Wednesday 31 July 2019

DWF Group plc

Full year results for the year ended 30 April 2019
Strong organic growth with significant progress against medium term targets

DWF, the global legal business providing Complex, Managed and Connected Services, today issues its full year results for the year ended 30 April 2019.

GROUP FINANCIAL SUMMARY

£m	FY 2019	FY 2018	Change
Net revenue	272.4	236.5	+15%
Gross profit	145.5	125.6	+16%
Gross profit margin (%)	53.4%	53.1%	+30bps
Adjusted EBITDA	33.6	30.7	+9%
Adjusted PBT	26.1	23.1	+13%
Non-underlying items and share based payments expense	(13.8)	(1.9)	
Reported PBT	12.3	21.2	
Profit after tax	12.2	21.1	
Adjusted diluted EPS (pence)	6.8p	6.2p	
Reported diluted EPS (pence)	4.5p	7.7p	
Net debt	35.3	54.1	

Andrew Leaitherland, Group Chief Executive Officer commented:

"These results mark the end of a milestone year for DWF, in which we became the largest listed full service legal business on the London Stock Exchange. I am pleased to report another strong period of revenue and profit growth for our maiden results post IPO, driven by an uplift across all four divisions, with International and Connected Services the standout performers. The Group delivered 15% growth – 12.5% of which was on an underlying organic basis – emphasising the strength of our unique business model.

We have made significant progress against strategy, taking meaningful strides towards our medium-term targets, and expect our diversified and differentiated business model to continue driving long-term sustainable growth. We are committed to recruiting and retaining leading industry talent which is underpinning our broadened service offering and revenue growth. Following a period of reduced M&A activity due to preparation for the IPO, we are maintaining discipline in identifying value-add acquisitions and associations to add scale, build on our sector expertise and develop our international presence."

FINANCIAL HIGHLIGHTS

- 15% increase in Group revenue from £236.5m to £272.4m
  - 78.7% growth in International division
  - 23.3% growth in Connected Services
  - 6.0% in Commercial Services
  - 2.8% in Insurance Services
- Underlying organic revenue growth[1] of 12.5%
- Adjusted EBITDA[2] of £33.6m, increased by 9% (FY 2018: £30.7m)
- Reported PBT of £12.3m (FY 2018: £21.2m)
  - Reduction due to one off non-underlying costs relating to IPO
  - Adjusted PBT[3] of £26.1m (FY 2018 £23.1m), growth of 12.9%
- Reported diluted EPS of 4.5p (FY 2018: 7.7p)
- Adjusted diluted EPS[4] of 6.8p (FY 2018: 6.2p)
- 12 day reduction, equivalent to 9% improvement, in debtor days[5]
- 15 day increase in WIP days[5] resulting in gross lock-up days[5] of 203 (2018: 200 days)
- Closing net debt[5] of £35.3m (FY 2018: £54.1m)
- Net debt/Adjusted EBITDA of 1.0 (FY 2018: 1.8) is in line with guidance
- Proposed final dividend per share of 1.0p

OPERATIONAL & STRATEGIC PERFORMANCE

- Revenue per partner accelerated 9% to £857.6k as recent partner hires ramp up to full delivery
- Net increase of 20 new partners in the period will support ongoing underlying organic growth
- Gross margin up 0.3 percentage points ('ppts') to 53.4% driven by improvements across all divisions with International and Connected showing strongest growth in line with expectations
- Cost to income ratio[6] of 43.1% (FY 2018: 43.2%)
- Entered into an exclusive association with Wood, Smith, Henning and Berman LLP in North America
- 7 new panel wins since IPO
- Investment in new key executive hires

OUTLOOK AND CURRENT TRADING

- Entered into an exclusive association with RCD in Spain in June 2019
- As announced in May 2019, we completed the acquisition of K&L Gates Jamka in Poland
- Secured a new 5 year contract with BT within the Managed Services platform
- The new financial year has started well and management is confident of the outlook for the full year

1 Underlying organic revenue growth eliminates the impacts of acquisitions
2 Adjusted EBITDA is defined in note 2
3 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 as administrative expenses (less non-underlying items, share based payments expense and adjusted for changes made in the adoption of IFRS 15 Revenue Recognition and IFRS 9 Financial Instruments) divided by net revenue

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About the Company
DWF is a global legal business providing complex, managed and connected services, operating from 27 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 Company'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

This has been a milestone year for DWF. In becoming the first legal business to list on the Main Market of the London Stock Exchange, we emphatically demonstrated our commitment to doing things differently, created access to capital that will allow us to accelerate the delivery of our strategy and we extended share awards in our business to more than 2,000 of our people.

We achieved another year of strong financial performance, with full year revenue growing by more than 15% to £272.4m (2018: £236.5m). This growth was primarily organic across the Group given the pause on our M&A programme required by the IPO process. Our adjusted EBITDA increased by 9% to £33.6m (2018: £30.7m) while our adjusted PBT increased 12.9% to £26.1m (2018: £23.1m). Reported PBT decreased to £12.3m (2018: £21.2m) due to the non-underlying items of £12.6m that relate to the IPO.

A global legal business

All 4 of our divisions delivered strong organic growth in the period. In the UK, the Commercial Services and Insurance Services divisions, which still account for the majority of our revenue, delivered 6% and approximately 3% growth respectively. The UK remains a core market for us and as such, we made investments and key hires which we expect will drive further gains in market share in the future.

Our International business has shown particularly strong growth, increasing revenue by approximately 79%. We have continued to build our international capabilities through acquisition, associations and new partner hires.

Australia has seen significant expansion in this period. At the beginning of the last financial year we announced the opening of our fourth Australia office, in Newcastle, and the appointment of a new Chairman of DWF Asia Pacific together with a team of 24 people across our Sydney and Newcastle offices to commence our Commercial Services build across Australia. We have since completed the acquisition of FT Adjusting, further building our Connected Services offering in Australia, and we were joined in March by seven principal lawyers from the Melbourne-based firm WARD Lawyers. Australia is a growth opportunity for us, and we have doubled the number of people in that location to more than 150 since the beginning of FY19, significantly expanding our service offering and geographic footprint.

Already in FY20 we have added a further principal lawyer in Melbourne and a team of 15 fee earners, doubling our banking and finance team in Australia. We have also delivered on an opportunity highlighted in our prospectus, through the acquisition of the legal business of K&L Gates Jamka in Poland. This move establishes DWF in Poland itself, but also opens up markets across central, eastern and south-eastern Europe.

We continue to take a diversified approach to expanding our international reach. Last September we announced an exclusive association with Los Angeles-based Wood, Smith, Henning & Berman, helping us to support more of our clients in the world's largest market for legal and insurance Services. More recently, we announced an exclusive association in Spain with Rousaud Costas Duran ('RCD'), a highly-regarded firm that is renowned in its market for innovation. RCD will also help DWF to support our clients in the broader Iberian peninsula and more extensively into Latin America.

