Gartner U.K. Limited

Directors' annual report and financial statements

For the year ended 31 December 2017
Registered number 02266016

Directors' report and financial statements

Contents

Strategic report

The directors present their strategic report for the year ended 31 December 2017.

Principal Activity

The Company provides research and advisory services relating to information technology. It offers support to clients, enabling them to make informed technology and business decisions, to build, guide and grow their enterprises.

Financial Performance Review

The business made an operating profit of £3,782,000 *(2016 Loss: £597,000)* on sales of £200,379,000 *(2016: £174,966,000)*. Headcount at the year-end was 1,264 *(2016: 1,134)* with access to a far greater pool of associates, contractors and resources from the overseas subsidiaries.

The profit after taxation for the year to 31 December 2017 was £2,000,000 *(2016 Loss: £627,000)*. During 2017 the ultimate parent of the Company acquired CEB & L2 and their respective subsidiaries, as detailed in Note 13. The acquisition costs £6,081,000 are one off in nature have made an impact on these results.

Business Environment

Overview

The Company, Gartner USA and their respective direct and indirect subsidiaries together constitute the world's leading IT research and advisory company. The Company delivers the technology related insight for its clients to make the right decisions, every day. From CIOs and senior IT leaders in corporations and government agencies, to business leaders in high-tech and telecom enterprises and professional services firms, to supply chain professionals and technology investors, the Company is the valuable partner to clients in thousands of distinct organisations. The Company works with clients to research, analyse and interpret the business of IT within the context of their individual roles. The foundation for all Gartner products and services is its independent research on IT and supply chain issues. The findings from this research are delivered through the following three business segments:

- ***Research*** provides trusted, objective insights and advice on the mission-critical priorities of CIOs, other IT professionals, supply chain leaders, technology companies and the investment community through research and other reports, briefings, proprietary tools, access to the Company's analysts, peer networking services and membership programs that enable the clients to make better decisions.

- ***Consulting*** provides customised solutions to unique client needs through on-site, day-to-day support, as well as proprietary tools for measuring and improving IT performance with a focus on cost, performance, efficiency, and quality.

- ***Events*** provides business professionals across the organization the opportunity to learn, share and network. From our flagship CIO event Gartner Symposium/ITxpo, to industry-leading conferences focused on specific business roles and topics, to member-driven sessions, our events enable attendees to experience the best of Gartner insight and advice live.

For more information regarding Gartner and its products and services, visit www.gartner.com.

Strategic report *(continued)*

Competitive Advantage

The principal competitive factors that differentiate the Company from its competitors are the following:

- Superior research content — The Company creates and has access to the broadest, highest quality and most relevant research coverage of the IT industry. The Company generates unbiased insight that it believes to be timely, thought-provoking and comprehensive, and that is known for its high quality, independence and objectivity.
- Leading brand name — The Gartner name has been associated with quality IT research and analysis for over 35 years.
- Global footprint and established customer base —The Gartner and its subsidiaries have a global presence with clients in over 100 countries on six continents.
- Experienced management team – The Directors and management team is composed of research veterans and experienced industry executives.
- Substantial operating leverage in the Company's business model — The Company has the ability to distribute its intellectual property and expertise across multiple platforms, including research publications, consulting engagements, conferences and executive programs, to derive incremental revenue and profitability.
- Vast network of analysts and consultants — As of 31 December 2017, Gartner UK had access to over 1,900 research analysts and 669 experienced consultants located around the world. These analysts collectively speak 59 languages and are located in 26 countries, enabling the Company to cover all aspects of technology and business on a global basis.

Strategy

The fundamentals of the Company's strategy include a focus on creating extraordinary research content, delivering innovative and highly differentiated product offerings, building a strong sales capability, providing world class client service with a focus on client engagement and retention, and continuously improving operational effectiveness.

Key Performance Indicators

The following business measurements are important performance indicators for the Company's business segments:

- Research
  - Client retention rate - represents a measure of client satisfaction and renewed business relationships at a specific point in time. Client retention is calculated on a percentage basis by dividing current clients, who were also clients a year ago, by all clients from a year ago. The client retention rate for Gartner's worldwide research organisation has remained strong at 84% in both 2017 and 2016.

