 25 per cent. of the net dividend). For example, a dividend of £90 will carry a tax credit of £10. The income tax payable by a higher rate taxpayer would be 32.5 per cent. of £100, namely £32.50 less the tax credit of £10 leaving a net tax liability of £22.50.

UK resident shareholders who do not pay income tax or whose liability to income tax on the dividend and related tax credit is less than the tax credit, including pension funds, charities and certain individuals are not generally entitled to claim repayment of any part of the tax credit associated with the dividend from HM Revenue & Customs.

A UK resident corporate shareholder will not generally be liable to corporation tax on any dividend received from the Company and the dividend received and related tax credit will constitute franked investment income.

Whether a shareholder who is not resident in the UK for tax purposes is entitled to a tax credit in respect of dividends paid by the Company and to claim payment of any part of the tax credit will depend, in general, on the provisions of any double taxation convention which exists between the shareholder's country of residence and the UK. A non-UK resident shareholder may also be subject to foreign taxation on dividend income.

Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions or what relief or credit may be claimed in the jurisdiction in which they are resident.

## 11.2 Taxation of chargeable gain

For the purpose of UK tax on chargeable gains, the purchase of Ordinary Shares on a placing will be regarded as an acquisition of a new holding in the share capital of the Company. To the extent that a shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so acquired will, for the purpose of tax on chargeable gains, be treated as acquired on the date of the purchase becoming unconditional. The amount paid for the Ordinary Shares will constitute the base cost of a Shareholder's holding.

A disposal of all or any of the Ordinary Shares may, depending on the circumstances of the relevant shareholder, give rise to a liability to UK taxation on chargeable gains. Shareholders will normally be subject to UK taxation of chargeable gains, unless such holders are not resident for tax purposes in the UK.

### **Individuals**

Where an individual Shareholder disposes of Ordinary Shares at a gain, capital gains tax will be levied to the extent that the gain exceeds the annual exemption (£11,100 for 2015/16) and after taking account of any capital losses available to the individual.

For individuals, capital gains tax will be charged at 18 per cent. where the individual's taxable income and gains are less than the upper limit of the income tax basic rate band (for 2015/16 £31,785 after the personal allowance of £10,600, subject to any gift aid payments made). To the extent that any

chargeable gains, or part of any chargeable gain, aggregated with income arising in a tax year exceed the upper limit of the income tax basic rate band, capital gains tax will be charged at 28 per cent.

For trustees and personal representatives of deceased persons, capital gains tax on gains in excess of the current annual exempt amount (for 2015/16 up to £11,100 for personal representatives of deceased persons and trustees for disabled persons and up to £5,550 for other trustees) will be charged at a flat rate of 28 per cent. (being the current rate at the date of this document). Where a Shareholder disposes of the Ordinary Shares at a loss, the loss should be available to offset against other current year gains or carried forward to offset against future gains.

### **Companies**

Where a Shareholder is within the charge to corporation tax, a disposal of Ordinary Shares may give rise to a chargeable gain (or allowable loss) for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. Corporation tax is charged on chargeable gains at the rate applicable to that company. Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss.

### **Non-UK tax resident Shareholders**

A Shareholder who is not resident for tax purposes in the UK will not generally be subject to CGT on the disposal or deemed disposal of Ordinary Shares unless the Shareholder is carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the Ordinary Shares are used, held or acquired. Non-UK tax resident Shareholders may be subject to non-UK taxation on any gain under local law. An individual Shareholder who has ceased to be resident for tax purposes in the UK or is treated as resident outside the UK for the purposes of a double tax treaty ("Treaty non-resident") for a period of five years or less (or, for departures before 6 April 2013, ceases to be resident or ordinarily resident or becomes Treaty non-resident for a period of less than five tax years) and who disposes of all or part of his Ordinary Shares during that period may be liable to CGT on his return to the UK, subject to any available exemptions or reliefs.

#### **11.3 Stamp Duty and Stamp Duty Reserve Tax ("SDRT")**

No stamp duty or SDRT should arise on the issue or allotment of the new Ordinary Shares.

No stamp duty should be payable on instruments effecting the transfer of Ordinary Shares provided that at the time of execution of the instruments the Ordinary Shares are admitted to trading on AIM but not listed on any other market.

No liability to SDRT should arise on agreements to transfer existing Ordinary Shares provided that, at the date the agreement is made or in the case of conditional agreements, the date on which the conditions are satisfied, the Ordinary Shares are admitted to trading on AIM but not listed on that or any other market.

