DWF Group plc

Unaudited Interim Report for the six months ended 31 October 2019

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DWF Group plc

Half year results for the period ending 31 October 2019
Strong organic growth with good progress against medium-term targets

DWF Group plc, the global legal business providing Complex, Managed and Connected Services, today issues its half year results for the period to 31 October 2019.

GROUP FINANCIAL SUMMARY

£m	HY 2020	HY 2019	Change
Net revenue	146.8	133.4	+10%
Gross profit	73.7	72.3	+2%
Gross profit margin (%)	50.2%	54.2%	-4.0ppts
Underlying gross profit	73.7	68.4	+8%
Underlying gross profit margin (%)	50.2%	51.3%	-1.1ppts
Adjusted earnings before interest, tax, depreciation and amortisation ('Adjusted EBITDA')	20.1	16.9	+19%
Underlying adjusted EBITDA	13.5	12.9	+4%
Adjusted profit before tax ('Adjusted PBT')	9.9	13.4	-26%
Underlying adjusted PBT	9.7	9.4	3%
Reported PBT	4.7	5.3	
Adjusted diluted earnings per share ('Adjusted diluted EPS') (pence)	2.6p	3.6p	
Reported diluted EPS (pence)	1.2p	1.9p	
Net debt	49.5	59.0	

Andrew Leaitherland, Group Chief Executive Officer commented:

"We are pleased with our first set of interim results as a plc. Our business continues to evolve in line with our strategy, with International and Connected Services being our key areas of investment. This is evident in the growth achieved in the first half of the year in these two divisions, with further investments made in key capabilities and locations where our clients need us to be, such as Poland and Dusseldorf, Germany. This will help to drive the business forward in the second half of this year and beyond. Growth in International and Connected Services was underpinned by a solid performance in the UK business, with Insurance Services delivering double digit organic growth and Commercial Services showing resilience in a tough market. We have also made progress with our Managed Services offering by securing a five-year contract with BT, demonstrating the success of this strand of our strategy. Finally, we are excited to announce that we reached an agreement to acquire a leading Spanish law firm, Rousaud Costas Duran ("RCD"), with whom we previously had an exclusive Association which significantly expands our International capabilities"

FINANCIAL HIGHLIGHTS

- 10% increase in Group revenue from £133.4m to £146.8m
  - 28% growth in the International division
  - 18% growth in the Connected Services division
  - 10% growth in the Insurance Services division
  - The Commercial Services division flat in H1
- Organic revenue growth[1] of 7%
- Underlying adjusted EBITDA[2] of £13.5m, increased by 4% (FY 2019 H1: £12.9m) with significant investment in H1
- Reported PBT of £4.7m (FY 2019 H1: £5.3m)
  - Reduction due to change in partner compensation model with the prior period on a reported basis reflecting the lower LLP-based direct cost
  - Underlying adjusted PBT[3] of £9.7m (FY 2019 H1: £9.4m), an increase of 3%
- 17-day reduction, equivalent to 14% improvement, in debtor days[5] (FY 2019: 122 days)
- 15-day increase in WIP days[5] in line with normal working capital cycle, resulting in reduction in gross lock-up days[5] to 201 (FY 2019: 203 days)
- Closing net debt[5] of £49.5m (FY 2019 H1: £59.0m)
- Declared first interim dividend of 1.25p payable in December with a second interim dividend anticipated in February 2020 (will revert to dividends being twice annually in FY21)

OPERATIONAL & STRATEGIC PERFORMANCE

Revenue per partner increased by 4% to £438k (half year basis) despite significant H1 investment in new partners

Net increase of 20 new partners in the period which will support ongoing underlying organic growth particularly in the International division

Underlying gross margin down 1.1 percentage points ('ppts') from 51.3% to 50.2% reflecting the investment made in the first half

Cost to income ratio[6] improved by 0.7ppts to 43.0%

Acquired in Poland and expanded German operations with Dusseldorf office

Landmark five-year Managed Services contract with BT live from 1 November

OUTLOOK AND CURRENT TRADING

Expansion of office in Newcastle Australia with hire of 8 lawyers

Strong pipeline of work across all divisions with significant bid activity, including Managed Services opportunities

Investment to support growth in second half has now been made with cost base set to be maintained for the remainder of the year

The first half results, investments made, and trading through November reinforce management's confidence in delivering expectations for the full year

Reached a definitive agreement to acquire Rousaud Costas Duran ('RCD') on 10 December 2019 with completion expected by 31 December 2019. The acquisition of RCD is expected to be earnings enhancing in its first full financial year post completion

1 Organic revenue growth eliminates the impact of acquisitions
2 Underlying Adjusted EBITDA is defined in note 2
3 Underlying Adjusted PBT is defined in note 2
4 Adjusted diluted EPS is defined in note 8
5 Debtor days, WIP days, Gross lock-up days and net debt are defined in note 22
6 Cost to income ratio is defined in note 2

A presentation for analysts and investors of the full year results will be webcast on 11 December 2019 at 9:30am (GMT) and can be accessed at: https://webcasts.eqs.com/dwf20191211

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About the Company
DWF is a global legal business providing complex, managed and connected services, operating from 28 key locations with approximately 3,200 people. The Company became the first Main Market Premium Listed legal business on the London Stock Exchange in March 2019. DWF recorded revenue of £272.4 million in the year ended 30 April 2019. For more information visit: www.dwf.law

Forward-looking statements
This announcement contains certain forward-looking statements with respect to the Group's current targets, expectations and projections about future performance, anticipated events or trends and other matters that are not historical facts. These forward-looking statements, which sometimes use words such as "aim", "anticipate", "believe", "intend", "plan" "estimate", "expect" and words of similar meaning, include all matters that are not historical facts and reflect the directors' beliefs and expectations and involve a number of risks, uncertainties and assumptions that could cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statement.

GROUP CHIEF EXECUTIVE OFFICER'S REPORT
A STRONG START TO OUR FIRST FULL YEAR AS A PLC

FY20, our first full year as a plc, is a critical year in the Group's long-term strategy. I am pleased with the progress we continue to make towards the targets we set out at IPO. We have achieved a strong financial performance, with net revenue growing by 10% to £146.8m (First half 2019: £133.4m). The vast majority of this growth was organic as we have deployed limited capital on M&A since the IPO, although we continue to review acquisition opportunities, such as RCD, aligned to our strategy. We have seen good improvement in our KPIs over the course of the first half. Underlying adjusted EBITDA increased by 4% to £13.5m and underlying adjusted PBT increased 3% to £9.7m as we have continued to invest to support our growing platform.

Continuing the global build

Our first half saw us acquire in Poland, launch in Dusseldorf, Germany and add 20 net new partners. Elsewhere, we are seeing our portfolio of international locations grow organically and benefit from the additional capacity from the partner hires made over the last 12 to 18 months. Revenue per partner is progressing towards the medium-term target of £1m, demonstrating the capacity for organic growth that exists in the International division.

Australia continues to be one of our most important locations with further opportunities to grow and build upon 80% revenue increase in the first half. It is also now the largest International business despite being one of the most recent launches. We have recently brought in a group hire in Newcastle, Australia, comprising eight lawyers and 16 people in total, strengthening our expertise in insurance, real estate, commercial, civil litigation and corporate law. The number of partners in the Australian business has doubled compared to the same period last year, demonstrating our ability to attract talent in this location.

The successful acquisition of Rousaud Costas Duran ('RCD') in Spain followed a period of working as an exclusive association. We continue to work closely with our other large exclusive association, Wood, Smith, Henning & Berman a Los Angeles, US-based partnership. The close relationships with all of our associations allows us to assess future prospects in these territories, where there is an opportunity to support more of our clients on a global basis.

Our international strategy is client-led. We continue to enter new markets and build further capability in our current markets to serve clients where they need us, through organic build, association partners or acquisition targets with a strong sector alignment and cultural fit. This will remain a core element of our strategy given the scale of the global opportunities.

Resilience and organic growth in the UK

Our two core UK divisions continue to be the largest part of our Group, with Insurance Services demonstrating strong organic growth and Commercial Services highlighting our resilience in a tough market for transactional activity. As we signposted in July, Commercial Services has seen a slowdown in growth compared to a strong first half in the prior year but we expect a stronger second half delivering some full year growth. Litigation is performing particularly well. The increase in litigation activity is historically a bellwether for tougher economic conditions, and we anticipate the high levels of activity to continue and, depending on the political landscape, potentially increase. As such, Insurance Services is enjoying a strong year so far delivering 10% revenue growth, spread across all practice groups, and we expect that this growth rate will be sustained for much of the second half.

Developing Managed Services

We talked at IPO and in our 2019 results about Managed Services being one of our key differentiators. The landmark win with BT underscores our commitment to this strand of our strategy, and the contract went live in November. We see an opportunity in the market to give our clients an integrated service, with easier access to the right level and quality of legal advice, delivered in a way that takes away the challenge of managing multiple suppliers. Alongside the advisory and connected businesses in the Group, we believe that we have a compelling offering in this space and are building a pipeline of further opportunities.

Managed Services has global client appeal, and we remain focused on Australia and the US becoming integral locations in our ambition to create a 24-hour Managed Services capability.

Connecting with our clients

Connected Services has had a strong first half and continues to capture the interest of our clients who value the opportunity to achieve single source supply for certain types of work and also to benefit from some of our innovations such as our software and resourcing businesses. We recently launched a regulatory service in the division, and we are already seeing a good level of demand with this service area high on board agendas.

M&A activity

After a period during the IPO where acquisitions were largely paused, we now see a strong M&A pipeline and are actively reviewing a number of opportunities. The key is to focus on jurisdictions and capabilities where we have both client synergies and demand, and where we see an opportunity to build upon our organic performance through carefully selected deals.

Our progress against strategy

Our ability to transform legal services through our people, for our clients, depends on the effective delivery of our strategy, which means understanding our clients, engaging our people and doing things differently.

Understanding our clients

Our sector-led go-to-market strategy is enabling us to build close relationships with our clients as we demonstrate our understanding of the issues facing their business and their industry. In the first half of this year we were appointed to the legal panel for Tarmac and were reappointed to the reduced own account panel with Lloyds Banking Group. Clients in our three key global sectors of Insurance, Real Estate and Financial Services are increasingly looking for us to offer cross-border services, with referrals and cross-working between offices on the increase.

Engaging our people

We continue to invest significant time and resources in ensuring our business is an attractive place to work, helping us to recruit and retain the right people. We have now launched our Buy As You Earn scheme in the UK through which employees can use a proportion of their salary to purchase shares in DWF. 14.8% of our employees have signed up so far. This follows those of our people receiving a one-off share awards through the IPO. We were proud to receive recognition for our innovative employee share plans at the recent ProShare annual awards.

We were delighted to be recognised by two well-regarded UK rankings in this half year. We were recognised as one of the ten best employers for working families, and were ranked 16th in the Social Mobility Employer Index.