- Consulting
  - Utilisation rates - represent a measure of productivity of its consultants. Utilisation rates are calculated for billable headcount on a percentage basis by dividing total hours billed by total hours available to bill. Gartner's worldwide consulting organisation had a utilisation rate of 64% and 66% in 2017 and 2016, respectively.

- Events
  - Number of events - represents the total number of hosted events completed during the period. The Company held 14 events in 2017 and 16 events in 2016.
  - Number of attendees - represents the number of people who attend events. In 2017, we had 8,982 attendees, which represents a 16% increase on the attendees figure for 2016 of 7,735.

Strategic report *(continued)*

Factors That May Affect Future Performance

The Company operates in a highly competitive and rapidly changing environment that involves numerous risks and uncertainties, some of which are beyond its control. In addition, the Company and its clients are affected by global economic conditions. The following list highlights many, but not all, of these risks and uncertainties:

- The Company's operating results could be negatively impacted by global economic conditions.
- The Company faces significant competition and its failure to compete successfully could materially adversely affect its results of operations, financial condition and cash flow.
- The Company and Gartner USA may not be able to maintain the quality of our existing products and services.
- The Company may not be able to enhance and develop our existing products and services, or introduce the new products and services that are needed to remain competitive.
- Technology is rapidly evolving, and if the Company does not continue to develop new product and service offerings in response to these changes, the Company's business could suffer.
- The Company's research business depends largely on its renewals of subscription-based services and sales of new subscription-based services, and failure to renew at historical rates or generate new sales of such services could lead to a decrease in its revenues.
- The Company depends on non-recurring consulting engagements and failure to secure new engagements could lead to a decrease in its revenues.
- The profitability and success of the Company's conferences, symposia and events could be adversely affected by external factors beyond its control.
- The Company may not be able to retain access to qualified personnel which could jeopardise the quality of its intellectual property and negatively impact its business.
- The Company's sales to governments are subject to appropriations and may be terminated.
- The Company may not be able to attract and retain access to qualified personnel which could jeopardise its future growth plans, as well as the quality of its products and services.
- The Company may not be able to maintain the equity in its brand name.
- International operations expose the Company to a variety of risks which could negatively impact its future revenue and growth.
- The Company is exposed to volatility in foreign currency exchange rates from its international operations.
- Natural disasters, terrorist acts, war and other geo-political events could disrupt the Company's business.
- Privacy concerns could damage the Company's reputation and deter current and potential clients from using its products and services or attending its events.
- Internet and critical internal computer system failures, cyber-attacks, or compromises of the Company's systems or security could damage its reputation and harm its business.
- If the Company is unable to enforce and protect its intellectual property rights, its competitive position may be harmed.
- The Company has grown, and may continue to grow, through acquisitions and strategic investments, which could involve substantial risks.

Properties

- The Company has consolidated most of its operations into a new 107,540 square foot building that opened in September 2017. The Egham lease has a term of 15 years. We also continue to maintain some operations in an adjacent legacy building.

Strategic report *(continued)*

By order of the board

C Safian
Director

26 September 2018

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2017.

Dividends

The Company did not pay a dividend during the year *(2016: £Nil)*.

Directors

The directors who held office during the year were as follows:

C Safian
S Prior *(resigned 31 March 2018)*
W Dorgan *(appointed 16 March 2018)*
D Peale *(resigned 1 July 2017)*

Employment policies

The Company continues to give particular attention to the employment of disabled people. Applicants who are disabled and those who become disabled during employment are offered the widest range of training and opportunity appropriate to their skills.

The Company considers the establishment of the right priorities and environment for people is essential for their performance and development and to the future of the company.

Employees are kept informed of the group's financial performance and a share option scheme is operated to give employees a chance to participate in the group's success.