Our international strategy is client-led. We enter new markets and build capability to serve clients where they need us, through acquisition targets or association partners with a strong sector alignment and cultural fit. We anticipate that the development of our existing international business and expansion into new markets will continue into FY20.

Building our Managed Services platform

DWF is differentiated by our ability to provide clients with an integrated legal service through our three delivery platforms of Complex, Managed and Connected. In March, we stated that we would use a portion of the IPO proceeds to develop the Group's global Managed Services platform. We are still only a few months on from our IPO, but we have already taken a number of steps forward.

We have appointed a new CEO of Managed Services, Mark St John Qualter, who joined DWF in June from RBS Group plc, where he was Head of Artificial Intelligence for the bank's Commercial and Private Banking business. Mark will lead the development and delivery of our global Managed Services strategy.

Our clients are supporting us with the build, with our recent contract win with BT demonstrating how we intend to work in partnership with our clients to deliver legal services in a different way.

Our international expansion strategy has also been executed with our Managed Services build in mind. We anticipate Australia and the US becoming integral locations in our ambition to create a 24-hour Managed Services capability.

Leadership at every level

This year's successes were made possible by the quality and dedication of our people and their commitment to our values. I am particularly pleased that in this period we have been able to further strengthen our Executive team and I would like to warmly welcome our four new Executive Board members. In addition to Mark St John Qualter, we have also been joined by Daniel Pollick (Chief Information Officer), Mollie Stoker (General Counsel and Company Secretary) and Zelinda Bennett (Marketing and Client Development Director). Mollie joined DWF from Lucozade Ribena Suntory, while both Daniel and Zelinda joined the business from DLA Piper.

The quality of our team at Executive level is reflected across the business and evidenced by the recognition we have achieved throughout the year, both for client delivery and our HR & Workplace initiatives. We are pleased that some of our initiatives have been recognised beyond the business, where over the year, we have won external recognition such as: one of the Top 30 employers for Working Families, a Top 100 Employer in the Stonewall Equality Index and *Insurance Post's* Insurance Law Firm of the Year.

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

Getting close to our clients and understanding their industry sector is crucial to the way we build relationships. During the year, we secured a series of important panel appointments, including those of the NFU Mutual and MS Amlin.

Engaging our people

Being able to recruit and retain the right people is critical to our success, which is why we saw the IPO as an opportunity to further strengthen our people's connection to our purpose and our strategy. I am delighted that more than 2,000 of our people now have an entitlement to shares in our business and I hope that even more of our people become shareholders through our Buy As You Earn scheme.

As well as awarding shares to our people through the IPO, we have continued to invest in their career development. This year we made 172 promotions across the business. This included 35 senior promotions, including 20 partners and 15 directors. Of our senior promotions, 12 are women (34%), including five partners and seven directors. We also made significant improvements to the DWF Pension Scheme with a new minimum combined contribution of 8% between employees and their employer.

Doing things differently
Our reputation as an innovator was recognised in the 2018 Financial Times Innovative Lawyers report, as DWF was ranked the 11th most innovative legal business in Europe.

Launched in September 2018, the Manchester Law & Technology Initiative saw us join forces with Freshfields Bruckhaus Deringer and The University of Manchester to look at the potential innovations and impacts of technology applications in the legal sector. It is one of the first research collaborations of its type in the UK to draw on business and academic expertise to develop research and teaching focused on the potential application and the impact of digital technology in legal services provision.

Outlook and current trading
The new financial year has started well, with continued growth in line with our expectations. International continues to grow strongly with the added benefits of our recent hires, strategic acquisitions and associations. We continue to see the benefits of our diversified business model with opportunities to build further market share. A substantial proportion of our business is focused on sectors which are less correlated with the performance of the underlying economy, and as such we see stronger near term growth opportunities in these areas. As the impact of economic and Brexit uncertainty increases the incidence of contract disputes, insurance claims and fraud we are seeing the countercyclical benefits of our Litigation offering within our Commercial Services division, as well as across our Insurance Services division more broadly. Connected Services is trading strongly with increased visibility in the market as this business matures and our Managed Services offering is seeing growing momentum with a pipeline of further opportunities.

We are continuing to focus on cost control and working capital efficiencies and anticipate further improvements in 2020. Our strategy is to supplement our organic growth with value-add strategic acquisitions which increase both our capability and global reach. We have made a good start and are confident in the outlook for the full year.

Andrew Leaitherland
Group Chief Executive Officer

FINANCIAL REVIEW

Financial overview

The Board is pleased with the financial performance in FY19, in what has been a significant year for the business.

We have grown revenues by 15.2%, and have seen positive margin expansion in all four of our divisions. The most significant progress has been in International and Connected Services, two areas that we believe set us apart from other listed legal businesses. The revenue growth is profitable, with gross profit increasing by 16% with a gross profit margin percentage uplift of 0.3ppts versus the prior year. In order to support this growth across our divisions the Company invested in its overhead primarily in International locations and also in a one-off increase in PLC related costs. As we continue to grow revenue, we do not anticipate that we will need to increase administrative expenses at the same rate.

The revenue growth, margin improvement and controlled investment in additional overhead combine to give an adjusted EBITDA figure of £33.6m, a 9.2% increase on prior year. Adjusted PBT is £26.1m, a 12.9% increase on FY18.

Working capital

Working capital (measured using 'gross lock-up days') has remained a key area of focus and closing net debt was £35.3m at the year-end which was in line with expectations and guidance.

Gross lock-up days comprise two elements, being work-in-progress days ('WIP days') – the amount of time between starting work and invoicing clients - and debtor days which represent the length of time between invoicing and cash collection.

The Group is pleased by its debtor day performance which reduced by 12 days over the period as clients have, on average, paid invoices more swiftly. This significant improvement is as a result of process improvements in the Group's internal credit control function and fee earner behaviour improving client adherence to payment terms. The Group remains confident that additional opportunities are available to improve this further.

The Group's WIP days increased by 15 as a result of a variety of factors including growth in the Motor practice group in Insurance Services which has a naturally longer WIP cycle, rate card increases in Commercial Services, and a normalisation of International WIP days as locations diversify into full service offerings. Some areas of the Group's business are subject to standardised billing cycles, such as in Insurance Services where a quarterly billing cycle is normally adopted, hence, while the Company is targeting improvements in this Group measure, the opportunity is not as significant as that for debtor days.

The Group will continue to focus on working capital requirements in FY20 and beyond and remains confident of at least achieving its medium term targets. In the current financial year, the Group is focussing on global process standardisation for billing and collections, billing automation, and partner accountability to drive improved working capital performance.

Revenue

Revenue was £272.4m for the year compared to £236.5m in FY18, an increase of 15.2%. All 4 divisions of the business delivered growth in line with medium term guidance with International and Connected Services underpinning the bulk of the Group's growth with increases of 79% and 23% respectively. With M&A activity largely on hold due to the IPO, the majority of the growth was organic (12.5%

underlying organic revenue growth vs. 2018) driven by 20 new partner hires and improvements in revenue per partner.