Doing things differently

We have consistently been ranked as one of the most innovative legal businesses by the Financial Times and were delighted this year to receive our highest ever ranking (8th) and to win two awards at the FT's Innovative Lawyers awards. We won the New Business and Service Delivery category for our ground-breaking IPO, and the Data, Knowledge and Intelligence category in recognition of our excellence in data analytics to help insurers mitigate the effects of adverse claims and behaviours.

Outlook and current trading

The half year results have delivered good progress towards our full year targets and, as we trade through December, we continue to see growth in activity levels and transactions, and further client wins. November continued the growth acceleration we saw in September and October and our new lateral hires are coming up to speed. We expect growth across all divisions in the second half in line with our medium-term guidance set out at IPO. There are many opportunities to supplement the organic growth with M&A, and we continue to progress a number of these situations in earnest.

Working capital performance has continued the trend demonstrated in the last six months with the progress on debtor days expected to continue and the work-in-progress ('WIP') days forecast to reduce, as per the normal lock-up cycle, in the second half of the year. We have a number of initiatives still to be deployed to drive further efficiencies and remain confident in delivering our medium-term targets on lock-up. Our cost to income ratio has continued its downward trend and we are pleased with the first half progress in this regard.

With revenues naturally weighted towards the second half due to seasonality and business investments, and with costs expected to be relatively flat we expect further meaningful progress in the second half.

The strategic acquisition of RCD will significantly expand DWF's capabilities via offices in Madrid, Barcelona and Valencia and provide access to an extensive network of connections in Portugal and Latin America. RCD will bring 40 new partners and c.400 people in total to DWF.

Andrew Leaitherland
Group Chief Executive Officer

FINANCIAL REVIEW

GROWING AND INVESTING FOR THE FUTURE

Financial overview

The Board is pleased with the Group's financial performance in the first half of FY20.

The divisional performance was in line with expectations with Group revenues growing 10% against a record first half in the prior year. Group underlying gross profit has grown by 8% on the prior period, despite the first half investments in fee earner recruitment that were made in International and Connected Services. These investments have slightly diluted first half margins but should deliver profitable second half growth that is expected to lead to a year-on-year improvement in underlying gross margin percentage at the full year. The cost to income ratio has improved by 0.7 ppts compared to October 18 and is in line with the April 19 position. With revenues traditionally weighted towards the second half against a relatively flat administrative cost profile, we expect to see further reduction in the cost to income ratio at the full year as the platform supports higher revenue without the need for a commensurate increase in costs.

This combination of top line growth and controlled investment in resource and overheads drive will drive our expected performance in the second half.

Adjusted and underlying measures

As set out in note 2, there are three adjustments in the Interim Report to aid comparability of underlying performance between periods. Note 2 also sets out a pro forma adjustment for FY19 to put this on a comparable basis:

1. The introduction of the new International Financial Reporting Standard on leasing (IFRS 16) has a material impact on EBITDA, increasing it by £6.7m due to the reclassification of rental costs into depreciation and interest. At a PBT level, the impact is minimal. However, to ensure comparability at an EBITDA level, the metric Underlying adjusted EBITDA is included in the report and strips out the impact of IFRS 16 on the FY20 figures.
2. As was the case in the FY19 annual report, relevant metrics exclude the impact of non-underlying items and IFRS 2 costs relating to unvested share awards granted.
3. The Group's FY19 reported statutory financials represented 10.5 months as a partnership and 1.5 months as a plc. A material change on IPO was the move to a new partner compensation model and the method for accounting for partner costs in relation to partner drawings. The impact of these changes makes the FY19 partner compensation included in direct costs artificially low. In this set of results the "underlying" adjusted metrics apply an adjustment to the first half of FY19 to give a direct cost figure that essentially reflects a full year of trading as a plc, to ensure that the underlying gross profit, EBITDA and PBT progression can be properly understood. A similar adjustment for FY19 is set out in note 2.

Revenue

Group revenue was £146.8m for the half-year compared to £133.4m in the previous half-year, an increase of 10%. International and Connected Services continue to deliver in line with the medium term CAGRs set out at IPO, with the UK divisions growing at 5% on a combined basis. This growth was driven by Insurance Services, delivering a 10% revenue increase on the prior period. Revenue in Commercial Services was flat but is expected to return to growth in the second half of FY20. The current political environment is impacting Corporate Services and Real Estate where transactional activity has been relatively muted however this has been offset by a stronger performance in Litigation. 7% of the Group's revenue growth was organic with the remainder due to the acquisition in Poland which is performing well. Second half revenue tends to make up a larger proportion of the full year and, this year, compares to a weaker second half comparator in FY19.

Direct costs

Direct costs were £73.1m compared to £61.0m on a statutory basis in the first half of FY19, a reported increase of 20%. As noted above, there is a lack of comparability in the numbers as direct costs in the first half of FY19 were based on the pre-IPO partner compensation model and accounting treatment, which simply included cash drawings, as opposed to full profit share. In order to allow comparison with the first half of FY20, prior year direct costs on an Adjusted underlying basis were £65.0m. This reflects the partner profit share being included in direct costs on the basis of the new partner compensation model adopted from IPO where former equity partners moved to 40% of their pre-IPO profit share while fixed share partners moved to 90% of their pre-IPO profit share. The underlying adjusted direct cost increase is therefore 12.5%, driven by investment in 131 additional fee earners and 20 partners over the period. This same adjustment supports the underlying gross margin calculation referred to below.

Gross profit

Reported gross profit is £73.7m compared to £72.3m in the first half of FY19. This equates to an increase of 2% and a reduction in gross margin. However, on an underlying basis (adjusting direct costs as set out above) gross profit has increased by £5.3m or 8%. Insurance delivered a meaningful underlying improvement in gross margin, whilst Commercial, International and Connected are showing a slight, short-term, dilution compared to the prior year due to first half investments. This dilution is expected to invert in the second half to give gross margin improvements in all divisions across the Group.

Working capital

Working capital (measured as 'gross lock-up days') has remained a key area of focus and opportunity, with a reduction of 2 days from the April 19 position. Closing net debt was £49.5m as expected, and whilst this is higher than the April 19 position this reflects the seasonal nature of the working capital cycle and the timing of new plc-related outflows such as corporation tax. These timing differences are expected to unwind to give a year end net debt figure which is expected to be at a similar level to the prior year.

Gross lock-up days comprise ('WIP') days, the amount of time between starting work and invoicing clients, and debtor days, the length of time between invoicing and cash collection.

The increase in WIP days from April 19 reflects the normal billing cycle where WIP tends to build in the first half and is subsequently billed, converting to debtors in the second half. Seasonal effects in the business and development of strategy have driven an expansion in WIP days to 96, in line with management expectations.

The Group is delighted with its debtor day performance which has fallen to 105 days. This is a reduction of 17 days since April 19 and 10 days since October 18. The Board views this as evidence of the ability to drive improved collections performance, with further opportunity given that debtor days remain high.

The Group will continue to focus on working capital improvements in FY20 and beyond and are highly confident of delivering the medium-term target of a 5 to 10-day improvement in lockup days. Focus remains on global process standardisation for billing and collections, billing automation, and partner accountability to drive improved working capital performance.

Insurance Services

Measure £m	**HY20**	**HY19**	**Variance**	**Variance**
Revenue	47.8	43.3	4.5	10.4%
Direct cost	(24.3)	(21.4)	(2.9)	(13.3%)
Reported gross profit	23.5	21.9	(1.7)	(7.6%)
Reported gross margin %	49.2%	50.5%		(1.3 ppts)
Underlying gross profit	*23.5*	*20.4*	*3.1*	*15.6%*
Underlying gross margin %	*49.2%*	*47.0%*		*2.2 ppts*

Insurance Services has seen an acceleration in growth over the past 12 months with the new client wins and lateral hires brought in during FY19 driving a strong uplift in revenue in the first half of FY20. Revenue growth of over 10% reflects a combination of factors. Firstly, there is an increasing flow of work from international panel appointments where our global reach is giving us access to work that we would previously have been unable to service, and much of this work is of a more complex nature that attracts higher margins. We are also seeing a continuation of the trend for insurers to have fewer firms on their panels and we have been privileged to be re-appointed to a number of panels alongside a lower number of firms who will share the work going forward. A number of our largest clients tell us that we are seen as their strategic partner both in the UK and overseas due to our increasing international footprint, and this is helpful to drive both UK and international growth. We are also seeing some pricing improvement on renegotiation of contracts, providing a correction to some historical rates which were too low for the work being delivered. These market dynamics combine to give a strong first-half revenue growth performance and also good underlying gross margin improvement due to pricing and efficiency gains.

The Insurance market tends to see more litigation as economic conditions become tougher, and this dynamic is evidenced in our financial performance with all three practice groups seeing a higher flow of instructions. In addition to the external market environment, the Managed and Connected Services offerings are proving to be appealing to clients and are helping to drive more bid activity. The expectation is that the division will continue on its growth trajectory in the second half.

Commercial Services

Measure £m	**HY20**	**HY19**	**Variance**	**Variance**
Revenue	55.2	55.1	0.1	0.1%
Direct cost	(22.9)	(19.5)	(3.4)	(17.2%)
Reported gross profit	32.3	35.6	(3.3)	(9.3%)
Reported gross margin %	58.5%	64.6%		(6.1 ppts)
Underlying gross profit	*32.3*	*33.2*	*(0.9)*	*(2.7%)*
Underlying gross margin %	*58.5%*	*60.2%*		*(1.7 ppts)*

Commercial Services has seen a flat revenue performance in the first half of FY20, with the Corporate Services and Real Estate practice groups seeing lower activity levels than in the prior year, whilst Litigation is enjoying significant growth with a pipeline suggesting that this momentum will continue. The slightly muted performance in Corporate Services and Real Estate is reflective of the economic and political environment which is impacting transactional activity. It also reflects the time needed in Real Estate to replace revenue lost in FY19 following partner departures due to an optimisation programme. Looking forward, the pipeline across all three practice groups is looking healthier so the expectation is that the division will deliver a performance that inverts the prior year pattern of strong first half, weaker second half, to deliver a strong second half in FY20 after a weaker first half.

Whilst revenue growth at a divisional level has been challenging, there has been a continued drive towards efficiency and engagement with the Managed Services build to ensure that work is transitioned to the Managed Services platform to drive efficiency and margin improvement. We expect that the benefit of these initiatives will be reflected in the second half performance.

Selective partner hiring continues to ensure that we have the expertise, sector and geographical coverage needed to drive revenue, with London and Real Estate taking priority in terms of investment focus. This, combined with a healthy pipeline, gives us confidence that the second half performance is likely to see and an improvement in gross margin.