Political contributions

The Company made no political contributions during the year.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

C Safian
Director
Gartner UK Limited (registered number 02266016)
Tamesis, The Glanty, Egham, Surrey, TW20 9AH

26 September 2018

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Gartner U.K. Limited

Opinion

We have audited the financial statements of Gartner U.K. Limited ("the company") for the year ended 31 December 2017 which comprise the Profit and Loss Account, Other Comprehensive Income, Balance Sheet, and Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Independent auditor's report to the members of Gartner U.K. Limited *(continued)*

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Gemma Hancock

Gemma Hancock (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

28 September 2018

Profit and Loss Account

for the year ended 31 December 2017

	Note	2017 £000	2016 £000
Turnover	*2*	**200,379**	174,966
Administrative expenses including £6,081,000 (2016: £7,815,000) acquisition costs	*3*	**(220,441)**	(195,794)
Other operating income		**23,844**	20,231
Operating profit / (loss)		**3,782**	(597)
Income from fixed asset investments	*10*	**-**	2,700
Interest receivable and similar income	*7*	**9**	54
Interest payable and similar charges	*8*	**(792)**	(110)
Profit on ordinary activities before taxation		**2,999**	2,047
Tax on profit on ordinary activities	*9*	**(999)**	(2,674)
Profit / (loss) for the financial year		**2,000**	(627)

The notes on pages 13 to 28 form part of these accounts.

Other Comprehensive Income

for the year ended 31 December 2017

	2017 £000	2016 £000
Profit / (loss) for the year	**2,000**	(627)
Other comprehensive income		
Items that may or may not be reclassified to profit or loss:		
Currency translation differences on foreign currency net investment	**(28)**	513
Other comprehensive income for the year, net of income tax	**(28)**	513
Total comprehensive income / (loss) for the year	**1,972**	(114)

The notes on pages 13 to 28 form part of these accounts.

Balance sheet

at 31 December 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Goodwill	*11*		3,653		3,653
Tangible assets	*12*		25,338		7,965
Investments	*13*		36,815		36,822
			65,806		48,440
Current assets					
Debtors	*14*	55,384		51,549	
Cash at bank and in hand		-		211	
		55,384		51,760	
Creditors: amounts falling due within one year	*15*	(101,378)		(89,582)	
Net current liabilities			(45,994)		(37,822)
Total assets less current liabilities			19,812		10,618
Creditors: amounts falling due after one year	*16*		(8,156)		(178)
Net assets			11,656		10,440
Capital and reserves					
Called up share capital	*18*		3,300		3,300
Share reserve			1,614		1,615
Profit and loss account			6,742		5,525
Shareholders' funds			11,656		10,440

These financial statements were approved by the board of directors on 26 September 2018 and were signed on its behalf by:

C Safian
Director

Company registered number 02266016

The notes on pages 13 to 28 form part of these accounts.

Statement of Changes in Equity

for the year ended 31 December 2017

	Called up share capital	Profit and loss account	Share reserve	Total equity
	£000	£000	£000	£000
Balance at 1 January 2016	3,300	6,138	1,437	10,875
Retained loss for the financial year	-	(627)	-	(627)
Foreign currency translation	-	513	-	513
Share based payment charge	-	-	178	178
Repayment of Parent's contribution for share based payment	-	(499)	-	(499)
Balance at 31 December 2016	**3,300**	**5,525**	**1,615**	**10,440**
Retained profit for the financial year	-	2,000	-	2,000
Foreign currency translation	-	(28)	-	(28)
Share based payment charge	-	-	(1)	(1)
Repayment of Parent's contribution for share based payment	-	(755)	-	(755)
Balance at 31 December 2017	**3,300**	**6,742**	**1,614**	**11,656**

The notes on pages 13 to 28 form part of these accounts.

Notes

(forming part of the financial statements)

1 Accounting policies

Gartner UK Limited is a private company incorporated, domiciled & registered in the UK. The registered number is 02266016 and the registered address is Tamesis, The Glanty, Egham, Surrey TW20 9AH.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101")*.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Gartner, Inc., includes the Company in its consolidated financial statements. The consolidated financial statements of Gartner, Inc. are prepared in accordance with generally accepted accounting principles in the United States of America and are available to the public and may be obtained from 56 Top Gallant Road, PO Box 10212, Stamford, CT 06904-2212 USA.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries; and
- The effects of new but not yet effective IFRSs.

As the consolidated financial statements of Gartner USA include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*;
- IFRS 2 *Share Based Payments* in respect of group settled share based payments; and
- Certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill.

Notes *(continued)*

1 Accounting policies *(continued)*

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements in accordance with FRS 101.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less cost to sell.