Direct costs
Direct costs, including partner remuneration, were £126.9m compared to £110.8m in the prior year, an increase of 14% year on year. This increase was driven by investment in 160 additional fee earners and 20 partners. In addition, it is worth noting that the partner compensation model changed at the time of IPO, such that 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 impact of this was a reduction in partner-related direct costs for the period since IPO to the 30 April 2019. Whilst the accounts reflect 10.5 months of trading as a partnership and 1.5 months as a plc, the accounting for partner costs means the income statement effectively reflects the equivalent of a full-year of the new compensation model.

Gross profit
Gross profit increased by 16% from £125.6m in FY18 to £145.5m in FY19. This reflects an increase in gross profit margin of 0.3ppts. All divisions have seen positive margin development through a combination of pricing and productivity increases, and the maturing of the Connected Services and International businesses which are transitioning out of the heavy investment phases of FY18 and prior years.

Divisional performance

Commercial Services

Measure £m	FY19	FY18	Variance
Revenue	108.9	102.8	6.0%
Direct cost	(40.5)	(39.1)	3.6%
Gross profit	68.4	63.7	7.4%
Gross profit margin %	62.8%	61.9%	

Commercial Services finished the FY19 financial year strongly. Revenue at £108.9m was 6% up on prior year. Gross profit at £68.4m was 7.4% up on prior year. The tight control of costs has driven gross margin improvement with a 0.9ppts increase on prior year to 62.8%. The strongest revenue growth came from the Litigation practice group with the strongest profit increase coming in Real Estate.

Revenue from the division's top 40 clients in FY19 grew at a slightly higher rate than overall revenue. This was a strong endorsement of the division's business plan objective to upgrade its client base and further institutionalise key client relationships.

The key business plan priorities for FY20 are to drive continued growth in revenue and increase productivity through the newer divisions of Connected Services and Managed Services by delivering some elements of work more efficiently through process and technology. There is also a greater focus on the importance of scoping and pricing.

The start of FY20 sees a general political and economic climate which is slightly tempering activity in transactionally focused teams in Corporate Services and Real Estate, however the division is involved in several high profile client tenders. The Litigation practice group remains very busy with high profile work for the likes of Morrisons and other large institutional clients. Litigation enjoys a degree of counter-cyclical demand which is expected to replace some of the transactional activity.

There is an increased focus on raising the division's profile in relation to securing corporate services work, as a catalyst for winning further work in Litigation and Real Estate. We are targeting low to mid-single digit revenue growth for the current financial year.

Insurance Services

Measure £m	**FY19**	**FY18**	**Variance**
Revenue	91.1	88.6	2.8%
Direct cost	(44.5)	(43.1)	3.3%
Gross profit	46.5	45.5	2.3%
Gross profit margin %	51.1%	51.3%	

Insurance Services experienced a year of consolidation whilst also delivering a good revenue result of £91.1m, a healthy 2.8% up on prior year which was purely organic growth. Investments in partner hires and their teams, who are still to attain full productivity, meant that the overall gross profit margin remained relatively flat despite healthy improvements in certain practice areas. The strongest revenue growth and gross profit margin improvement was in the Motor and Fraud practice group, in part, as a result of the initial deployment of Managed Services techniques and also through forensic cost control.

The latter half of the year was marked by contract wins, most notably from NFU Mutual in January 2019, as well as panel reappointments, with extended lines of business for clients such as MS Amlin. There has been an investment in resource to gear the insurance business for the expected growth this next financial year.

The key business plan priorities for FY20 are to embed new contractual wins across the Insurance Services business and integrate lateral hires to maximise these revenue streams. The division will continue to drive strong organic growth whilst maintaining tight control of the expense base to deliver margin improvement. Continuing deployment of Managed Services techniques will help to enable this productivity increase by delivering elements of work via process and focused performance management alongside minimisation of non-chargeable activity. We will continue to search out new client opportunities and lateral hires who will add value to the business.

In many ways an uncertain political climate leads to increased insurance claims activity and additional value, however this could very well be tempered as the UK insurance sector awaits the full outcome of the Civil Liability Act. These so called "Whiplash Reforms" will eventually impact lower value work in the Motor Volume Practice Areas although this will not be implemented until April 2020. The division's award winning proposition for innovation in the area of predictive analytics will continue to produce significant indemnity spend savings for insurers and should mean that the division is ideally placed to gain increased market share. This alongside planned internal efficiencies, should offset any reduction in work as a result of the reforms.

The higher margin Catastrophic Injury, Professional Indemnity and Commercial Insurance practice areas continue to handle insurer's most complex and highest value claims with expansion expected as a consequence of increased instructions from existing clients and the new client wins and panel reappointments referenced above. The division will build upon new service line expertise such as in Political and Trade risk whilst further extending its offering in the specialist Lloyds and London market. The division will continue to search out new business opportunities from insurers, intermediaries and large non-insurer corporate nominations looking for opportunities to provide a broader range of service to its clients. This will involve partnering with the Commercial Services division and DWF Connected Services companies such as Ventures, Claims and DWF360. In summary Insurance Services expects high single digit organic revenue growth and further margin improvements in the current financial year.

Connected Services

Measure £m	**FY19**	**FY18**	**Variance**
Revenue	18.5	15.0	23.3%
Direct cost	(11.6)	(10.2)	13.4%
Gross profit	6.9	4.8	44.3%
Gross profit margin %	37.4%	32.0%	

Connected Services, the newest division in DWF, continued to increase both revenue and margin in FY19 as it grows from a small base to become a more fully developed proposition across the breadth of the offering. Revenue has grown by 23.3% to £18.5m, with Claims, Adjusting, Advocacy and Forensic all posting double digit growth ranging from 14% for the larger claims business, to 80% in the fledgling Advocacy business. Ongoing investments have been made in various connected businesses during the year but despite this gross margin percentage is on an upward trajectory with a 5.4ppts improvement in profitability and a 44.3% increase in gross profit. Awareness of Connected Services division's capabilities is growing across the two principal new business channels, being direct marketing to clients and internal referrals from other areas of DWF.

The division has continued to innovate and invest, with £0.8m spent on DWF Ventures in order to develop new products, collaborations and alliances which will allow us to bring new ideas to our clients and generate new revenue streams. A particularly notable initiative was our collaboration with The University of Manchester to look at the potential innovations and impacts of technology applications in the legal sector. The Manchester Law & Technology Initiative was launched in September 2018; it is the first research collaboration of its type in the UK to draw on business and academic expertise to develop research and teaching focused on the potential application and the impact of digital technology in legal services. The division also completed the only M&A transaction for the Group in FY19, with the acquisition of FT Adjusting, further building our Connected Services offering in Australia.

FY20 is expected to continue the momentum that has been building in FY19. We expect DWF360 (our software business), Claims, Adjusting, Advocacy and Forensics to be the key growth drivers. For all of these businesses, there is significant opportunity for internal referrals and revenue capture as we educate our clients and fee earners about the ability to shrink panels and supplier lists to move towards single-source procurement. We believe this is in the best interests of our clients, is what the market requires, and is what our Connected Services are designed to enable.