International

Measure £m	**HY20**	**HY19**	**Variance**	**Variance**
Revenue	33.0	25.8	7.2	28.0%
Direct cost	(19.1)	(14.6)	(4.5)	(31.0%)
Reported gross profit	13.9	11.2	2.7	24.1%
Reported gross margin %	42.1%	43.4%		(1.3 ppts)

The International division continues to be the main growth engine of the Group. The first half has delivered 28.0% revenue growth compared to a record first half in the prior year. Standout performances include Australia which has grown at 80%, and Qatar which has grown by 76% with Poland delivering a strong performance and proving to be an attractive proposition in the market given the number of partners that have been attracted to join. While margins in International are improving as expected in the majority of locations, the overall divisional margin is 1.3 percentage points lower than the prior year due in part to weaker performances in Germany and Dubai, together with the significant partner hiring that took place in the first half. Margin is expected to improve in the second half as first half partner investments get up to speed.

Moving into the second half, it is expected that the new partner hires in the first half, the continuing positive development of revenue per partner and traction in Dusseldorf, Germany, and Newcastle, Australia, will deliver incremental revenues compared to the first half. Investments have been made to continue the build in key locations with Australia proving to be one of the areas of greatest opportunity. Poland has been a successful launch and has already had organic investment via partner hires and team lifts and will likely be the second largest international location by the end of the year.

Connected Services

Measure £m	**HY20**	**HY19**	**Variance**	**Variance**
Revenue	10.8	9.1	1.6	17.7%
Direct cost	(6.8)	(5.5)	(1.3)	(24.1%)
Reported gross profit	4.0	3.7	0.3	8.2%
Reported gross margin %	36.9%	40.1%		(3.2 ppts)
Underlying gross profit	*4.0*	*3.6*	*0.3*	*9.6%*
Underlying gross margin %	*36.9%*	*39.6%*		*(2.7 ppts)*

Connected Services has had a strong first half of the year with 18% revenue growth on the prior year, delivering £10.8m of revenue. Almost all of the businesses within Connected Services are growing in double digits, with some standout performances in areas like Vueity (audit services), Adjusting and Forensics which have grown by 82%, 224% and 356% respectively. All three of these businesses are relatively new within the portfolio so are growing from a comparatively smaller base but are gaining traction quickly. The performance of the division is tempered by a slight contraction in Claims as parts of the Australian and UK business are restructured with an expectation that they will deliver a stronger second half performance. Divisional gross margin reduced 2.7 ppts dilution on the prior year, despite margins improving in a number of service lines, as a result of first half investments into businesses in, inter alia, Vueity and Compliance, and investment in advocates to service increasing demand in Advocacy anticipated in the second half. There has also been £200k additional investment compared to the prior year in Ventures which is the innovation and incubation arm of Connected and is not directly revenue producing but which is expected to support revenue build across Connected Services and the broader group.

As the Connected Services businesses grow to critical mass and client and partner awareness of services increases, we are seeing more opportunities both directly with new and existing clients, and from internal referrals. The recently launched Regulatory practice is already generating pipeline and adds sought after expertise to the portfolio. The overall growth trend has accelerated through the first half and this ramp-up is expected to continue into the second half of the year, in particular in Advocacy and Costs, which supports management confidence in the outlook. Demand is increasingly cross-border with future opportunities to both consolidate smaller suppliers in this space in the market and align the global footprint of Connected with our legal advisory capabilities.

Administrative expenses
Reported administrative expenses increased from £66.4m in the first half of FY19 to £67.2m in the first half of FY20. As described in note 2, there are three factors impacting comparability:

- The inclusion of £8.0m of non-underlying items in the first half of FY19, compared to just £0.9m in the first half of FY20.
- A £1.2m benefit to administrative expenses as a result of IFRS 16 implementation in FY20.
- The inclusion of share-based payments expense of £4.4m in the first half of FY20, with no related charge in the first half of FY19.

Removing the non-underlying, IFRS 16 and share based payments expense from both periods gives an increase of c. 8%. Non-underlying items and share based payment expense are separately disclosed to provide more information about our cost base. The underlying increase in administrative expenses of £4.9m, primarily reflects the full year impact of Australia, support costs for the substantial growth of the International business and an increase in PLC specific head office costs.

Net finance expense
Net finance expense was £0.8m in the first half of FY20 compared to £0.6m in the comparative period. This cost relates predominantly to interest on the Group's Revolving Credit Facility. The position is broadly flat year over year with full year interest costs expected to drop compared to the prior year as borrowings reduce.

IFRS 16-related interest payable on leases of £1.0m is recognised separately on the face of the income statement to allow for greater understanding of the composition of finance costs by the Group.

Profit before tax

Statutory PBT was £4.7m compared to £5.3m in the first half of FY19, a reduction of £0.6m or 12% on the comparative period. This position is impacted by the same factors that distort the prior year operating profit, being the lower partner compensation charge in the prior year due to the majority of the year being on LLP rather than plc basis. Underlying adjusted PBT increased by 3% reflecting the level of investment which has been made in the first half. The combination of revenue growth, margin improvement, and reducing cost to income ratio is driving this first half improvement which we expect will accelerate in the second half.

Taxation
The Group is now in its first full year as a listed company and is therefore subject to corporation tax. The estimated blended tax rate is expected to be c.21% and payments on account of £3.0m have been made in the first half with a tax charge to the Income statement of £1.4m.

Dividend
The Group's dividend policy is to retain sufficient capital to fund ongoing operating requirements and to invest in the Group's long-term growth. The Group has a target dividend pay-out ratio of up to 70% of DWF Group plc's Adjusted profit after tax.

The Group paid a final dividend in relation to FY19 of 1.0p per share. The Board approved the first interim dividend for FY20 of 1.25p per share which is payable on 20 December 2019. A second interim dividend is expected to be paid in February 2020 with the final expected to be paid in September 2020 as outlined in our FY19 annual report.

Statement of financial position
Group net assets were £40.4m in the first half of FY20 compared to net liabilities of £12.5m in the first half of FY19 and net assets of £41.8m at 30 April 19.

The impact of IFRS 16 has increased property, plant and equipment by £70.3m with a related increase of £78.1m to lease liabilities. The full impact of the transition to IFRS 16 is set out in note 1.4.

Capital expenditure
The Group has incurred cash outflows on capital expenditure of £2.5m in the first half, which is a reduction on the £3.0m of capex in the comparator period. The decrease is due to the absence of material property requirements in the current year, with IT and Managed Services initiatives being the focus of the first half expenditure. This is in line with the stated use of proceeds at the IPO, and the expenditure has been on strengthening the global IT network, modernising equipment and building the Managed Services platform. A slightly higher level of expenditure is expected in the second half.

Conclusion
The Group has delivered another period of profitable, primarily organic, growth which leaves the Group well positioned for the full year outturn. This is despite the first half including some significant resource investments which are expected to become revenue generating in the second half but contributed to a slight short-term gross margin dilution in the first half. The progress on working capital is demonstrating that the operational interventions made so far can make a material difference, particularly to our debtor day performance. We have several initiatives still to deploy, giving us confidence that the second half of the year will show further progress towards our medium-term gross lock-up targets. The second half is expected to deliver a stronger revenue pull-through than the first, with investments made ramping up whilst cost control and saving initiatives are expected to drive further progress on the cost to income ratio. M&A continues to be pursued

with a strong pipeline of opportunities being given close consideration, and the RCD acquisition demonstrating our ability to supplement organic growth with strategic deals.

Statement of Directors' responsibilities

The Directors confirm to the best of their knowledge that the interim information has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as adopted by the European Union. The Interim Management Report includes a fair review of the Interim Information and, as required by DTR 4.2 TR and DTR 4.2 8R, the following information:

- an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- disclosure of material related party transactions that have taken place in the first six months of the current financial year and of any material changes in the related party transactions described in the last Annual Report and Financial Statements.

This responsibility statement was approved by the board of Directors on 10 December 2019 and is signed on its behalf by:

Chris Stefani
Chief Financial Officer

OFFICERS

Directors:

Sir Nigel Knowles
Group Chairman

Andrew Leaitherland
Group Chief Executive Officer

Chris Stefani
Chief Financial Officer

Chris Sullivan
Senior Independent Director

Teresa Colaianni
Independent Non-Executive Director

Vinodka Murria
Independent Non-Executive Director

Luke Savage
Independent Non-Executive Director

Samantha Tymms
Independent Non-Executive Director

Matthew Doughty
Partner Director

Company secretary:
Mollie Stoker

Registered office:

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Company registration number: 11561594

FINANCIAL STATEMENTS

Unaudited Consolidated Income Statement

	Notes	**Six months ended 31 October 2019 £'000**	Six months ended 31 October 2018 £'000	Year ended 30 April 2019 £'000
Revenue		**174,106**	**157,168**	**321,446**
Recoverable expenses		(27,313)	(23,812)	(49,085)
Net revenue	**3**	**146,793**	**133,356**	**272,361**
Direct costs		(73,088)	(61,032)	(126,871)
Gross profit	**3**	**73,705**	**72,324**	**145,490**
Administrative expenses		(67,194)	(66,362)	(131,037)
Operating profit		**6,511**	**5,962**	**14,453**
Adjusted operating profit	2	**20,145**	**16,867**	**33,589**
Depreciation, amortisation and impairment		(8,389)	(2,876)	(5,365)
Non-underlying items	4	(853)	(8,029)	(12,569)
Share based payments expense		(4,392)	-	(1,202)
Interest payable on leases	5	(1,030)	-	-
Net finance expense	5	(787)	(630)	(2,131)
Profit before tax		**4,694**	**5,332**	**12,322**
Taxation	6	(1,362)	(28)	(138)
Profit for the period		**3,332**	**5,304**	**12,184**
Earnings per share attributable to the owners of the parent:				
Basic (p)	8	1.2p	2.0p	4.5p
Diluted (p)	8	1.2p	1.9p	4.5p
Adjusted earnings per share attributable to the owners of the parent:				
Basic (p)	8	2.7p	3.6p	6.9p
Diluted (p)	8	2.6p	3.6p	6.8p

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

Notes 1 to 25 are an integral part of these consolidated financial statements.

Unaudited Consolidated Statement of Comprehensive Income

	Six months ended 31 October 2019	Six months ended 31 October 2018	Year ended 30 April 2019
	£'000	£'000	£'000
Profit for the period	**3,332**	**5,304**	**12,184**
Items that are or may be reclassified subsequently to the income statement:			
Foreign currency translation differences – foreign operations	(129)	451	180
Total other comprehensive (expense)/income for the period, net of income tax	**(129)**	**451**	**180**
Total comprehensive income for the period	**3,203**	**5,755**	**12,364**

Items in the above statements are disclosed net of tax. Notes 1 to 25 are an integral part of these consolidated financial statements.