1.2 Going concern

The financial statements have been prepared on a going concern basis. Notwithstanding the fact that the Company has net current liabilities, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors have reviewed the working capital requirements of the Company and no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern have been identified by the Directors. The parent undertaking, Gartner, Inc., has also formally indicated its intention to continue to provide financial support to the Company to meet its obligations as they fall due for the foreseeable future, and for a period of at least twelve months from the date of approval of these financial statements. The Directors have no reason to believe that the parent company will not be in a position to provide the support referred to above and, accordingly, they have prepared the financial statements on a going concern basis.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies 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. 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. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

The assets and liabilities of the company's euro denominated branch are translated at the foreign exchange rate ruling at the balance sheet date. Profit and loss accounts of the branch operation are translated at the average rates of exchange during the year. Gains and losses arising on these translations are included in other comprehensive income.

1.4 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other debtors, cash and cash equivalents, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in equity securities

Investments in subsidiaries are carried at cost less impairment.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Short leasehold improvements	-	shorter of the lease term or the useful economic life of the assets
Computers and office equipment	-	3 years
Telephone equipment	-	5 years
Furniture & Fixtures	-	8 years

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

1.6 Intangible assets and goodwill

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure.

1.7 Impairment

Financial assets (including trade and other debtors)

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 had 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. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. 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.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Impairment (continued)

Non-financial assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.8 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Share-based payment transactions

Restricted Stock Units ("RSUs") represent the right to receive shares of stock at a future date, subject to certain service and, in some cases, performance conditions. RSU recipients do not have any of the rights of a Gartner stockholder, including voting rights and the right to receive dividends and distributions, until after actual shares of common stock are issued in respect of the award, which is subject to the prior satisfaction of the vesting and other criteria related to such grants.

In accordance with IFRS 2, the fair value of RSU awards is determined on the date of grant based on the market price of Gartner USA's common stock and is amortised to compensation expense over the related vesting periods.

The Company took advantage of the option available in IFRS 1 to apply IFRS 2 only to equity instruments that were granted after 7 November 2002 that were unvested at 1 January 2006.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Provisions

A provision is recognised in the balance sheet when the Company 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.10 Turnover

Continuous service revenues are recognised evenly over the contract period, generally twelve months. The company's policy is to record at the time of signing of a continuous service contract the fees receivable and related deferred revenues for the full amount of the contract billable on that date. Cancellations have not been significant.

Other revenues principally comprise revenues from consulting engagements, conferences, publications and other non-continuous services. Revenues from consulting engagements are recognised as work is delivered or services provided and are evaluated on a contract by contract basis, conference revenues are recognised on completion of the relevant event, and publication and other non-continuous service revenues are recognised on the date of publication or completion of service.

1.11 Expenses

Operating lease payments

Payments (including costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease.

Commission expense

The company records the related commission obligation upon signing of the contract and amortises the corresponding deferred commission expense over the contract period in which the related continuous services revenues are earned and recognised as income.

1.12 Taxation

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.12 Taxation (continued)

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

2 Turnover

Turnover represents the amounts (excluding Value Added Tax and other sales taxes) derived from the provision of goods and services to customers and other group companies.

The Company is exempt from the scope of IFRS 8 and accordingly has not disclosed any segmental information regarding turnover.

3 Expenses and auditor's remuneration

	2017	2016
	£000	£000
Included in profit/loss are the following:		
Depreciation of tangible fixed assets	**3,098**	1,702
Operating lease rentals - Plant & machinery	**43**	42
- Other	**3,560**	2,716
Exchange loss/(gain)	**214**	(82)
Auditor's remuneration – audit of these financial statements	**48**	47
Acquisition Costs	**6,081**	7,815

The acquisition costs are one-off in nature and are detailed in Note 13.

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2017	2016
Research/Operations	**651**	564
Sales & Marketing	**408**	381
Administration & Support	**139**	117
	1,198	1,062

Notes *(continued)*

4 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	**105,759**	89,137
Social security costs	**14,881**	12,325
Contributions to defined contribution plans	**6,413**	5,470
	127,053	106,932

5 Directors' remuneration

	2017 £000	2016 £000
Directors' remuneration	**184**	176
Company contributions to money purchase pension plans	**13**	13
	197	189

The remuneration of the highest paid director was £184,000 *(2016: £176,000)*, and company pension contributions of £13,000 *(2016: £13,000)* were made to a money purchase scheme on his behalf.