With clients seeking to reduce the number of service provider relationships they have to manage, they wish to engage with fewer providers who can deliver consistent services on a common technology platform across their international footprint. The ability to provide clients with consistent management information is also a key requirement and market trend which we are able to provide through our proprietary software developed by DWF360. This demand for services across multiple locations and jurisdictions is driving our investments in Connected Services throughout our international network.

International

Measure £m	FY19	FY18	Variance
Revenue	54.0	30.2	78.7%
Direct cost	(30.3)	(18.5)	64.1%
Gross profit	23.7	11.7	101.6%
Gross profit margin %	43.9%	38.9%	

The International division grew by almost 79% in FY19, delivering revenues of £54.0m compared to £30.2m in the previous year. Every location showed growth year-on-year, but Australia, Dubai and Qatar showed some of the most significant growth whilst in Europe, previous investments in France, Belgium and Italy have started to generate revenues. This revenue growth has been driven by prior year partner hires coming up to full productivity, an increase in demand from global clients and cross selling between territories as our international presence matures. Direct costs also grew as locations continued to invest in partner hires and fee earners, but despite this investment, gross profit margin improved by 5 ppts to just under 44%. This is part of the expected normalising of International margins as the heavy investment in 2018 and earlier starts to deliver revenues.

Europe continues to present opportunities. In France we recruited in banking and financial services which gave us a sector presence we did not have before. We launched a business in Poland with the acquisition of the legal business of K&L Gates Jamka Warsaw office giving us a highly rated business to service the CEE region. Finally, and most recently, we entered into an exclusive association with top 20 Spanish law firm RCD.

We have had a strong year in the Middle East where the Dubai office has had a year of consolidation and increased its profile in the Dubai legal market. Our office in Doha, Qatar finished its first full year completing a major international arbitration case relating to the Doha airport.

Finally in Australia, now our largest overseas location, we were joined in March by seven principal lawyers from the Melbourne-based firm WARD Lawyers. We have since recruited a financial services and banking team in Melbourne giving us a strong presence there in conjunction with the existing banking team in Sydney. The Australian legal market continues to offer consolidation opportunities as well as the ability to leverage our Connected and Managed Services delivery platform model.

As highlighted at the time of IPO, we will continue our international expansion in priority countries through either future associations or additional acquisitions in legal markets which we would like to enter with Poland, Spain, the USA, Canada, Hong Kong and the Netherlands all being locations where we will continue to look for opportunities.

Administrative expenses

Administrative expenses increased from £103.1m in FY18 to £131.0m in FY19. This increase of 27.0% was as a result of £12.6m of non-underlying items (which were IPO related expenses) and share based payment expense of £1.2m in FY19 compared to £1.9m and £nil, respectively, in FY18. 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 £16.0m or 16%, 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 offices costs.

Net finance expense
Net finance expenses were £2.1m in FY19 compared to £1.3m in FY18, an increase of 65%. Included within this increase is £0.2m related to the write-off of bank charges for the 2018 refinancing. This was a 3-year facility which was subsequently replaced on IPO, so the charges in relation to this were fully expensed in FY19. Interest on borrowings was broadly flat compared to 2018.

Profit before tax
Reported PBT was £12.3m compared to £21.2m in FY18, a reduction of £8.9m or 42% in the year. This statutory position is impacted by the inclusion of non-underlying items and share based payments expense totalling £13.8m in FY19 compared to £1.9m in the prior year. The increase of £11.9m increase is entirely related to the costs of the IPO process and the new shared based payment expense. Much of this cost was driven by the complexity of the project, including the detailed regulatory work required in each jurisdiction in which we operate. Considerable restructuring work was undertaken immediately prior to the IPO to ensure the Group structure was robust and further work was needed to transition our financial reporting, systems and controls away from an LLP model to a corporate one.

Adjusted PBT reflects the combination of double digit underlying organic growth and control of direct and operating costs, such that FY19 adjusted PBT is £26.1m compared to 2018 adjusted PBT of £23.1m – a 12.9% increase.

Taxation
The majority of the Group operated as a partnership until the point of IPO so all of the profits earned by the LLPs were attributable to Members as individuals. The overall tax charge is £0.1m, comprising a current tax expense of £0.4m and a deferred tax credit of £0.3m. FY20 will see a full year of tax charge as our first full year as a corporate entity.

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 will, from FY20, target a dividend payout ratio of up to 70% of DWF Group plc's profit after tax.

For FY19, where the Group was only listed for six weeks of the financial year, the directors are pleased to announce a final dividend of £3.0m in relation to the period. This equates to 1p per share, and is subject to approval at the AGM on 20 September 2019 and, if approved, will become payable on 27 September 2019.

Balance sheet
Group net assets increased to £41.8m in 2019 compared to £5.3m in 2018. The increase is due to:

- an increase in gross lock-up of £21.5m which has broadly grown in line with net revenue growth, increasing by 16.5%;
- £18.8m reduction in net debt; and
- a £18.4m net repayments to members, primarily being the partner capital repayment on IPO.

With the exception of the working capital movement, the changes above have largely been driven by the impact and use of proceeds attached to the IPO.

Capex
The Group has not been capital intensive historically, and FY19 was no exception. With the Group focussing necessarily on the preparations for IPO, capex was primarily spent on business as usual requirements including IT replenishment and essential office maintenance and refurbishment activity. Total capex is broadly in line with the annual depreciation charge.

Conclusion

The Group has delivered profitable, mainly organic, growth and an improved level of profitability in a year where considerable resources were allocated to preparations for the IPO. We have continued to invest in partners and fee earners and have a platform that is unique amongst our peers from which to drive future revenues. Working capital and net debt is being and will continue to be tightly managed with more opportunity to self-fund as gross lock-up days are driven down. It was a quieter year for M&A due to the focus required on IPO although this has brought us into FY20 with a strong pipeline of opportunities that we were unable to progress during the IPO. Looking forward we will continue to carefully consider inorganic growth opportunities and apply the same level of discipline as we have in the past, while looking for opportunities that are culturally and sector aligned, have client overlap, and complement our existing capabilities and offerings.