The above statements apply to any holders of Ordinary Shares irrespective of their residence, and are a summary the current position, intended as a general guide only. Special rules apply to agreements made by, amongst others, intermediaries.

#### **11.4 Inheritance Tax**

Individual and trustee investors domiciled or deemed to be domiciled in any part of the UK may be liable on occasions to inheritance tax ("IHT") on the value of any Ordinary Shares held by them.

IHT may also apply to individual shareholders who are not domiciled in the UK although relief under a double tax convention may apply to those in this position. Under current law, the chief occasions on which IHT is charged are on the death of the Shareholder, on any gifts made during the seven years prior to the death of the Shareholder, and on certain lifetime transfers, including transfers to trusts or appointments out of trusts to beneficiaries, save in very limited and exceptional circumstances.

However, a relief from IHT known as business property relief (“BPR”) may apply to Ordinary Shares in trading companies once these have been held for two years. This relief applies notwithstanding that the Company’s shares will be admitted to trading on AIM (although it does not apply to companies whose shares are listed on the Official List). BPR operates by reducing the value of shares by 100 per cent. for IHT purposes.

## **12. Employee Share Incentive Arrangements**

- 12.1 The Company intends to adopt the SAR Scheme on or immediately prior to Admission. The purpose of the SAR Scheme is to assist in the recruitment and retention of senior employees and directors by enabling the Company to grant awards to such persons.
- 12.2 Under the rules of the SAR Scheme, options may be granted to participants, which will entitle the recipient on vesting to receive Ordinary Shares in an amount equal to the growth in value of the options between the date of grant and the date of exercise in excess of the hurdle rate referred to below.
- 12.3 Options may be granted at any time in the 42 days after the date of adoption of the SAR Scheme and in the 42 days after an announcement of the results of the Company for any period.
- 12.4 Options may not be exercised (save in limited specified circumstances) any earlier than the third anniversary of the date of grant or later than the ninth anniversary of the date of grant. Holders will be allowed a period of 6 months after the exercise date in which to exercise their options, failing which they will lapse.
- 12.5 No option may be exercised unless the market value on the date of exercise exceeds 115.765 per cent. of the market value on the date of grant, provided that for options, exercisable earlier than the third anniversary after the date of grant in accordance with the SAR Scheme rules, such exercise hurdle shall be scaled back between 115.765 per cent. and 100 per cent. on a straight-line basis for each day exercise is permitted to take place before such third anniversary.
- 12.6 Options may not be granted at any time when that grant would be in breach of law, regulation or the Model Code or any other guidelines applicable to the Company.
- 12.7 Any options granted will lapse on the earliest of the following (unless the holder has died in which case the option will lapse 12 months after such death):
  - 12.7.1 cessation of employment;
  - 12.7.2 the company employing the holder ceasing to be a member of the Group or the business employing the holder is transferred out of the Group;
  - 12.7.3 the day after the exercise date if the market value of an Ordinary Share is less than the exercise hurdle referred to in paragraph 12.5 above;
  - 12.7.4 the lapse date specified at the date of grant;
  - 12.7.5 a takeover or liquidation (as defined) occurring; and
  - 12.7.6 the bankruptcy of the holder or other solvency related events occurring in respect of the holder.
- 12.8 Options may be exercised at any time after the earliest of:
  - 12.8.1 the third anniversary of the date of grant;
  - 12.8.2 the death of the holder; and
  - 12.8.3 when the company which employs the holder ceases to be a member of the Group or the business employing the holder is transferred out of the Group,and no option may be exercised if to do so would be in breach of law or regulation or the AIM Rules, the Model Code, the Company’s share dealing code or any other code or guidelines applicable to the Company;
- 12.9 Pursuant to the SAR Scheme, on Admission an aggregate of 7,200,000 options over Ordinary Shares will be granted to employees, including former partners of Gateley LLP who are continuing as

employees of the Group. Included within these options are 150,000 awarded to Neil Smith. No other options have been or will on Admission be granted to any of the Directors or any member of the Strategic Board.

The value of the reference shares the subject of options at the date of grant is the Placing Price.