Unaudited Consolidated Statement of Financial Position

	Notes	**31 October 2019 £'000**	31 October 2018 £'000	30 April 2019 £'000
Non-current assets				
Intangible assets and goodwill	10	4,892	4,017	4,541
Property, plant and equipment	11	80,214	14,117	14,032
Investments		254	254	254
Trade and other receivables	12	152	-	152
Deferred tax asset		1,197	-	933
Total non-current assets		**86,709**	**18,388**	**19,912**
Current assets				
Current tax asset		976	-	-
Trade and other receivables	12	170,025	144,680	164,168
Cash at bank and in hand	13	19,805	10,585	12,912
Total current assets		**190,806**	**155,265**	**177,080**
Total assets		**277,515**	**173,653**	**196,992**
Current liabilities				
Trade and other payables	14	44,108	54,153	53,995
Current tax liabilities		-	22	418
Deferred consideration		2,512	652	1,625
Lease liabilities	15	9,655	-	-
Other interest-bearing loans and borrowings	16	3,687	18,295	9,028
Provisions	17	1,252	1,252	1,252
Amounts due to Members of partnerships in the Group	23	35,729	48,409	38,071
Total current liabilities		**96,943**	**122,783**	**104,389**
Non-current liabilities				
Trade and other payables	14	-	10,831	10,072
Deferred consideration		608	1,140	208
Lease liabilities	15	72,487	-	-
Other interest-bearing loans and borrowings	16	65,667	51,285	39,196
Provisions	17	1,446	125	1,329
Total non-current liabilities		**140,208**	**63,381**	**50,805**
Total liabilities		**237,151**	**186,164**	**155,194**
Net assets/(liabilities)		**40,364**	**(12,511)**	**41,798**
Equity				
Share capital	19	3,000	2,385	3,000
Share premium	19	63,167	-	63,167
Other reserves		2,372	(2,105)	(1,323)
Accumulated losses		(28,175)	(12,791)	(23,046)
Total equity/(deficit)		**40,364**	**(12,511)**	**41,798**

Notes 1 to 25 are an integral part of these consolidated financial statements.

Unaudited Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Treasury shares £'000	Merger reserve £'000	Share-based payments reserve £'000	Translation reserve £'000	(Accumulated losses)/ retained earnings £'000	Total equity/ (deficit) £'000
At 1 May 2018	**2,385**	**-**	**-**	**(2,385)**	**-**	**(171)**	**5,477**	**5,306**
Impact of IFRS 9 transition	-	-	-	-	-	-	(2,510)	**(2,510)**
Impact of IFRS 15 transition	-	-	-	-	-	-	997	**997**
Restated at 1 May 2018	**2,385**	**-**	**-**	**(2,385)**	**-**	**(171)**	**3,964**	**3,793**
Profit for the period	-	-	-	-	-	-	5,304	**5,304**
Exchange rate differences	-	-	-	-	-	451	-	**451**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**451**	**5,304**	**5,755**
Reserves transferred to amounts due to Members of partnerships in the Group	-	-	-	-	-	-	(22,059)	**(22,059)**
At 31 October 2018	**2,385**	**-**	**-**	**(2,385)**	**-**	**280**	**(12,791)**	**(12,511)**
Profit for the period	-	-	-	-	-	-	6,880	**6,880**
Exchange rate differences	-	-	-	-	-	(271)	-	**(271)**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(271)**	**6,880**	**6,609**
Reserves transferred to amounts due to Members of partnerships in the Group	-	-	-	-	-	-	(20,478)	**(20,478)**
Deferred tax arising on Group restructure	-	-	-	-	-	-	636	**636**
Issue of share capital	615	63,167	-	-	-	-	-	**63,782**
Treasury share sale	-	-	-	-	-	-	2,707	**2,707**
Share based payments	-	-	-	-	1,053	-	-	**1,053**
At 30 April 2019	**3,000**	**63,167**	**-**	**(2,385)**	**1,053**	**9**	**(23,046)**	**41,798**

Unaudited Consolidated Statement of Changes in Equity (continued)

	Share capital £'000	Share premium £'000	Treasury shares £'000	Merger reserve £'000	Share-based payments reserve £'000	Translation reserve £'000	(Accumulated losses)/ retained earnings £'000	Total equity £'000
At 1 May 2019	**3,000**	**63,167**	**-**	**(2,385)**	**1,053**	**9**	**(23,046)**	**41,798**
Adjustment from the adoption of IFRS 16	-	-	-	-	-	-	(5,715)	**(5,715)**
Restated at 1 May 2019	**3,000**	**63,167**	**-**	**(2,385)**	**1,053**	**9**	**(28,761)**	**36,083**
Profit for the period	-	-	-	-	-	-	3,332	**3,332**
Exchange rate differences	-	-	-	-	-	(129)	-	**(129)**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(129)**	**3,332**	**3,203**
Dividends paid	-	-	-	-	-	-	(2,746)	**(2,746)**
Share based payments	-	-	-	-	3,824	-	-	**3,824**
At 31 October 2019	**3,000**	**63,167**	**-**	**(2,385)**	**4,877**	**(120)**	**(28,175)**	**40,364**

Notes 1 to 25 are an integral part of these consolidated financial statements.

Unaudited Consolidated Statement of Cash Flows

	Note	**Six months ended 31 October 2019**	Six months ended 31 October 2018	Year ended 30 April 2019
		£'000	£'000	£'000
Cash flows from operating activities				
Cash generated from/(used in) operations before adjusting items	22a	4,030	2,783	(10,545)
Cash used to settle non-underlying items		(1,614)	(2,982)	(19,289)
Cash generated from/(used in) operations		**2,416**	**(199)**	**(29,834)**
Interest paid		(2,097)	(1,441)	(2,405)
Tax (paid)/repaid		(3,020)	29	(50)
Net cash used in operating activities		**(2,701)**	**(1,611)**	**(32,289)**
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired		323	-	-
Acquisition of subsidiary, deferred consideration		(729)	(1,151)	(1,802)
Purchase of property, plant and equipment		(1,611)	(2,345)	(4,196)
Purchase of other intangible assets		(859)	(680)	(1,222)
Net cash flows used in investing activities		**(2,876)**	**(4,176)**	**(7,220)**
Cash flows from financing activities				
Issue of ordinary shares, net of issue costs		-	-	73,350
Treasury share sale		-	-	2,707
Dividends paid		(2,746)	-	-
Proceeds from borrowings		39,000	7,992	80,290
Repayment of borrowings		(16,483)	(2,515)	(89,475)
Repayment of lease liabilities		(6,060)	-	-
Movement in supplier payments facility		(1,821)	2,464	(2,646)
Interest received		310	75	293
Capital contributions by Members		617	2,287	4,732
Repayments to former Members		(808)	(2,206)	(23,124)
Net cash flows from financing activities		**12,009**	**8,097**	**46,127**
Net increase in cash and cash equivalent		**6,432**	**2,310**	**6,618**
Cash and cash equivalents at the beginning of period		10,822	4,228	4,228
Effects of foreign exchange rate changes on cash and cash equivalents		146	(56)	(24)
Cash and cash equivalents at the end of period	**13**	**17,400**	**6,482**	**10,822**

Notes 1 to 25 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

1 Accounting policies

1.1 General information

DWF Group plc (the 'Company') is a public limited company, domiciled in the United Kingdom under the Companies Act 2006, and registered in England. The registered office is 20 Fenchurch Street, London, EC3M 3AG.

The principal activities of the Company and entities controlled by the Group (together referred to as the 'Group') and the nature of the Group's operations are set out in the latest Annual Report and Financial Statements for the year ended 30 April 2019. The entire issued share capital of the Company was admitted to the premium listing segment of the official list of the Financial Conduct Authority and to trading on the Main Market of the London Stock Exchange on 15 March 2019.

The functional currency of the Group is British pounds sterling because that is the currency of the primary economic environment in which the Group operates. The Group financial statements are also presented in British pounds sterling.

1.2 Basis of preparation

This condensed consolidated interim financial information ('Interim Information') was approved for issue by the Board of Directors on 10 December 2019.

The Interim Information is neither reviewed nor audited and does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 April 2019 were approved by the Board of Directors on 30 July 2019 and subsequently filed with the Registrar. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

This Interim Information for the six months ended 31 October 2019 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and in accordance with IAS 34: *Interim Financial Reporting* as adopted by the European Union ('IAS 34'). The accounting policies, methods of computation and presentation are consistent with those presented in the most recent Annual Report and Financial Statements. The Interim Information should be read in conjunction with the Annual Report and Financial Statements for the year ended 30 April 2019 which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS'), and are available on the Group's website: www.dwf.law.

With the exception of the implementation of IFRS 16: *Leases* ('IFRS 16'), which is discussed below, no changes have been made to the Group’s accounting policies in the period ended 31 October 2019.

The Group's forecast and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current banking facilities. The Directors have therefore adopted a going concern basis in preparing the Interim Information.

1.3 Non-underlying items

Non-underlying items are non-trading, non-cash or one-off items disclosed separately in the consolidated Income Statement where the quantum, nature or volatility of such items are considered by management to otherwise distort the underlying performance of the Group. The following are included by the Group in its assessment of non-underlying items:

- IPO professional fees and other costs directly attributable to listing on the London Stock Exchange
- Transaction costs associated with mergers and acquisitions
- Gains on bargain purchase

1.4 Adoption of new and revised standards

New IFRS that is effective for the current period

IFRS 16: Leases

The Group has adopted 'IFRS 16' using the modified retrospective approach from 1 May 2019, but has not restated comparatives for previous reporting periods, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening Statement of Financial Position on 1 May 2019.

The Group has lease contracts for various offices and office equipment. Before the adoption of IFRS 16 the Group accounted for leases under IAS 17: *Leases* ('IAS 17') and leases were classified as either finance or operating leases. Under IAS 17, all the Group's leases were classified as operating leases and the payments made on leases (net of any incentives received from the lessor) were charged to the income statement on a straight-line basis over the period of the lease.

On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17. The Group has elected to measure its right of use assets arising from property leases using the approach set out in IFRS 16.C8(b)(i). Under IFRS 16.C8(b)(i) right of use assets are calculated as if the Standard applied at lease commencement, but discounted using the borrowing rate at the date of initial application. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate.

The Group’s weighted average incremental borrowing rate used as at 1 May 2019 was 2.57%.

The change in accounting policy resulted in the following operating lease commitments disclosed under IAS 17 being recorded as lease liabilities on the statement of financial position at 1 May 2019:

	£'000
Total operating lease commitments disclosed at 30 April 2019	**73,212**
Short-term leases not included in lease liabilities	116
Changes in terms recognised under IFRS 16	21,862
Other minor adjustments relating to commitment disclosures	569
Discounted using incremental borrowing rate	(9,370)
Total lease liabilities recognised under IFRS 16 at 1 May 2019	**86,389**

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on previous assessments on whether leases are onerous
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 May 2019 as short-term
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

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

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

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

The Group did not make any such adjustments during the periods presented.