	Number of directors	
	2017	2016
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**1**	1

6 Employee benefits

Defined contribution plans

The Company operates a defined contribution pension plan.

The total expense relating to these plans in the current year was £6,413,468 *(2016:£ 5,469,794)*

Share based payments

The disclosures below provide information regarding the Company's share-based compensation awards, all of which are classified as equity awards in accordance with IFRS 2. All awards are made by Gartner USA under its 2014 Long Term Incentive Plan (the "Plan"), and relate to shares of Gartner USA common stock. The Plan allows for equity awards to be made to employees and directors of Gartner USA, as well as employees and directors of its subsidiaries (including the Company), in the form of stock appreciation rights and restricted stock units, among others.

Notes *(continued)*

6 Employee benefits *(continued)*

Restricted Stock Units ("RSUs") represent the right to receive shares of stock at a future date, subject to certain service and, in some cases, performance conditions. RSUs recipients do not have any of the rights of a Gartner stockholder, including voting rights and the right to receive dividends and distributions, until after actual shares of common stock are issued in respect of the award, which is subject to the prior satisfaction of the vesting and other criteria relating to such grants.

The Company recorded compensation expense for RSU awards of £1,410,000 for the year ended 31 December 2017 *(2016: £1,189,000)*. In accordance with IFRS 2, the fair value of RSU awards is determined on the date of grant based on the market price of Gartner USA's common stock and is amortised to compensation expense over the related vesting periods, which was four years for the most recent service-based award.

A summary of the changes in RSUs outstanding for the current and prior years is as follows:

	Number of RSUs in thousands 2017	**Weighted average exercise price 2017**	Number of RSUs in thousands 2016	Weighted average exercise price 2016
Unvested at the beginning of the year	**58**	**£nil**	61	£nil
Granted	**21**	**£nil**	27	£nil
Forfeited or expired	**(1)**	**£nil**	(4)	£nil
Exercised	**(24)**	**£nil**	(26)	£nil
Unvested at the end of the year	**54**	**£nil**	58	£nil

7 Other interest receivable and similar income

	2017 £000	2016 £000
Bank interest receivable	**-**	41
Group loan interest receivable	**9**	13
	9	54

8 Interest payable and similar charges

	2017 £000	2016 £000
Group loan interest payable	**358**	49
Discounted provisions, unwinding of discount	**70**	19
Bank charges	**150**	124
Net foreign exchange loss/(gain)	**214**	(82)
	792	110

Notes *(continued)*

9 Taxation

Recognised in profit and loss account

	2017	2017	2016	2016
	£000	£000	£000	£000
UK corporation tax				
Current tax on income for the period	994		1,609	
Adjustments in respect of prior periods	(17)		1,267	
		977		2,876
Foreign tax				
Current tax on income for the period	1		10	
		1		10
Total current tax		978		2,886
Deferred tax (see note 17)				
Origination and reversal of temporary differences	33		(259)	
Adjustment in respect of prior years	(12)		(127)	
Effect of deferred tax rate change	-		174	
Total deferred tax		21		(212)
Tax on profit on ordinary activities		999		2,674

Reconciliation of effective tax rate

	2017	2016
	£000	£000
Profit / (Loss) for the year	2,000	(627)
Total tax expense	999	2,674
Profit excluding taxation	2,999	2,047
Tax using the UK corporation tax rate of 19.25% (2016: 20%)	577	409
Effects of:		
Non-deductible expenses	826	1,734
Share based payments	(339)	(264)
Short term timing differences	1	(8)
Capital allowances for the period in (deficit) / excess of depreciation	(37)	19
Non-taxable income	-	(540)
Foreign tax suffered	1	10
Effect of deferred tax rate change	-	174
(Over) / under provided in prior years	(22)	48
Tax reserve	(8)	1,092
	999	2,674

Notes *(continued)*

9 Taxation *(continued)*

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. A further reduction to the UK corporation tax rate was announced in the 2016 Budget to further reduce the tax rate to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax assets and liabilities at the balance sheet date have been calculated based on the rate of 17% substantively enacted at the balance sheet date.