### **13. Arrangements relating to the Placing**

#### 13.1 Pursuant to the Placing Agreement:

- 13.1.1 Cantor Fitzgerald Europe has agreed as agent for the Company, to use its reasonable endeavours to procure subscribers for the New Shares at the Placing Price but is under no obligation to subscribe for any New Shares for which it is unable to procure subscribers;
- 13.1.2 the Company and the Directors have given certain warranties and indemnities to Cantor Fitzgerald Europe as to the accuracy of information contained in this document and other matters in relation to the Company and all members of the Group and their respective businesses; and
- 13.1.3 the Company has agreed to pay to Cantor Fitzgerald Europe a corporate advisory fee of £250,000, and a commission of 3 per cent. on the value of the New Shares at the Placing Price and all other costs, charges and expenses incidental to the Placing and Admission.

#### 13.2 Pursuant to the Selling Shareholders Agreement:

- 13.2.1 Cantor Fitzgerald Europe has agreed as agent for the Selling Shareholders, to use its reasonable endeavours to procure purchasers for a total of 31,589,937 Placing Shares at the Placing Price; and
- 13.2.2 the Selling Shareholders have agreed to pay to Cantor Fitzgerald Europe a commission of 3 per cent. on the value of such Placing Shares at the Placing Price.

#### 13.3 The Placing Agreement and the Selling Shareholders Agreement are both:

- 13.3.1 conditional *inter alia* upon certain documents specified in the Placing Agreement being delivered to Cantor Fitzgerald Europe, and Admission taking place not later than 8.00 a.m. on 8 June 2015 or such later date as is agreed in writing between the Company or the Selling Shareholders (as appropriate) and Cantor Fitzgerald Europe; and
- 13.3.2 terminable by Cantor Fitzgerald Europe before Admission in certain circumstances, including a breach of any of the warranties, the failure to comply with obligations by the Company, the Directors or the Selling Shareholders (as appropriate) or circumstances having arisen which would require a supplemental admission document to be issued.

### **14. Employees**

As at the date of this document the Company has 6 employees (being all of the Directors), and the Group has 605 employees.

### **15. Working Capital**

The Directors are of the opinion, having made due and careful enquiry, that, taking into account the net proceeds of the Placing of the New Shares and the existing facilities available to the Group, the Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of Admission.

### **16. Adjusted Historical Financial Information**

The following summary historical information of the Group is provided below to illustrate the impact of the Reorganisation which results in differing accounting treatments of certain expenses, in particular:

- (i) Selling Shareholders becoming employees of the Group and therefore receiving salaries rather than a share of profits of the partnership;
- (ii) Being incorporated, the Group will be subject to corporation tax; and
- (iii) Dividends, assumed at 70 per cent. of profit after tax.



	<i>FY12</i>	<i>FY13</i>	<i>FY14</i>	<i>HY14</i>	<i>HY15</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Revenue</b>	45,313	51,372	54,616	23,086	26,672
Operating profit	9,115	16,966	20,072	6,571	8,724
<i>Adjustments</i>					
<i>Selling Shareholder salaries and discretionary bonuses</i>	<i>(11,050)</i>	<i>(11,680)</i>	<i>(12,626)</i>	<i>(5,562)</i>	<i>(6,120)</i>
<i>Depreciation and amortisation</i>	<i>966</i>	<i>1,064</i>	<i>976</i>	<i>492</i>	<i>388</i>
<i>Non-controlling interest reclassified</i>	<i>4,386</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>
<b>Adjusted EBITDA</b>	3,417	6,350	8,422	1,501	2,992
Depreciation and amortisation	(966)	(1,064)	(976)	(492)	(388)
<b>Adjusted operating profit</b>	2,451	5,286	7,446	1,009	2,604
Net financing (expense)/income	(128)	(163)	(19)	(23)	15
<b>Adjusted profit before tax</b>	2,323	5,123	7,427	986	2,619
Pro forma corporation tax	(604)	(1,230)	(1,708)	(232)	(602)
Pro forma dividend	(1,203)	(2,725)	(4,003)	(528)	(1,412)
<b>Adjusted retained profit</b>	516	1,168	1,716	226	605

## 17. Investments

The Group has made no material investments in the two years prior to the date of this document.