The impact of the first-time application of IFRS 16 on the statement of financial position at 1 May 2019 is:

	Impact of transition £'000
Property, plant and equipment	
Right-of-use asset	70,342
Trade and other receivables	
Prepayments	(1,689)
Current trade and other payables	
Accruals	(537)
Operating lease incentives	(1,412)
Lease liabilities	8,276
Non-current trade and other payables	
Operating lease incentives	(10,072)
Lease liabilities	78,113
Net assets	**(5,715)**
Equity	
Retained earnings	(5,715)
Total equity	**(5,715)**

As the Group has applied the simplified approach in respect of comparatives at transition, comparative information has not been restated and continues to be reported under IAS 17. The table below demonstrates the impact of using IAS 17 compares to IFRS 16 on the Group's income statement for the period to 31 October 2019:

	IAS 17	Impact of transition	IFRS 16
	£'000	£'000	£'000
Rental expense	(6,692)	6,692	-
Depreciation, amortisation and impairment	-	(5,456)	(5,456)
Administrative expenses	**(6,692)**	**1,236**	**(5,456)**
Operating profit	**(6,692)**	**1,236**	**(5,456)**
Adjusted operating profit	**(6,692)**	**6,692**	**-**
Depreciation, amortisation and impairment	-	(5,456)	(5,456)
Interest payable on leases	-	(1,030)	(1,030)
Profit before tax	**(6,692)**	**206**	**(6,486)**

From 1 May 2019, leases are recognised as a right-of-use asset with a corresponding liability at the date at which the lease asset is available for use by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made on or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Right-of-use assets are recognised within property, plant and equipment.

Lease liabilities are initially measured at the net present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset

Extension and termination options are included in several the property leases across the Group. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any period covered by an option to terminate the lease if it is reasonably certain not to be exercised. The Group applies judgement in evaluating whether it is reasonably certain to exercise an option to renew or terminate a lease. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise, or not to exercise, the option to renew or terminate the contract.

Payments associated with short-term leases and leases of low-value assets (with a value of less than £5,000) are recognised on a straight-line basis as an expense in the income statement. Short-term leases have a term of 12 months or less.

1.5 New or amended International Financial Reporting Standards and Interpretations adopted

The following IFRSs have been issued and adopted by the Group in these consolidated financial statements. Their adoption did not have a material effect on the financial information unless otherwise indicated:

- IFRS 17 Insurance Contracts
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Annual improvements to IFRS Standards 2015-2017, Amendments to IFRS 3 Business combinations, IFRS 11 Joint Arrangements, IAS 12 Income taxes and IAS 23 Borrowing costs
- Amendments to IAS 19 Employee Benefits, Plan amendment, Curtailment or Settlement
- IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associates or Joint Venture

1.6 Accounting estimates and judgement

The preparation of the financial statements under IFRSs requires management to make judgement, estimates and assumptions which affect the financial information. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant and are reviewed on an ongoing basis.

The key areas of judgement, estimates and assumptions relate to the control over ABS and non-ABS groups, professional indemnity provisions, fair value of unbilled revenue and impairment of trade receivables.

Critical judgements in applying the Group's accounting policies

Control over the ABS and non-ABS Groups

Regulations in certain jurisdictions in which the Group is represented allow Alternative Business Structures ('ABS') where legal firms can be owned by non-lawyers. This is not the case in other jurisdictions ('non-ABS'). As a result, DWF LLP, the head of the non-ABS Group, is not directly owned by any entity within the ABS Group (which includes the ultimate parent DWF Group plc). Consolidation of DWF LLP and the other non-ABS entities depends on the assessment of whether a Member of the ABS Group is exposed, or has rights, to variable returns from its involvement with such entity and has the ability to affect those returns through its power over such entity. DWF LLP and the other non-ABS entities are consolidated in these financial statements on the basis of the Governance Deed adopted by the Group.

Professional indemnity insurance claims

There is significant judgement in the recognition and quantification of the liability associated with claims and regulatory proceedings. Recognition is based on the assessed likelihood of a claim being successful. When the outflow is both probable and can be estimated reliably, a liability is recognised representing the best estimate of the gross liability, with a separate asset recognised for any portion that the Group will recover from its insurers. Where the payment is not probable or cannot be estimated reliably no liability is recognised. The gross liability is recognised in other payables and the related asset is recognised in other receivables on the consolidated statement of financial position.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing material adjustment of the carrying amounts of assets and liabilities within the next financial period are discussed below.

Unbilled revenue

The valuation of unbilled revenue is based on an estimate of the amount expected to be recoverable from clients on unbilled matters based on the time spent at a rate which is defined by factors including time spent, the expertise and skills provided, and expenses incurred. Provision is made for factors such as historical recoverability rates, contingencies, the outcomes of previous matters and agreements with clients.

Trade receivables provision

The valuation of amounts recoverable and not recoverable on trade debtors involves significant estimation. The estimation of provisions is established based on interactions between finance, the fee earner and clients whilst being mindful of the specific circumstances of clients, individual matters and invoices, and guided by calculation rules applied to the aged population of all trade debtors (excluding those already addressed by more specific provision). A bad debt provision amounting to £8,012,000 was provided at 31 October 2019 (31 October 2018: £7,384,000; 30 April 2019: £6,534,000).

IFRS 9: *Financial instruments* ('IFRS 9') requires the expected credit losses to be measured using an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. IFRS 9 allows practical expedients to be used when measuring credit losses. The Group has elected to use a provision matrix based on the ageing profit of debts and the historical credit loss rates adjusted by a forward-looking estimate that includes the probability of a worsening domestic economic environment and specific conditions to a particular client over the coming quarters.

2 Alternative performance measures

Profit measures

To provide shareholders with additional understanding of the trading performance of the Group, adjusted earnings before interest, tax, depreciation and amortisation ('EBITDA') has been calculated as profit before tax after adding back:

- non-underlying items;
- share-based payments expense;
- net finance expense; and
- depreciation, amortisation and impairment.

Owing to the change in partner remuneration structure effected on 15 March 2019 together with the application of IFRS 16 *Leases* effected on 1 May 2019, Underlying Adjusted EBITDA is presented to allow for greater comparability of financial performance between each period. Underlying Adjusted EBITDA is calculated as Adjusted EBITDA less the internally reported partner remuneration pro-forma adjustment and the impact of the transition to IFRS 16.

In addition, Underlying Adjusted PBT is presented as Adjusted PBT less the internally reported partner remuneration pro-forma adjustment and the impact of transition to IFRS 16.

Lastly, the cost to income ratio is used to assess the levels of operational gearing in the Group. The cost to income ratio is defined as administrative expenses less non-underlying items, share based payment expense and the impact of the transition to IFRS 16 divided by net revenue.

Adjusted profit before tax, adjusted EBITDA and underlying adjusted EBITDA reconcile to profit on continuing activities before tax as follows:

	Six months ended 31 October 2019 £'000	Six months ended 31 October 2018 £'000	Year ended 30 April 2019 £'000
Profit before tax ('PBT')	**4,694**	**5,332**	**12,322**
Non-underlying items	853	8,029	12,569
Share based payments expense	4,392	-	1,202
Adjusted PBT	**9,939**	**13,361**	**26,093**
Depreciation, amortisation and impairment	8,389	2,876	5,365
Interest payable on leases	1,030	-	-
Net finance expense	787	630	2,131
Adjusted operating profit ('Adjusted EBITDA')	**20,145**	**16,867**	**33,589**
Internally reported partner remuneration pro-forma adjustment (Note 23)	-	(3,951)	(6,456)
Impact of the transition to IFRS 16 (Note 1.4)	(6,692)	-	-
Underlying Adjusted EBITDA	**13,453**	**12,916**	**27,133**

Underlying adjusted PBT reconciles to Adjusted PBT as follows:

	Six months ended 31 October 2019 £'000	Six months ended 31 October 2018 £'000	Year ended 30 April 2019 £'000
Adjusted PBT	**9,939**	**13,361**	**26,093**
Internally reported partner remuneration pro-forma adjustment (Note 23)	-	(3,951)	(6,456)
Impact of the transition to IFRS 16 (Note 1.4)	(206)	-	-
Underlying adjusted PBT	**9,733**	**9,410**	**19,637**

The cost to income ratio is calculated as follows:

	Six months ended 31 October 2019 £'000	Six months ended 31 October 2018 £'000	Year ended 30 April 2019 £'000
Net revenue	**146,793**	**133,356**	**272,361**
Administrative expenses	**67,194**	**66,362**	**131,037**
Non-underlying expenses	(853)	(8,029)	(12,569)
Share-based payment expenses	(4,392)	-	(1,202)
Impact of transition to IFRS 16	1,236	-	-
Adjusted administrative expenses	**63,185**	**58,333**	**117,266**
Cost to income ratio	**43.0%**	**43.7%**	**43.1%**

3 Operating segments

Reporting segments

In accordance with IFRS 8: *Operating Segments* ('IFRS 8'), the Group's operating segments are based on the operating results reviewed by the Board, who represent the chief operating decision maker ('CODM'). The Group has the following four strategic divisions, which are its reportable segments. These divisions offer different services and are reported separately because of different specialisms from the teams in the business groups.

The following summary describes the operations of each reportable segment:

Reportable segment	***Operations***
Commercial Services	Provides commercial legal services, encompassing our Corporate Services, Litigation and Real Estate practice groups.
Insurance Services	Provides insurance legal services, encompassing our Professional Indemnity & Commercial, Catastrophic Personal Injury & Occupational Health, and Motor, Fraud & Claimant practice groups.
International	A division focussed on supporting clients on a global scale, with a sector-focussed approach to grow a client-orientated practice.
Connected Services	Encompasses various independent businesses that work alongside, support and deliver products and services to our legal teams and clients.

The revenue and operating profit are attributable to the principal activities of the Group.

Owing to the change in partner remuneration structure as described in note 2, Underlying Gross Profit is presented to allow for greater comparability of financial performance between each period. Underlying Gross Profit is calculated as Reported Gross Profit less the revised compensation model adjustment.