10 Income from other fixed asset investments

	2017	2016
	£000	£000
Dividend income from shares in other group companies	-	2,700

11 Intangible assets

	Goodwill
	£000
Cost	
Balance at 1 January 2017 and 31 December 2017	10,179
Amortisation and impairment	
Balance at 1 January 2017 and 31 December 2017	6,526
Net book value	
At 1 January 2017	3,653
At 31 December 2017	**3,653**

Notes *(continued)*

12 Tangible fixed assets

	Short leasehold improvements	Computers and office equipment	Fixtures, fittings and telephone equipment	Total
	£000	£000	£000	£000
Cost				
Balance at 1 January 2017	10,440	5,204	4,975	20,619
Additions	13,213	3,110	5,139	21,462
Disposals	(433)	(1,269)	(3,216)	(4,918)
Balance at 31 December 2017	23,220	7,045	6,898	37,163
Depreciation				
Balance at 1 January 2017	5,894	3,026	3,734	12,654
Charge for the year	813	1,524	761	3,098
Relating to disposals	(413)	(412)	(3,102)	(3,927)
Balance at 31 December 2017	6,294	4,138	1,393	11,825
Net book value				
Balance at 1 January 2017	4,546	2,178	1,241	7,965
At 31 December 2017	**16,926**	**2,907**	**5,505**	**25,338**

Notes *(continued)*

13 Fixed asset investments

	Shares in group undertakings
	£000
Cost	
At 1 January 2017	36,822
Additions/(NWC Adjustment)	(7)
At 31 December 2017	36,815
Provisions	
At 1 January and 31 December 2017	-
Net book value	
At 31 December 2017	**36,815**
At 31 December 2016	36,822

On 28 June 2016 the Company acquired 100% of the outstanding capital stock of Newco 5CL Limited (which operates under the name "SCM World"). SCM World is a leading cross-industry peer network and learning community providing subscription-based research and conferences for supply chain executives.

On 9 November 2016 the Company acquired 100% of the outstanding capital stock of Machina Research Ltd. Machina provides clients with subscription-based research that gives strategic insight and market intelligence in areas such as IOT ("Internet of things").

The Company believes that the valuation attributed to the subsidiaries is at least equal to the subsidiaries' net realisable value.

The companies in which the Company had an interest at the period end are as follows:

	Country of incorporation	Registered office address	Principal activity	Percentage of shares held	Classes of shares
Subsidiary undertakings					
Computer Financial Consultants Limited	England	Tamesis, The Glanty, Egham, TW20 9AH	Technical and financial consultancy in relation to IT equipment and related services	100%	Ordinary
Newco 5CL Limited	England	2 London Bridge, London, SE1 9RA	IT Research & Consulting	100%	Ordinary
Machina Research Ltd	England	2 London Bridge, London, SE1 9RA	IT Research & Consulting	100%	Ordinary

Notes *(continued)*

13 Fixed asset investments *(continued)*

	Country of incorporation	Registered office address	Principal activity	Percentage of shares held	Classes of shares
Shares held by subsidiary					
Rapture World Ltd	England	2 London Bridge, London, SE1 9RA	IT Research & Consulting	*100%	Ordinary
SCM World Limited	England	2 London Bridge, London, SE1 9RA	Dormant – Non-trading	*100%	Ordinary
Machina Research (Hong Kong) Ltd	Hong Kong	Suite A, 11/F, Ho Lee Commercial Building 38-44 D'Aguilar Street, Central	IT Research & Consulting	**100%	Ordinary
*of which 100% held by Newco 5CL Ltd					
**of which 100% held by Machina Research Ltd					

14 Debtors

	2017 £000	2016 £000
Trade debtors	**17,911**	18,611
Amounts owed by group undertakings	**112**	6,810
Other debtors	**19,557**	11,976
Deferred tax asset (see note 17)	**1,108**	1,361
Prepayments and accrued income	**16,696**	12,791
	55,384	51,549
Due within one year	**54,485**	49,970
Due after more than one year	**899**	1,579

15 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	**1,319**	2,291
Amounts owed to group undertakings	**7,853**	1,590
Other creditors	**7,117**	4,722
Taxation and social security	**6,300**	5,936
Corporation tax	**57**	1,845
Accruals and deferred income	**78,732**	73,198
	101,378	89,582