Chris Stefani
Chief Financial Officer

FINANCIAL STATEMENTS

Consolidated Income Statement
Year ended 30 April 2019

	Notes	**2019 £'000**	2018 £'000
Revenue		**321,446**	**236,488**
Recoverable expenses		(49,085)	-
Net revenue	**3**	**272,361**	**236,488**
Direct costs		(126,871)	(110,840)
Gross profit		**145,490**	**125,648**
Administrative expenses		(131,037)	(103,139)
Operating profit	**4**	**14,453**	**22,509**
Adjusted operating profit		**33,589**	**30,746**
Depreciation, amortisation and impairment	4	(5,365)	(6,333)
Non-underlying items	4	(12,569)	(1,904)
Share based payments expense	4	(1,202)	-
Net finance expense	5	(2,131)	(1,293)
Profit before tax		**12,322**	**21,216**
Taxation	6	(138)	(92)
Profit for the year		**12,184**	**21,124**

Earnings per share attributable to the owners of the parent:			
Basic (p)	8	4.5p	7.8p
Diluted (p)	8	4.5p	7.7p
Adjusted earnings per share attributable to the owners of the parent:			
Basic (p)	8	6.9p	6.3p
Diluted (p)	8	6.8p	6.2p

Consolidated Statement of Comprehensive Income
Year ended 30 April 2019

	2019	2018
	£'000	£'000
Profit for the year	**12,184**	**21,124**
Items that are or may be reclassified subsequently to the income statement:		
Foreign currency translation differences – foreign operations	180	(392)
Total other comprehensive income/(expense) for the year, net of income tax	**180**	**(392)**
Total comprehensive income for the year	**12,364**	**20,732**

Consolidated Statement of Financial Position
As at 30 April 2019

	Notes	**2019 £'000**	2018 £'000
Non-current assets			
Intangible assets and goodwill	10	4,541	3,801
Property, plant and equipment	11	14,032	14,184
Investments		254	254
Trade and other receivables	12	152	-
Deferred tax asset		933	-
Total non-current assets		**19,912**	**18,239**
Current assets			
Trade and other receivables	12	164,168	140,975
Cash at bank and in hand	13	12,912	5,130
Total current assets		**177,080**	**146,105**
Total assets		**196,992**	**164,344**
Current liabilities			
Trade and other payables	14	55,620	49,381
Current tax liabilities		418	23
Other interest bearing loans and borrowings	15	9,028	9,704
Provisions	16	1,252	1,252
Amounts due to members of partnerships in the Group		38,071	35,715
Total current liabilities		**104,389**	**96,075**
Non-current liabilities			
Trade and other payables	14	10,280	13,322
Other interest bearing loans and borrowings	15	39,196	49,522
Provisions	16	1,329	119
Total non-current liabilities		**50,805**	**62,963**
Total liabilities		**155,194**	**159,038**
Net assets		**41,798**	**5,306**
Equity			
Share capital	17	3,000	2,385
Share premium	17	63,167	-
Other reserves	18	(1,323)	(2,556)
(Accumulated losses)/retained earnings	18	(23,046)	5,477
Total equity		**41,798**	**5,306**

Consolidated Statement of Changes in Equity
Year ended 30 April 2019

	Share capital (Note 17) £'000	Share premium (Note 17) £'000	Treasury shares (Note 18) £'000	Merger reserve (Note 18) £'000	Share based payments reserve (Note 18) £'000	Translation reserve (Note 18) £'000	(Accumulated losses)/ retained earnings (Note 18) £'000	Total equity £'000
At 1 May 2017	2,385	-	-	(2,385)	**-**	**221**	**7,666**	**7,887**
Profit for the year	-	-	-	-	-	-	21,124	**21,124**
Exchange rate difference	-	-	-	-	-	(392)	-	**(392)**
Total comprehensive income	-	-	-	-	-	(392)	21,124	**20,732**
Reserves transferred to amounts due to members of partnerships in the Group	-	-	-	-	-	-	(23,313)	**(23,313)**
At 30 April 2018	2,385	**-**	**-**	**(2,385)**	**-**	**(171)**	**5,477**	**5,306**
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 year	-	-	-	-	-	-	12,184	**12,184**
Exchange rate difference	-	-	-	-	-	180	-	**180**
Total comprehensive income	-	-	-	-	-	180	12,184	**12,364**
Reserves transferred to amounts due to members of partnerships in the Group	-	-	-	-	-	-	(42,537)	**(42,537)**
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**

Consolidated Statement of Cash Flows
Year ended 30 April 2019

	Note	**2019** **£'000**	2018 £'000
Cash flows from operating activities			
Cash used in operations before adjusting items	22	(10,545)	(9,539)
Cash used to settle non-underlying items		(19,289)	(731)
Cash used in operations		**(29,834)**	**(10,270)**
Interest paid		(2,405)	(2,373)
Tax paid		(50)	(69)
Net cash used in operating activities		**(32,289)**	**(12,712)**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		-	(1,376)
Purchase of property, plant and equipment		(4,196)	(4,211)
Purchase of other intangible assets		(1,222)	(1,028)
Net cash flows used in investing activities		**(5,418)**	**(6,615)**
Cash flows from financing activities			
Issue of ordinary shares, net of issue costs		73,350	-
Treasury share sale		2,707	-
Proceeds from borrowings		80,290	56,331
Repayment of borrowings		(89,475)	(43,614)
Movement in corporate purchasing card		(2,646)	4,930
Interest received		293	240
Acquisition of subsidiary, deferred consideration		(1,802)	(897)
Capital contributions by Members		4,732	7,780
Repayments to former Members		(23,124)	(3,902)
Net cash flows from financing activities		**44,325**	**20,868**
Net increase in cash and cash equivalent		**6,618**	**1,541**
Cash and cash equivalents at the beginning of year		4,228	2,772
Effects of foreign exchange rate changes on cash and cash equivalents		(24)	(85)
Cash and cash equivalents at the end of year	**13**	**10,822**	**4,228**

1 Accounting policies

1.1 Nature of the financial statements

The following financial information does not amount to full financial statements within the meaning of Section 434 of Companies Act 2006. The financial information has been extracted from the Group's Annual Report and Financial Statements for the year ended 30 April 2019 on which an unqualified report has been made by the Company's auditors. The 2019 statutory accounts will be delivered to Companies House in due course.

Copies of the Annual Report and Financial Statements will be posted to shareholders shortly and will be available from the Company's registered office at 20 Fenchurch Street, London, EC3M 3AG.

1.2 Statement of accounting policies

The preliminary announcement for the year ended 30 April 2019 has been produced based on the Group's annual financial statements which are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accounting policies applied in this preliminary announcement are consistent with those reported in the Group's annual financial statements for the year ended 30 April 2019 along with new standards and interpretations which became mandatory for the financial year.

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.

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

	2019	2018
	£'000	£'000
Profit before tax	**12,322**	**21,216**
Non-underlying items	12,569	1,904
Share based payments expense	1,202	-
Adjusted profit before tax	**26,093**	**23,120**
Net finance expense	2,131	1,293
Depreciation, amortisation and impairment	5,365	6,333
Adjusted operating profit ('Adjusted EBITDA')	**33,589**	**30,746**

3 Operating segments

Reporting segments

In accordance with IFRS 8 the Group's operating segments are based on the operating results reviewed by the Board, who represents 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 Group.