For period ended 31 October 2019 – Reported and underlying

	Commercial Services	Insurance Services	International	Connected Services	Total
	£'000	£'000	£'000	£'000	£'000
Segment net revenue	55,183	47,830	33,017	10,763	146,793
Direct costs	(22,897)	(24,289)	(19,106)	(6,796)	(73,088)
Gross profit	**32,286**	**23,541**	**13,911**	**3,967**	**73,705**
Administrative expenses					(67,194)
Operating profit					**6,511**
Interest payable on leases					(1,030)
Net finance expense					(787)
Profit before tax					**4,694**
Taxation					(1,362)
Profit for the period					**3,332**

For period ended 31 October 2018 – Reported

	Commercial Services £'000	Insurance Services £'000	International £'000	Connected Services £'000	Total £'000
Segment net revenue	55,113	43,312	25,790	9,141	133,356
Direct costs	(19,535)	(21,437)	(14,585)	(5,475)	(61,032)
Gross profit	**35,578**	**21,875**	**11,205**	**3,666**	**72,324**
				Administrative expenses	(66,362)
				Operating profit	**5,962**
				Net finance expense	(630)
				Profit before tax	**5,332**
				Taxation	(28)
				Profit for the period	**5,304**

For period ended 31 October 2018 – Underlying adjusted

	Commercial Services £'000	Insurance Services £'000	International £'000	Connected Services £'000	Total £'000
Segment net revenue	55,113	43,312	25,790	9,141	133,356
Direct costs	(19,535)	(21,437)	(14,585)	(5,475)	(61,032)
Revised compensation model adjustment	(2,391)	(1,512)	-	(48)	(3,951)
Underlying gross profit	**33,187**	**20,363**	**11,205**	**3,618**	**68,373**

For year ended 30 April 2019 - Reported

	Commercial Services £'000	Insurance Services £'000	International £'000	Connected Services £'000	Total £'000
Segment net revenue	108,885	91,062	53,954	18,460	272,361
Direct costs	(40,499)	(44,532)	(30,287)	(11,553)	(126,871)
Reported gross profit	**68,386**	**46,530**	**23,667**	**6,907**	**145,490**
				Administrative expenses	(131,037)
				Operating profit	**14,453**
				Net finance expense	(2,131)
				Profit before tax	**12,322**
				Taxation	(138)
				Profit for the year	**12,184**

For year ended 30 April 2019 – Underlying adjusted

	Commercial Services £'000	Insurance Services £'000	International £'000	Connected Services £'000	Total £'000
Segment net revenue	108,885	91,062	53,954	18,460	272,361
Direct costs	(40,499)	(44,532)	(30,287)	(11,553)	(126,871)
Revised compensation model adjustment	(3,791)	(2,555)	-	(109)	(6,456)
Underlying gross profit	**64,595**	**43,975**	**23,667**	**6,798**	**139,034**

There are no intra-segmental revenues which are material for disclosure. Administrative expenses represent non direct costs that are not specifically allocated to segments.

Revenue by Region

The UK is the Group's country of domicile and the Group generates the majority of its revenue from external clients in the UK. The geographical analysis of revenue is on the basis of the country of origin in which the client is invoiced:

	Six months ended 31 October 2019 £'000	Six months ended 31 October 2018 £'000	Year ended 30 April 2019 £'000
UK	112,928	108,644	220,486
Rest of Europe	17,760	12,026	24,033
Middle East	3,566	4,345	9,871
Rest of World	12,539	8,341	17,971
Net revenue	**146,793**	**133,356**	**272,361**

Total assets and liabilities for each reportable segment are not presented as this information is not provided to the CODM.

3 Non-underlying items

The following items have been charged to the Income Statement during the period but are considered to be non-underlying so are shown separately:

	Six months ended 31 October 2019 £'000	Six months ended 31 October 2018 £'000	Year ended 30 April 2019 £'000
IPO professional fees	-	8,029	12,569
Transaction costs associated with acquisitions	1,050	-	-
Gain on bargain purchase	(197)	-	-
Total non-underlying items	**853**	**8,029**	**12,569**

4 Net finance expense and interest payable on leases

	Six months ended 31 October 2019 £'000	Six months ended 31 October 2018 £'000	Year ended 30 April 2019 £'000
Finance income			
Interest receivable	(310)	(75)	(293)
	(310)	**(75)**	**(293)**
Finance expense - other			
Interest payable on bank borrowings	654	128	1,057
Other interest payable	159	160	279
Bank and other charges	284	417	1,088
	1,097	**705**	**2,424**
Net finance expense	**787**	**630**	**2,131**
Finance expense - leases			
Interest payable on leases	1,030	-	-
	1,030	**-**	**-**

5 Taxation

	Six months ended 31 October 2019 £'000	Six months ended 31 October 2018 £'000	Year ended 30 April 2019 £'000
UK corporation tax on profit	1,421	-	237
Foreign tax on profit	4	28	145
Adjustments in respect of prior periods	201	-	53
Current tax expense	**1,626**	**28**	**435**
Deferred tax credit	(264)	-	(297)
Taxation	**1,362**	**28**	**138**

6 Dividends

Distributions to owners of the parent in the period:

	Six months ended 31 October 2019 pence per share	Six months ended 31 October 2018 pence per share	Year ended 30 April 2019 pence per share
Final dividends recognised as distributions in the year	1.00p	**-**	-
Interim dividends recognised as distributions in the year	-	-	-
Total dividends paid in the period	**1.00p**	**-**	**-**
Interim dividend proposed	**1.25p**	**-**	**-**

	Six months ended 31 October 2019 £'000	Six months ended 31 October 2018 £'000	Year ended 30 April 2019 £'000
Final dividends recognised as distributions in the year	2,746	-	-
Interim dividends recognised as distributions in the year	-	-	-
Total dividends paid in the period	**2,746**	**-**	**-**
Interim dividend proposed	**3,428**	**-**	**-**

The first Interim dividend of 1.25 pence per share was approved by the Board on 13 November 2019. The interim dividend has not been included as a liability in the Interim Report. The dividend is payable on 20 December 2019 to all shareholders on the Register of Members on 22 November 2019. The payment of this dividend will not have any tax consequences for the Group.

7 Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 31 October 2019 £'000	Six months ended 31 October 2018 £'000	Year ended 30 April 2019 £'000
Earnings from continuing operations for the purpose of basic earnings per share	**3,332**	**5,304**	**12,184**

	Number	**Number**	**Number**
Weighted average number of ordinary shares for the purposes of basic earnings per share	**269,309,091**	**269,221,068**	**269,221,068**
Effect of dilutive potential ordinary shares:			
Future exercise of share awards and options	13,990,578	3,969,034	3,969,034
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**283,299,669**	**273,190,102**	**273,190,102**
Basic earnings per share	1.2p	2.0p	4.5p
Diluted earnings per share	1.2p	1.9p	4.5p

Adjusted earnings per share is included as an Alternative Performance Measure ('APM'). Adjusted earnings per share has been calculated using adjusted earnings which is profit after taxation but before:

- non-underlying items;
- share based payment expense;
- the tax effect of non-underlying items and share based payments expense; and
- a tax adjustment included on a pro-forma basis to reflect a full year of normalised tax charge as if the corporate structure was in effect for the full year.

The calculation of adjusted basic and adjusted diluted earnings per share is based on:

	Six months ended 31 October 2019 £'000	Six months ended 31 October 2018 £'000	Year ended 30 April 2019 £'000
Earnings from continuing operations for the purpose of adjusted earnings per share	**3,332**	**5,304**	**12,184**
Add/(remove):			
Non-underlying items	853	8,029	12,569
Share based payments expense	4,392	-	1,202
Tax effect of adjustments above	(747)	-	(204)
Pro-forma tax adjustment	-	(2,638)	(5,275)
Adjusted earnings for the purposes of adjusted earnings per share	**7,830**	**10,695**	**20,476**

	Number	**Number**	**Number**
Weighted average number of ordinary shares for the purposes of adjusted earnings per share	**269,309,091**	**269,221,068**	**269,221,068**
Add:			
Additional shares held in trust	16,700,331	26,809,898	26,809,898
Weighted average number of ordinary shares for the purposes of adjusted basic earnings per share	**286,009,422**	**296,030,966**	**296,030,966**
Effect of dilutive potential ordinary shares:			
Future exercise of share awards and options	13,990,578	3,969,034	3,969,034
Weighted average number of ordinary shares for the purposes of adjusted diluted earnings per share	**300,000,000**	**300,000,000**	**300,000,000**
Adjusted basic earnings per share	2.7p	3.6p	6.9p
Adjusted diluted earnings per share	2.6p	3.6p	6.8p

Shares held in trust are i) issued shares that are owned by the EBT and RST and are recognised, on consolidation, as treasury shares; less ii) the future exercise of share awards and options.

8 Acquisitions of subsidiaries

Acquisitions in the six months to 31 October 2019

a) K&L Gates Jamka sp.k ('K&L Gates') - Poland

On 20 May 2019, DWF Law LLP, a partnership controlled by DWF Group plc, acquired the legal services business K&L Gates which is registered and operates in Poland. The acquisition expands the Group's geographic footprint. This was achieved through the acquisition of 100% of the share capital of the corporate partner, which is the only limited partner of the underlying trading partnership. The transaction resulted in DWF Law LLP obtaining control of K&L Gates and the underlying partnership from 1 May 2019.

Total consideration has been provisionally estimated at £3,013,000, which results in a gain on bargain purchase of £197,000 (recognised within administrative expenses as a non-underlying item).

Initial consideration on completion of £605,000 was paid on 22 May 2019. Deferred consideration is variable based on the cash conversion of acquired work in progress and trade receivables. As a result, total consideration may increase or decrease, or may be deferred beyond the agreed instalment dates until the acquired assets convert to cash. Deferred consideration, subject to any adjustment for cash conversion, of £2,408,000 is payable in instalments over 18 months as follows:

- £900,000 (30%) in November 2019
- £900,000 (30%) in May 2020
- £608,000 (20%) in November 2020

The acquired business generated revenues of £8,900,000 and gross profit of £3,600,000 for 12 months ended 30 April 2019

Details of the consideration paid and the fair value of net assets acquired are as follows:

	K&L Gates Jamka sp.k Provisionally recognised fair value on acquisition £'000
Consideration paid	
Initial cash consideration paid	605
Deferred consideration	2,408
Fair value of consideration	**3,013**
Less:	
Property, plant and equipment	301
Trade receivables	2,177
Other receivables	455
Cash	877
Trade payables	(346)
Other payables	(254)
Fair value of net assets acquired	**3,210**
Gain on bargain purchase	**(197)**

b) BT Law Limited

On 23 July 2019 DWF was appointed as strategic legal partner of BT. As a result of this appointment, on 31 October 2019, DWF Law LLP, a partnership controlled by DWF Group plc, acquired the share capital of the legal services business BT Law Limited, which is registered and operates in the United Kingdom. Consideration equal to the net asset value of the business is provisionally estimated at £84,000 and was paid on 1 November 2019. Net assets acquired included £51,000 of cash.

Acquisitions in the six months to 31 October 2018

There were no material acquisitions during the period.

Acquisitions in the 12 months to 30 April 2019

There were no material acquisitions during the year.