## 18. Property, Plant and Equipment

18.1 The principal establishments of the Group are as follows:

- 18.1.1 Gateley plc's offices at One Eleven, Edmund Street, Birmingham B3 2HJ, occupied pursuant to a 20 year lease which expires on 28 May 2024;
- 18.1.2 Gateley plc's offices at Ship Canal House, 98 King Street, Manchester M2 4WU, occupied pursuant to a 10 year lease which expires on 13 August 2020;
- 18.1.3 Gateley plc's offices at 1 Paternoster Square, London EC4M 7DX, occupied pursuant to a lease for 10 years (less than one day) which expires on 28 August 2022;
- 18.1.4 Gateley plc's offices at Park View House, 58 The Ropewalk, Nottingham NG1 5DW, occupied pursuant to a 10 year lease which expires on 31 December 2024;
- 18.1.5 Gateley plc's offices at Knightsbridge House, Lower Brown Street, Leicester LE1 5NL, occupied pursuant to a 10 year lease which expires on 24 December 2023;
- 18.1.6 Gateley plc's offices at Minerva, 29 East Parade, Leeds LS1 5PS, occupied pursuant to a lease for 10 years and one month, which expires on 30 November 2024; and
- 18.1.7 the premises at 10D and 10E Gold Au Tower Cluster 1, JLT, Dubai occupied by Gateley UK LLP.

18.2 The Directors are not aware of any environmental issues that may affect the Group's utilisation of its properties.

## 19. Litigation

19.1 Save as provided in paragraph 19.2 below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the Group's financial position or profitability.

19.2 Legal proceedings have been served on Gateley LLP by Empirical Property Group Limited and one of its subsidiaries, alleging (*inter alia*) professional negligence. The Directors have taken advice on the claim and the Group's insurers have been fully briefed. Gateley intends to defend the claim vigorously and the Directors are confident that should the claim succeed any provable loss will be comfortably within the Group's insurance cover.

## **20. Significant Change**

There has been no significant change in the financial or trading position of the Group since 31 October 2014, being the date on which the Pre-existing Group's latest audited accounts were prepared.

## **21. General**

21.1 It is estimated that the total expenses payable by the Company in connection with the Placing and Admission will amount to approximately £1.2 million (including VAT).

21.2 Cantor Fitzgerald Europe has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear.

21.3 KPMG LLP has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear.

21.4 Save as set out in this document, there are no patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Group's business or profitability.

21.5 There have been no interruptions in the business of the Group, which may have or have had in the 12 months preceding the publication of this document a significant effect on the financial position of the Group or which are likely to have a material effect on the prospects of the Group for the next 12 months.

21.6 Save as set out in this document, the Directors are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects in the period commencing on the date of this document until 30 April 2016.

21.7 The Placing Price represents a premium of 85p over the nominal value of 10p per Ordinary Share. The premium arising on the Placing amounts to £28.9 million in aggregate.

21.8 The Ordinary Shares are in registered form and may be held in certificated or uncertificated form. No temporary documents of title will be issued. The ISIN number of the Ordinary Shares is GB00BXXB07J71.

21.9 Michael Seabrook has provided consultancy services to Gateley LLP in the past on various one-off assignments. In the year ended 30 April 2015, Michael charged the business fees of £18,600 for such advisory services. These services will, from Admission, be part of those provided as a Non-Executive Director under the appointment letter described in paragraph 5 of this Part VI and no additional fees will be paid for them.

21.10 Save as disclosed in paragraph 21.9, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly from the Group within the 12 months preceding the date of the application for Admission, or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Group, on or after Admission, any of the following:

21.10.1 fees totalling £10,000 or more;

21.10.2 securities in the Company where these have a value of £10,000 or more calculated by reference to the Placing Price; or

21.10.3 any other benefit with the value of £10,000 or more at the date of Admission.

- 21.11 Save as disclosed in this document, there are no investments in progress which are significant to the Group.
- 21.12 As at the date of this document, the Company has not yet commenced operations, has no material assets or liabilities and no financial statements have been made up.
- 21.13 The financial information on Gateley LLP contained in Section B of Part III of this document does not constitute statutory accounts within the meaning of section 434 of the Act. The Company does not have any historic or financial information except as set out in this document.
- 21.14 This document does not constitute an offer to sell, or the solicitation of an offer to acquire, Ordinary Shares in any jurisdiction where such an offer or solicitation is unlawful and is not for distribution in any jurisdiction in which such distribution is unlawful. The Ordinary Shares have not been, and will not be, registered under the US Securities Act or under the applicable securities laws of any state of the United States, any province or territory of Canada, Japan, South Africa, Australia or the Republic of Ireland and may not be sold, directly or indirectly, within the United States or the Excluded Territories or to any citizen, national or resident of the United States or the Excluded Territories.

## **22. Documents available for inspection**

A copy of this document is available free of charge on the Company's website [www.gateleyuk.com](http://www.gateleyuk.com).

Dated: 1 June 2015