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. Information relating to each reportable segment is set out below:

For year ended 30 April 2019

	Commercial Services	Insurance Services	International	Connected Services	Total
	£'000	£'000	£'000	£'000	£'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)
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 2018

	Commercial Services	Insurance Services	International	Connected Services	Total
	£'000	£'000	£'000	£'000	£'000
Segment net revenue	102,769	88,552	30,192	14,975	236,488
Direct costs	(39,110)	(43,089)	(18,453)	(10,188)	(110,840)
Gross profit	**63,659**	**45,463**	**11,739**	**4,787**	**125,648**
Administrative expenses					(103,139)
Operating profit					**22,509**
Net finance expense					(1,293)
Profit before tax					**21,216**
Taxation					(92)
Profit for the year					**21,124**

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:

	2019	2018
	£'000	£'000
UK	220,486	208,188
Rest of Europe	24,033	17,466
Middle East	9,871	4,281
Rest of World	17,971	6,553
Net revenue	**272,361**	**236,488**

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

4 Operating profit and auditor's remuneration

	2019	2018
	£'000	£'000
Recognised in the income statement		
Members' remuneration charged as an expense	31,014	25,452
Depreciation of tangible assets	4,348	5,316
Depreciation of assets held under finance lease	-	375
Amortisation of intangible assets	1,017	637
Impairment of intangible assets	-	5
Operating lease cost on land and buildings	12,261	10,285
Operating lease cost of other leases	1,202	753
Net foreign exchange loss	545	145
Non-underlying items	(12,569)	(1,904)
Share based payments expense	(1,202)	-

Auditor's remuneration		
Audit of the Group financial statements	250	206
Amounts payable to the Company's auditor and its associates in respect of:		
Audit of financial information of subsidiaries, subsidiary undertakings and partnerships of the DWF Group plc	120	107
Other assurance services	2,500	320
Tax advisory services	626	77
Other services	105	112
Total fees	**3,601**	**822**

Net foreign exchange loss is included in administrative expenses. This was previously stated in net finance expense. The prior year comparative has been restated accordingly.

Non-underlying items comprises of IPO professional fees being £12,569,000 (2018: £1,451,000) and transaction costs of £nil (2018: £453,000) that relate to the acquisition of Kaden Boriss.

Other assurance services includes the reporting accountant work completed as part of the IPO of DWF Group plc, which was completed in advance of the listing on 15 March 2019.

Tax advisory includes the tax advisory work completed as part of the IPO of DWF Group plc. All work was completed in advance of the listing on 15 March 2019.

Other audit services include reporting under the SRA Account Rules 2011, and other advisory services.

Fees payable to Deloitte LLP and its associates for non-audit services to DWF Group plc are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis. No services were provided pursuant to contingent fee arrangements.

5 Net finance expense

	2019 **£'000**	2018 £'000
Finance income		
Interest receivable	293	240
	293	**240**
Finance expense		
Interest payable on bank borrowings	1,057	1,082
Interest payable on finance leases	-	42
Other interest payable	279	107
Bank and other charges	1,088	302
	2,424	**1,533**
Net finance expense	**2,131**	**1,293**

6 Taxation

	2019 **£'000**	2018 £'000
UK corporation tax on profit	237	-
Foreign tax on profit	145	92
Adjustments in respect of prior periods	53	-
Current tax expense	**435**	**92**
Deferred tax credit	(297)	-
Taxation	**138**	**92**

Factors affecting the tax charge for the year:

The effective tax rate is lower (2018: lower) than the average rate of corporate tax in the UK of 19.0% (2018: 19.0%). The difference is explained below:

	2019 **£'000**	2018 £'000
Profit before taxation	12,322	21,216
Tax on Group profit at standard UK corporation tax rate of 19% (2018: 19%)	2,341	4,031
Tax borne by individual members of partnerships within the Group	(4,708)	(3,939)
Foreign tax rate differences	20	-
Non-deductible expenses	2,479	-
Adjustments in respect of prior periods	53	-
Effect on deferred tax of change in corporation tax rate	(47)	-
Group total tax charge for the year	**138**	**92**

UK corporation tax in respect of the legal trade is only payable in respect of the profits generated post the pre-IPO reorganisation on 9 March 2019. As such, a large proportion of the FY19 profits (i.e. the 45 weeks of the legal trade prior to the reorganisation) are taxable on the partners, disclosed above as 'Tax borne by individual members of partnerships within the Group' in the statutory effective tax reconciliation.

On 26 October 2015, the UK corporation tax rate was reduced from 20% to 19% from 1 April 2017 and a further change was announced on 23 November 2016 to reduce the rate from 19% to 17% from 1 April 2020. These changes have been substantively enacted at the statement of financial position date and are reflected in the financial statements. Deferred tax assets are measured at the rates that are expected to apply in the periods of the reversal. Deferred tax balances at 30 April 2019 have been calculated using the above rates.

7 Dividends

A dividend was not paid during the year ended 30 April 2019.

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting in September 2019 and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 30 August 2019. The total estimated dividend to be paid is 1p per share. The payment of this dividend will not have any tax consequences for the Group.

8 Earnings per share

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

	2019 **£'000**	2018 £'000
Earnings from continuing operations for the purpose of basic earnings per share	**12,184**	**21,124**

	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	269,221,068	269,221,068
Effect of dilutive potential ordinary shares:		
Future exercise of share awards and options	3,969,034	3,969,034
Weighted average number of ordinary shares for the purposes of diluted earnings per share	273,190,102	273,190,102
Basic earnings per share	4.5p	7.8p
Diluted earnings per share	4.5p	7.7p

Adjusted earnings per share is included as an Alternative Performance Measure ('APM'). Adjusted earnings per share has been calculated using adjusted earnings calculated as 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:

	2019 £'000	2018 £'000
Earnings from continuing operations for the purpose of adjusted earnings per share	**12,184**	**21,124**
Add/(remove):		
Non-underlying items	12,569	1,904
Share based payments expense	1,202	-
Tax effect of adjustments above	(204)	-
Pro-forma tax adjustment	(5,275)	(4,393)
Adjusted earnings for the purposes of adjusted earnings per share	**20,476**	**18,635**

	Number	Number
Weighted average number of ordinary shares for the purposes of adjusted earnings per share	269,221,068	269,221,068
Add:		
Additional shares held in trust	26,809,898	26,809,898
Weighted average number of ordinary shares for the purposes of adjusted basic earnings per share	296,030,966	296,030,966
Effect of dilutive potential ordinary shares:		
Future exercise of share awards and options	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
Adjusted basic earnings per share	6.9p	6.3p
Adjusted diluted earnings per share	6.8p	6.2p

Tax adjustments of £5,275,000 (2018: £4,393,000) have been made in arriving at the adjusted earnings per share. This is based on an estimated full year equivalent effective tax rate of 21.0%, which is largely driven by the UK corporation tax rate of 19.0% adjusted upwards to take into account the effect of non-deductible expenses and higher overseas tax rates in certain territories.

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.

9 Acquisitions of subsidiaries

Acquisitions in the year to 30 April 2019

There have been no material acquisitions during the year.

Acquisitions in the year to 30 April 2018

On 1 May 2017, the Group laterally hired the staff of and acquired the trade receivables of NeoLaw from Keelys LLP for total consideration of £469,000. This consideration comprised of £469,000 cash. The principal activity of the team is Connected Services. The acquisition of NeoLaw has enabled the Group to expand the existing Birmingham cost team, contributing to the continued growth in the Connected Services division. The assets of the acquisition were hived up into DWF LLP.