9 Intangible assets and goodwill

	Goodwill £'000	Software costs £'000	Capitalised development costs £'000	Total £'000
Cost				
At 1 May 2019	2,589	1,580	3,260	7,429
Additions – internally developed	-	-	729	729
Additions – externally purchased	-	130	-	130
Effect of movements in foreign exchange	(26)	-	-	(26)
At 31 October 2019	**2,563**	**1,710**	**3,989**	**8,262**
Amortisation and impairment				
At 1 May 2019	319	538	2,031	2,888
Amortisation for the period	-	222	261	483
Effect of movements in foreign exchange	(1)	-	-	(1)
At 31 October 2019	**318**	**760**	**2,292**	**3,370**
Net book value				
At 31 October 2019	**2,245**	**950**	**1,697**	**4,892**
At 1 May 2019	2,270	1,042	1,229	4,541

	Goodwill £'000	Software costs £'000	Capitalised development costs £'000	Total £'000
Cost				
At 31 October 2018	2,040	1,382	2,932	6,354
Additions through acquisitions	535	-	-	535
Additions – internally developed	-	-	328	328
Additions – externally purchased	-	200	-	200
Effect of movements in foreign exchange	14	(2)	-	12
At 30 April 2019	**2,589**	**1,580**	**3,260**	**7,429**
Amortisation and impairment				
At 31 October 2018	321	310	1,706	2,337
Amortisation for the period	-	228	325	553
Effect of movements in foreign exchange	(2)	-	-	(2)
At 30 April 2019	**319**	**538**	**2,031**	**2,888**
Net book value				
At 30 April 2019	**2,270**	**1,042**	**1,229**	**4,541**
At 31 October 2018	1,719	1,072	1,226	4,017

10 Intangible assets and goodwill (continued)

	Goodwill £'000	Software costs £'000	Capitalised development costs £'000	Total £'000
Cost				
At 1 May 2018	2,052	943	2,679	5,674
Additions – internally developed	-	-	253	253
Additions – externally purchased	-	439	-	439
Effect of movements in foreign exchange	(12)	-	-	(12)
At 31 October 2018	**2,040**	**1,382**	**2,932**	**6,354**
Amortisation and impairment				
At 1 May 2018	321	152	1,400	1,873
Amortisation for the period	-	158	306	464
At 31 October 2018	**321**	**310**	**1,706**	**2,337**
Net book value				
At 31 October 2018	**1,719**	**1,072**	**1,226**	**4,017**
At 1 May 2018	1,731	791	1,279	3,801

11 Property, plant and equipment

	Right-of-use asset £'000	Leasehold improvements £'000	Office equipment and fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost					
At 1 May 2019	-	16,230	10,944	36,971	64,145
Adjustment on transition to IFRS 16	70,342	-	-	-	70,342
Additions through acquisitions	-	-	300	1	301
Additions	1,877	34	274	1,303	3,488
Effect of movements in foreign exchange	(67)	18	15	-	(34)
At 31 October 2019	**72,152**	**16,282**	**11,533**	**38,275**	**138,242**
Accumulated depreciation					
At 1 May 2019	-	11,665	6,051	32,397	50,113
Charge for the period	5,456	529	613	1,308	7,906
Effect of movements in foreign exchange	-	2	2	5	9
At 31 October 2019	**5,456**	**12,196**	**6,666**	**33,710**	**58,028**
Net book value					
At 31 October 2019	**66,696**	**4,086**	**4,867**	**4,565**	**80,214**
At 1 May 2019	-	4,565	4,893	4,574	14,032

11 Property, plant and equipment (continued)

	Leasehold improvements £'000	Office equipment and fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 31 October 2018	16,045	10,918	35,331	62,294
Additions	192	56	1,637	1,885
Effect of movements in foreign exchange	(7)	(30)	3	(34)
At 30 April 2019	**16,230**	**10,944**	**36,971**	**64,145**
Accumulated depreciation				
At 31 October 2018	11,162	5,884	31,131	48,177
Charge for the period	503	167	1,266	1,936
At 30 April 2019	**11,665**	**6,051**	**32,397**	**50,113**
Net book value				
At 30 April 2019	**4,565**	**4,893**	**4,574**	**14,032**
At 31 October 2018	4,883	5,034	4,200	14,117

	Leasehold improvements £'000	Office equipment and fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 May 2018	15,704	9,868	34,377	59,949
Additions	348	1,028	952	2,328
Effect of movements in foreign exchange	(7)	22	2	17
At 31 October 2018	**16,045**	**10,918**	**35,331**	**62,294**
Accumulated depreciation				
At 1 May 2018	10,624	5,281	29,860	45,765
Charge for the period	538	603	1,271	2,412
At 31 October 2018	**11,162**	**5,884**	**31,131**	**48,177**
Net book value				
At 31 October 2018	**4,883**	**5,034**	**4,200**	**14,117**
At 1 May 2018	5,080	4,587	4,517	14,184

12 Trade and other receivables

	31 October 2019 **£'000**	31 October 2018 £'000	30 April 2019 £'000
Trade receivables (net of allowance for doubtful receivables)	80,855	76,749	86,022
Other receivables	2,874	4,519	5,108
Amounts recoverable from clients in respect of unbilled revenue	69,706	48,577	53,996
Unbilled disbursements	6,273	5,574	6,279
Prepayments and accrued income	9,465	8,409	11,911
Reimbursement asset*	852	852	852
	170,025	**144,680**	**164,168**
Non-current			
Other receivables	152	-	152
	152	**-**	**152**

* Reimbursement asset attributable to FOIL provision.

13 Cash and cash equivalents

	31 October 2019 **£'000**	31 October 2018 £'000	30 April 2019 £'000
Cash at bank and in hand	19,805	10,585	12,912
Bank overdrafts	(2,405)	(4,103)	(2,090)
Cash and cash equivalents per cash flow statement	**17,400**	**6,482**	**10,822**

14 Trade and other payables

	31 October 2019 £'000	31 October 2018 £'000	30 April 2019 £'000
Trade payables	23,129	25,973	24,756
Other payables	4,778	6,143	7,657
Other taxation and social security	10,428	8,239	9,879
Accruals and deferred income	5,773	12,906	10,291
Operating lease incentives	-	892	1,412
	44,108	**54,153**	**53,995**
Non-current			
Operating lease incentives	-	10,831	10,072
	-	**10,831**	**10,072**

Operating lease incentives have been derecognised under adoption of IFRS 16.

15 Lease liabilities

	£'000
1 May 2019	86,389
Additions	1,877
Interest expense related to lease liabilities	1,030
Net foreign currency translation gain	(64)
Repayment of lease liabilities (including interest)	(7,090)
31 October 2019	**82,142**

Current lease liabilities	9,655
Non-current lease liabilities	72,487
	82,142

The maturity of lease liabilities at 31 October 2019 were as follows:

	Lease payments
	£'000
Six months to 30 April 2020	6,913
Year to 2021	12,593
Year to 2022	11,668
Year to 2023	10,945
Year to 2024	9,611
Later years	38,873
	90,603
Effect of discounting	(8,479)
Effect of movement in foreign currency translation rates	18
Lease liability at 31 October 2019	**82,142**

16 Other interest-bearing loans and borrowings

Obligations under interest-bearing loans and borrowings

	31 October 2019	31 October 2018	30 April 2019
	£'000	£'000	£'000
Current liabilities			
Bank loans	820	6,798	4,655
Supplier payments facility	462	7,394	2,283
Bank overdrafts	2,405	4,103	2,090
	3,687	**18,295**	**9,028**
Non-current liabilities			
Bank loans	66,154	51,499	39,791
Capitalised loan arrangement fees	(487)	(214)	(595)
	65,667	**51,285**	**39,196**
	69,354	**69,580**	**48,224**

17 Provisions

Dilapidation provisions

Dilapidation provisions are established for property leases, held at the date of the statement of financial position. Such provisions are estimated at the start of the lease and updated annually. The Group's current lease portfolio terminate over the course of the next 10 years.

FOIL provision

The Forum of Insurance Lawyers ('FOIL') provision represents the total VAT (partial exemption) exposure on historic claims handling engagements. There is an attributable reimbursement asset in note 12, resulting in net exposure of £400,000 as at 31 October 2019 (31 October 2018: £400,000; 30 April 2019: £400,000). The enquiry is ongoing and therefore it is not possible to estimate when the provision will crystallise.

	31 October 2019 £'000	31 October 2018 £'000	30 April 2019 £'000
Dilapidation provisions			
Balance at beginning of the period	1,329	119	119
Provisions made during the period	117	234	1,440
Provisions used during the period	-	(200)	(200)
Provisions reversed during the period	-	(28)	(30)
Balance at the end of the period	**1,446**	**125**	**1,329**
Non-current	1,446	125	1,329
Current	-	-	-
	1,446	**125**	**1,329**
FOIL provision			
Balance at beginning of the period	1,252	1,252	1,252
Balance at the end of the period	**1,252**	**1,252**	**1,252**
Non-current	-	-	-
Current	1,252	1,252	1,252
	1,252	**1,252**	**1,252**
Total provisions			
Balance at beginning of the period	2,581	1,371	1,371
Provisions made during the period	117	234	1,440
Provisions used during the period	-	(200)	(200)
Provisions reversed during the period	-	(28)	(30)
Balance at the end of the period	**2,698**	**1,377**	**2,581**
Non-current	1,446	125	1,329
Current	1,252	1,252	1,252
	2,698	**1,377**	**2,581**

18 Financial instruments

Financial risk management

The Directors have overall responsibility for the oversight of the Group's risk management framework. Further explanation on management of risk factors are provided in the risk section of the Annual Report and Financial Statements for the year ended 30 April 2019.

The Group's principal financial instruments comprise trade and other receivables, unbilled revenue, cash and cash equivalents, trade and other payables, bank borrowings and capital contributions from partners.

Credit risk
Credit risk is the risk of financial loss to the Group if a client or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables. Credit checks are performed for new clients and ongoing monitoring takes place for existing clients.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group maintains sufficient cash or working capital facilities to meet the cash requirements of the Group in order to mitigate this risk.

The Group is financed through a combination of partners' capital (repayable on retirement of the Member), undistributed profits, cash and bank borrowing facilities.

The Group's principal facility is an £80.0m revolving credit facility ('RCF'). Management undertake rolling thirteen-week cash flow forecasts to ensure visibility of short-term liquidity and manage facility usage, in addition to annual budgets and longer-term forecasts. The RCF facility matures in 2022 and there are no contracted repayments until that date. The Group anticipates continued utilisation of the facility to fund business growth.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income. The Group's exposure to market risk predominantly relates to interest and currency risk.

Interest rate risk
The Group's bank borrowings incur both fixed and variable interest charges. The variable rates are linked to LIBOR plus a margin.

Foreign currency risk
The Group has overseas operations in Europe, Middle East, Asia, Australia, Canada and North America and is therefore exposed to changes in the respective currencies in these territories. The Group maintains bank balances in local currency. Cash positions are monitored, and any imbalances are dealt with by purchasing currency at the spot rate.

19 Share capital

	Number of 1p each	Ordinary shares £'000	Share premium £'000	Total £'000
Issued and fully paid ordinary shares				
Shares issued	300,000,000	3,000	63,167	66,167
At 31 October 2019	**300,000,000**	**3,000**	**63,167**	**66,167**

DWF Group plc was incorporated on 10 September 2018 with 1 ordinary share of £1. The Group has applied merger accounting and therefore the share capital issued as part of the share-for-share exchange, as noted below, has been reflected in the comparative year in the consolidated financial statements.

On 11 March 2019, the 1 ordinary share was subdivided into 100 shares of £0.01 each.

On the same day, DWF Group plc issued 238,524,490 ordinary shares in a share-for-share exchange with the shareholders of DWF Holdings Limited creating share capital of £2,385,245. DWF Group plc then issued 1 bonus share with a nominal value of £225,042,865. This share was subsequently cancelled which created distributable reserves in the parent company of £225,042,865.