Notes *(continued)*

16 Creditors: amounts falling after more than one year

	2017 £000	2016 £000
Accruals and deferred income	**8,156**	178
	8,156	178

17 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets are attributable to the following:

	2017 £000	2016 £000
Tangible fixed assets	**60**	315
Share based payments	**838**	818
Provisions	**210**	228
Tax assets	**1,108**	1,361

Movement in deferred tax during the year

	1 January 2017 £000	Recognised in income £000	Recognised in equity £000	31 December 2017 £000
Tangible fixed assets	315	**(255)**	**-**	**60**
Share based payments	818	**252**	**(232)**	**838**
Provisions	228	**(18)**	**-**	**210**
	1,361	**(21)**	**(232)**	**1,108**

Movement in deferred tax during the prior year

	1 January 2016 £000	Recognised in income £000	Recognised in equity £000	31 December 2016 £000
Tangible fixed assets	229	86	-	315
Share based payments	738	92	(12)	818
Provisions	194	34	-	228
	1,161	212	(12)	1,361

Notes *(continued)*

18 Capital and reserves

Share capital

	2017	2016
	£000	£000
Allotted, called up and fully paid		
3,300,003 *(2016: 3,300,003)* Ordinary shares of £1 each	3,300	3,300

19 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017		2016	
	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
Less than one year	5,520	42	5,624	42
Between one and five years	15,080	72	16,600	7
More than five years	32,408	-	35,205	-
	53,008	114	57,429	49

20 Ultimate parent company and parent company of a larger group

The Company's ultimate parent undertaking is Gartner USA. The largest and smallest group in which the results of the Company and its subsidiary undertakings are consolidated is that headed by Gartner USA. The consolidated financial statements of Gartner USA are available to the public on www.investor.gartner.com and may be obtained by making written request to Investor Relations Department, Gartner, Inc., 56 Top Gallant Road, Stamford, CT 06904, U.S.A.

Notes *(continued)*

21 Accounting estimates and judgements

The preparation of financial statements requires the use of estimates and judgements about future events. Management develops estimates using both current and historical experience, as well as other factors, including the general economic environment and actions that may be taken in the future. Management adjusts such estimates when the facts and circumstances dictate. However, Management's estimate may involve significant uncertainties and judgements and cannot be determined with precision. In addition, these estimates are based on best judgement at a point in time and as such these estimates could be material and would be reflected in the Company's financial statements in future periods. Management's selection of the accounting policies which contain critical estimates and judgements is listed below:

- Tangible fixed assets – Impairment: Note 1 (1.5) – If there is an indication of impairment of these assets, an assessment will be undertaken to determine an estimate of the recoverable value of the asset;
- Intangible assets and goodwill – Impairment: Note 1 (1.6) – If there is an indication of impairment of these assets, an assessment will be undertaken to determine an estimate of the recoverable value of the asset;
- Share-based payment transactions: Note 1 (1.8) – Determining the appropriate amount of associated periodic expense requires management to estimate the rate of employee forfeitures and if factors change, the Company may deem it necessary to modify the assumptions and adjust the amount of expense accordingly;
- Provisions: Note 1 (1.9) – Estimates of costs to be incurred to complete these actions, such as future lease payments and sublease income, are based on assumptions at the time the actions are initiated. The accrual may need to be adjusted to the extent actual costs differ from such estimates.
- Revenue recognition: Note (1.10) – A judgement is made to recognise revenue evenly over the contract period, with reference to the milestones achieved in the terms of the contract.

22 Subsequent events

Pursuant to the Intra-Group Business Sale Agreement Relating to the Business of L2 UK Limited between the Company and L2 UK Limited, a group undertaking, ("L2 UK"), dated 27 June 2018, the Company purchased all the existing Business and Assets of L2 UK, as defined in the agreement, for a total of £2,704,000, which was settled with an intercompany balance.

On the same date, 27 June 2018, the Company purchased all the exiting Business and Assets of Rapture World Limited, a group undertaking, for a total of £35,675,000, which was settled with an intercompany balance, in accordance with the Intra-Group Business Sale Agreement Relating to the Business of Rapture World Limited.