On 1 December 2017, the Group acquired 100% control of Kaden Boriss an unlimited partnership, whose principal activity is that of Legal Services, for total consideration of £911,000. This consideration comprised of £365,000 cash and £546,000 of deferred consideration. Professional fees incurred in regards to the acquisition have been recognised in operating expenses in the income statement in amount of £205,600. Revenue generated post acquisition was £2,049,000 leading to the profit of £10,600 which has been included in the consolidated income statement and other comprehensive income. If the acquisition had taken place at the start of the year revenue and profit would have been £4,917,600 and £25,440 respectively. The acquisition of Kaden Boriss has provided the Group with expanded access to the Australian legal services market. The company became a wholly owned subsidiary of DWF LLP from the date shown above. The assets and liabilities of the acquisition were subsequently hived up into DWF (Australia).

<u>Effect of acquisitions</u>

The acquisitions had the following effect on the Group's assets and liabilities.

	NeoLaw	Kaden Boriss
	Recognised fair value on acquisition	Recognised fair value on acquisition
	£'000	£'000
Acquiree's net assets at acquisition date		
Tangible assets	-	104
Intangible assets	-	1
Trade and other receivables	464	1,982
Cash	-	391
Trade and other payables	-	(588)
Other interest bearing loans and borrowings	-	(979)
Total net assets	**464**	**911**
Consideration paid		
Initial cash consideration paid	469	365
Deferred consideration at fair value	-	546
Total consideration	**469**	**911**
Goodwill	**5**	**-**

10 Intangible assets and goodwill

	Goodwill £'000	Software costs £'000	Capitalised development costs £'000	Total £'000
Cost				
At 1 May 2018	2,052	943	2,679	5,674
Additions through acquisitions	535	-	-	535
Additions – internally developed	-	-	581	581
Additions – externally purchased	-	639	-	639
Effect of movements in foreign exchange	2	(2)	-	-
At 30 April 2019	**2,589**	**1,580**	**3,260**	**7,429**
Amortisation and impairment				
At 1 May 2018	321	152	1,400	1,873
Amortisation for the year	-	386	631	1,017
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 1 May 2018	**1,731**	**791**	**1,279**	**3,801**

	Goodwill £'000	Software costs £'000	Capitalised development costs £'000	Total £'000
Cost				
At 1 May 2017	2,022	358	1,060	3,440
Additions through acquisitions	5	9	-	14
Additions – internally developed	-	-	431	431
Additions – externally purchased	-	576	-	576
Transfers*	-	-	1,189	1,189
Effect of movements in foreign exchange	25	-	(1)	24
At 30 April 2018	**2,052**	**943**	**2,679**	**5,674**
Amortisation and impairment				
At 1 May 2017	313	41	403	757
Additions through acquisitions	-	8	-	8
Amortisation for the year	-	103	534	637
Impairment charge	5	-	-	5
Transfers*	-	-	463	463
Effect of movements in foreign exchange	3	-	-	3
At 30 April 2018	**321**	**152**	**1,400**	**1,873**
Net book value				
At 30 April 2018	**1,731**	**791**	**1,279**	**3,801**
At 1 May 2017	**1,709**	**317**	**657**	**2,683**

*Transfers relate to capitalised development costs previously recognised in computer equipment in property, plant and equipment. These have been transferred to intangibles during the year at net book value.

The above capitalised development costs relate to the development of software used internally and as products for clients of the Group.

Goodwill

Goodwill considered significant in comparison to the Group's total carrying amount of such assets have been allocated to cash generating units or Groups of cash generating units as follows:

	2019	2018
	£'000	£'000
Connected Services	382	382
International	1,221	682
Insurance Services	667	667
	2,270	**1,731**

Goodwill arising on business combinations is not amortised but reviewed for impairment on an annual basis, or more frequently if there are indications that goodwill may be impaired. Impairment reviews were performed by comparing the carrying value of goodwill with the recoverable amount of the cash generating units ('CGU') to which goodwill has been allocated. Recoverable amounts for cash generating units are the higher of fair value less costs of disposal, and value in use.

The recoverable amounts of each of the above CGUs are determined from value in use calculations. The calculations have been based on a discounted cash flow model covering a period of 5 years using forecast revenues and costs, extended to perpetuity. In each case, the calculations use a growth rate of 2% and a pre-tax discount rate of 10-20%. These pre-tax discount rates reflect current market assessments for the time value of money and the risks associated with the CGUs as the Group manages its treasury function on a Group-wide basis. The long-term growth rates used are based on management's expectations of future changes in the markets for each CGU.

No reasonably possible change in assumption would cause an impairment, as such no charge has been recognised in any of the disclosed periods, the recoverable amount of the goodwill in each case being in excess of the carrying amount.

11 Property, plant and equipment

	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	540	1,084	2,589	4,213
Effect of movements in foreign exchange	(14)	(8)	5	(17)
At 30 April 2019	**16,230**	**10,944**	**36,971**	**64,145**
Accumulated depreciation				
At 1 May 2018	10,624	5,281	29,860	45,765
Charge for the year	1,041	770	2,537	4,348
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 1 May 2018	**5,080**	**4,587**	**4,517**	**14,184**

	Leasehold improvements £'000	Office equipment and fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 May 2017	15,488	7,444	33,938	56,870
Additions through acquisitions	45	59	-	104
Additions	226	2,363	1,630	4,219
Disposals	(44)	(3)	-	(47)
Effect of movements in foreign exchange	(11)	5	(2)	(8)
Transfers*	-	-	(1,189)	(1,189)
At 30 April 2018	**15,704**	**9,868**	**34,377**	**59,949**
Accumulated depreciation				
At 1 May 2017	8,906	4,533	27,145	40,584
Charge for the year	1,762	751	3,178	5,691
Disposals	(44)	(3)	-	(47)
Transfers*	-	-	(463)	(463)
At 30 April 2018	**10,624**	**5,281**	**29,860**	**45,765**
Net book value				
At 30 April 2018	**5,080**	**4,587**	**4,517**	**14,184**
At 1 May 2017	**6,582**	**2,911**	**6,793**	**16,286**

*Transfers relate to capitalised development costs previously recognised in computer equipment. These have been transferred to intangibles during the year at net book value.

12 Trade and other receivables

	2019 **£'000**	2018 £'000
Trade receivables (net of allowance for doubtful receivables)	86,022	82,804
Other receivables	5,108	4,064
Amounts recoverable from clients in respect of unbilled revenue	53,996	37,854
Unbilled disbursements	6,279	5,149
Prepayments and accrued income	11,911	10,252
Reimbursement asset*	852	852
	164,168	**140,975**
Non-current		
Other receivables	152	-
Deferred tax asset	933	-
	1,085	**-**

* Reimbursement asset attributable to FOIL provision.