On 15 March 2019, DWF Group plc issued 61,475,410 ordinary shares as part of the Initial Public Offering in exchange for £75,000,000 of cash, represented by share capital of £614,754 and share premium of £74,385,246.

Issuance costs of £11,218,000 were recognised against share premium in accordance with the Companies Act 2006, section 610.

30,778,932 of treasury shares are held by the Group's trusts, of which 2,600,798 are held in the name of employees under restricted rewards. The cost to the trusts of acquiring the shares was £308.

20 Related parties and ultimate controlling party

By virtue of being on the Executive Board, Jason Ford is a related party of the Company. In July 2017, July 2018 and July 2019, loan agreements (the ''July 2017 Loan Agreement'', ''July 2018 Loan Agreement'' and ''July 2019 Loan Agreement'', respectively) were made between DWF LLP (in 2017 and 2018) and DWF Law LLP (in 2019) and six former directors of Triton Global Limited, including Jason Ford (who at the time of the agreements was a member of DWF LLP) (together, the ''Borrowers''). As at 31 October 2019, the total aggregate outstanding loan amount owed by the Borrowers to DWF LLP under the July 2017 Loan Agreement and July 2018 Loan Agreement; and to DWF Law LLP under the July 2019 Loan Agreement was £692,000 (31 October 2018: £398,000; 30 April 2019: £398,000). The Borrowers are jointly and severally liable under those loan agreements. In March 2017, DWF LLP and Jason Ford entered into a loan agreement, pursuant to which DWF LLP provided a loan of £100,000 to Jason Ford, for the purpose of repayment by Jason Ford of a professional corporate investment loan made available by Barclays Bank plc to Jason Ford in December 2015 to fund a shareholder loan to Triton Global Limited. The outstanding loan amount owed by Jason Ford to DWF LLP as at 31 October 2019 was £100,000 (31 October 2018: £100,000; 30 April 2019: £100,000).

In the opinion of the Directors, there is no controlling party of DWF Group plc.

21 Employee information and their pay and benefits

The average number of persons employed by the Group (including Executive Directors) during the period analysed by category, and the aggregate payroll costs of these people was as follows:

	Six months ended 31 October 2019 No.	Six months ended 31 October 2018 No.	Year ended 30 April 2019 No.
Legal advisers	1,648	1,536	1,626
Support staff	1,183	1,158	1,089
	2,831	**2,694**	**2,715**

	£'000	£'000	£'000
Wages and salaries	60,615	54,083	110,156
Social security costs	5,970	5,441	11,369
Contributions to defined contribution plans	3,188	2,400	4,854
	69,773	**61,924**	**126,379**

Defined contribution plans

The Group operates a number of defined contribution pension plans. The outstanding balance at 31 October 2019 was £870,000 (31 October 2018: £558,000; 30 April 2019: £914,000).

22 Cash generated from operations

a) Cash used in operations before adjusting items

	Six months ended 31 October 2019 £'000	Six months ended 31 October 2018 £'000	Year ended 30 April 2019 £'000
Cash flows from operating activities			
Profit before tax	4,694	5,332	12,322
Adjustments for:			
Non-underlying items	853	8,029	12,569
Share based payments expense	4,392	-	1,202
Depreciation, amortisation and impairment	8,389	2,876	5,365
Interest payable on leases	1,030	-	-
Net finance expense	787	630	2,131
Operating cash flows before movements in working capital	**20,145**	**16,867**	**33,589**
Increase in trade and other receivables	(4,879)	(4,767)	(24,601)
(Decrease)/increase in trade and other payables	(9,202)	177	1,455
Increase in provisions	117	6	1,210
Decrease in amounts due to Members of partnerships in the Group	(2,151)	(9,500)	(22,198)
Cash used in / (generated by) operations before adjusting items	**4,030**	**2,783**	**(10,545)**

Analysis of cash and cash equivalents and other interest-bearing loans and borrowings:

	1 May 2019 £'000	Cash flow £'000	Exchange movement £'000	Non-cash movement £'000	31 October 2019 £'000
Cash and cash equivalents	10,822	6,432	146	-	17,400
Bank loans	(43,851)	(22,517)	(11)	(108)	(66,487)
Supplier payments facility	(2,283)	1,821	-	-	(462)
Total net debt	**(35,312)**	**(14,264)**	**135**	**(108)**	**(49,549)**

	1 May 2018 £'000	Cash flow £'000	Exchange movement £'000	Non-cash movement £'000	31 October 2018 £'000
Cash and cash equivalents	4,228	2,310	(56)	-	6,482
Bank loans	(53,394)	(5,477)	24	764	(58,083)
Supplier payments facility	(4,930)	(2,464)	-	-	(7,394)
Total net debt	**(54,096)**	**(5,631)**	**(32)**	**764**	**(58,995)**

	1 May 2018 £'000	Cash flow £'000	Exchange movement £'000	Non-cash movement £'000	30 April 2019 £'000
Cash and cash equivalents	4,228	6,618	(24)	-	10,822
Bank loans	(53,394)	9,185	13	345	(43,851)
Supplier payments facility	(4,930)	2,647	-	-	(2,283)
Total net debt	**(54,096)**	**18,450**	**(11)**	**345**	**(35,312)**

b) Free cash flows

	Six months ended 31 October 2019 £'000	Six months ended 31 October 2018 £'000	Year ended 30 April 2019 £'000
Free cash flows			
Operating cash flows before movements in working capital	20,145	16,867	33,589
Net working capital movement	(13,964)	(4,584)	(21,936)
Amounts due to Members of partnerships in the Group	(2,151)	(9,500)	(22,198)
Cash used in operations before adjusting items	**4,030**	**2,783**	**(10,545)**
Repayment of lease liabilities	(6,060)	-	-
Interest paid on leases	(1,030)	-	-
	(3,060)	**2,783**	**(10,545)**
Net interest paid	(757)	(1,366)	(2,112)
Tax (paid) / received	(3,020)	29	(50)
Purchase of property, plant and equipment	(1,611)	(2,345)	(4,196)
Purchase of other intangible assets	(859)	(680)	(1,222)
Free cash flows	**(9,307)**	**(1,579)**	**(18,125)**

c) Working capital measures

	31 October 2019 £'000	31 October 2018 £'000	30 April 2019 £'000
WIP days			
Amounts recoverable from clients in respect of unbilled revenue	69,706	48,577	53,996
Unbilled disbursements	6,273	5,574	6,279
Total WIP	**75,979**	**54,151**	**60,275**
Annualised net revenue	**289,736**	**257,115**	**272,361**
WIP days	**96**	**77**	**81**
Debtor days			
Trade receivables (net of allowance for doubtful receivables)	80,855	76,749	86,022
Other receivables	2,874	4,519	5,108
Total debtors	**83,729**	**81,268**	**91,130**
Annualised net revenue	**289,736**	**257,115**	**272,361**
Debtor days	**105**	**115**	**122**
Gross lock-up days			
Total WIP	75,979	54,151	60,275
Total debtors	83,730	81,268	91,130
Total gross lock-up	**159,709**	**135,419**	**151,405**
Annualised net revenue	**289,736**	**257,115**	**272,361**
Gross lock-up days	**201**	**192**	**203**

Annualised net revenue reflects the total net revenue for the previous 12-month period and includes the full 12 months of revenue for acquisitions up to the first anniversary post-acquisition.

23 Amounts due to Members of partnerships in the Group

Amounts due to Members of partnerships in the Group comprise unallocated reserves within equity, Members' capital and other amounts due to Members classified as liabilities as follows:

	Members' capital £'000	Other amounts due to Members £'000	**Total amounts due to Members of partnerships in the Group £'000**
At 1 May 2019	**10,679**	**27,392**	**38,071**
Members' remuneration charged as an expense	-	19,009	19,009
Introduced by the Members	617	-	617
Repayments of capital	(808)	-	**(808)**
Drawings	-	(21,160)	**(21,160)**
At 31 October 2019	**10,488**	**25,241**	**35,729**

	Members' capital £'000	Other amounts due to Members £'000	**Total amounts due to Members of partnerships in the Group £'000**
At 1 May 2018	**29,071**	**6,644**	**35,715**
Members' remuneration charged as an expense	-	14,784	14,784
Allocation of retained profit	-	22,059	22,059
Introduced by the Members	2,287	-	2,287
Repayments of capital	(2,206)	-	(2,206)
Drawings	-	(24,230)	(24,230)
At 31 October 2018	**29,152**	**19,257**	**48,409**

	Members' capital £'000	Other amounts due to Members £'000	**Total amounts due to Members of partnerships in the Group £'000**
At 1 May 2018	**29,071**	**6,644**	**35,715**
Members' remuneration charged as an expense	-	31,014	**31,014**
Allocation of retained profit	-	42,537	**42,537**
Introduced by the Members	4,732	-	**4,732**
Repayments of capital	(23,124)	-	**(23,124)**
Drawings	-	(52,803)	**(28,573)**
At 30 April 2019	**10,679**	**27,392**	**38,071**

The average number of Members during the period and Members' remuneration charged as an expense during the period was as follows:

	31 October 2019	31 October 2018	30 April 2019
Average number of Members of partnerships held by the Group during the period	**265**	246	249
	£'000	£'000	£'000
Members' profit share charged as an expense	19,009	14,784	31,014
Pro-forma revised compensation model adjustment	(19,009)	(18,485)	(36,970)
	-	**(3,701)**	**(5,956)**
Partner annual bonus charged as an expense	-	(250)	(500)
Revised compensation model adjustment	**-**	**(3,951)**	**(6,456)**

To allow for greater comparability of financial performance, a revised compensation model adjustment has been calculated for each relevant period on the same basis as is described in the IPO Prospectus. The adjustments reflect the impact of the revised compensation model for Members of the Partnerships held by the Group as if the revised compensation model had been in place during the pre-IPO period.

24 Seasonality

Historically, the Group generates two to three percentage points more revenue in the second half of the year when compared to the first. This is due to the number of working days, the timing of annual leave, the timing of resource investments and new client wins. In the current year, the expectation is for a heavier weighting towards the second half as the investment in new hires generates revenue. With a cost profile that tends to be flat and, in the case of administrative expenses, is being tightly controlled, the seasonality described here has a more material effect at EBITDA and PBT.

25 Events after the reporting period

On 10 December 2019 DWF Group plc exchanged contracts to acquire the entire share capital of Rousaud Costas Duran S.L.P. ("RCD"), a company incorporated in Spain. The completion date for the transaction is expected to be before 31 December 2019.

The acquisition cements DWF's presence in Spain by establishing offices in Madrid, Barcelona and Valencia, with 40 partners and more than 400 people joining the Group.

The Group acquired RCD from its former equity owners for total consideration payable in cash and shares of up to €50.5m.

The process of fair valuing the acquired assets and liabilities of RCD has not been completed at the date of this interim report.

There have been no other events after the reporting period.