Trade receivables disclosed above include amounts which are past due at the reporting date but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of trade receivables

	2019 **£'000**	2018 £'000
Trade receivables not past due	33,656	28,714
Trade receivables past due		
0 – 90 days	37,368	40,354
91 – 180 days	7,548	7,052
181 – 270 days	4,820	2,990
271 – 365 days	2,172	1,642
More than 365 days	6,992	5,906
	92,556	**86,658**

Lifetime expected credit losses are used to measure the loss allowance. These balances are held against trade receivables.

Movement in allowance for doubtful receivables

	2019	2018
	£'000	£'000
Brought forward provision	3,854	2,964
Impact of transition to IFRS 9	2,510	-
Provision utilised and other movements	(2,206)	(1,368)
Charges to profit and loss	2,376	2,258
	6,534	**3,854**

These balances are held against trade receivables.

13 Cash and cash equivalents

	2019	2018
	£'000	£'000
Cash at bank and in hand	12,912	5,130
Bank overdrafts	(2,090)	(902)
Cash and cash equivalents per cash flow statement	**10,822**	**4,228**

14 Trade and other payables

	2019	2018
	£'000	£'000
Trade payables	24,756	23,306
Other payables	7,657	5,447
Other taxation and social security	9,879	9,969
Accruals and deferred income	10,291	9,024
Deferred consideration - cash settled	1,625	1,110
Operating lease incentives	1,412	525
	55,620	**49,381**
Non-current		
Deferred consideration - cash settled	208	1,833
Operating lease incentives	10,072	11,489
	10,280	**13,322**

15 Other interest bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings, which are measured at amortised cost.

Obligations under interest bearing loans and borrowings	**2019** **£'000**	2018 £'000
Current liabilities		
Bank loans	4,655	3,872
Corporate purchasing card facility	2,283	4,930
Bank overdrafts	2,090	902
	9,028	**9,704**
Non-current liabilities		
Bank loans	39,791	49,782
Capitalised loan arrangement fees	(595)	(260)
	39,196	**49,522**
	48,224	**59,226**

	2019 **£'000**	2018 £'000
Terms of repayment of bank loans and overdrafts		
Within one year	9,028	9,704
Between one and five years	39,196	49,522
Total bank loans and overdrafts	**48,224**	**59,226**

Contractual terms of interest bearing loans and borrowings

	Currency	Nominal interest rate	Year of maturity	**2019 Fair value £'000**	**2019 Carrying amount £'000**	2018 Fair value £'000	2018 Carrying amount £'000
RCF	GBP	LIBOR+1.4%	2022	38,405	38,405	47,740	47,740
Unsecured bank loans	GBP	3.75%	2020	109	109	192	192
Unsecured bank loans	EUR	2.00%	2020	79	79	138	138
Unsecured bank loans	AUD	6.50%	2021	563	563	872	872
Unsecured bank loans	GBP	1.77%-2.84%	2019-21	4,695	4,695	4,452	4,452
Corporate purchasing card facility	GBP	No rate	2019	2,283	2,283	4,930	4,930
Bank overdrafts	GBP	Base+1.15%	2019	2,090	2,090	902	902
				48,224	**48,224**	**59,226**	**59,226**

DWF LLP acts as Guarantor for all loans denominated in AUD and EUR.

16 Provisions

Dilapidations provision

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, resulting in net exposure of £400,000 as at 30 April 2019 (2018: £400,000). The enquiry is ongoing and therefore it is not possible to estimate when the provision will crystallise.

	2019 £'000	2018 £'000
Dilapidations provision		
Balance at beginning of the year	119	678
Provisions made during the year	1,440	613
Provisions used during the year	(200)	(655)
Provisions reversed during the year	(30)	(517)
Balance at the end of the year	**1,329**	**119**
Non-current	1,329	119
Current	-	-
	1,329	**119**
FOIL provision		
Balance at beginning of the year	1,252	1,252
Provisions reversed during the year	-	-
Balance at the end of the year	**1,252**	**1,252**
Non-current	-	-
Current	1,252	1,252
	1,252	**1,252**
Total provisions		
Balance at beginning of the year	1,371	1,930
Provisions made during the year	1,440	613
Provisions used during the year	(200)	(655)
Provisions reversed during the year	(30)	(517)
Balance at the end of the year	**2,581**	**1,371**
Non-current	1,329	119
Current	1,252	1,252
	2,581	**1,371**

17 Share capital

	Number of 1p each	Ordinary shares £'000	Share premium £'000	Total £'000
Issued and fully paid ordinary shares				
On incorporation	1	-	-	-
Shares issued	299,999,999	3,000	63,167	66,167
At 30 April 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.

18 Reserves

The following describes the nature and purpose of each reserve within equity:

Share premium	The amount subscribed for share capital in excess of the nominal value.
Treasury shares	The treasury shares reserve represents shares in DWF Group plc held by the Group's share trusts. The trusts are consolidated in the Group's financial statements.
Merger reserve	The difference between the nominal value of shares acquired by the Company in the share for share exchange with the former DWF LLP members and the nominal value of shares issued to acquire them.
Share based payments reserve	The cumulative share-based payment expense net of release of amounts in respect of option exercised.
Translation reserve	Gains/losses in translating the net assets of overseas operations into GBP.
(Accumulated losses)/ retained earnings	All other net gains and losses and transactions with owners not recognised elsewhere.

19 Share based payments

Charge to the income statement

The charge to the income statement is set out below:

	2019 £'000
Share plans:	
Equity Incentive Plan IPO award - shares granted in the year	193
Buy-As-You-Earn Plan award - shares granted in the year	860
	1,053
Social security expenses	149
Total expense	**1,202**

During the period ended 30 April 2019, the Group operated the following share based payment plans, all of which are equity settled.

Share awards under the DWF Group plc 2019 Equity Incentive Plan ('EIP')

Details of Directors' share awards are set out in the Directors' Remuneration Report. In addition to Directors, a limited number of the senior management team received EIP share awards.

During the period ending 30 April 2019 an IPO share award was granted on Admission, consisting of conditional and restricted share awards made to a certain Director and a limited number of the senior management team.

Movements in the number of shares outstanding and their exercise prices are set out below:

Year of grant	Share price per award	Exercise price per award	Date of vesting	Number of shares for which awards outstanding 15 March 2019	Awards granted during the period	Awards vested during the period	Awards lapsed during the period	Number of shares for which awards outstanding 30 April 2019
2019	1.25	Nil	July 2020	-	633,306	-	-	633,306
2019	1.25	Nil	July 2021	-	633,306	-	-	633,306
2019	1.25	Nil	July 2022	-	633,306	-	-	633,306
2019	1.25	Nil	July 2023	-	633,306	-	-	633,306
2019	1.25	Nil	July 2024	-	633,306	-	-	633,306

The weighted average fair value of these awards granted during the period was £1.25 per award.

The 2019 EIP IPO awards were valued using the Black Scholes method with the following assumptions:

- Expected volatility (%) 14.19 (average volatility across the tranches granted)
- Expected life (years) 3.34 (average life across the tranches granted)
- Expected dividend yield (%) Nil

Expected volatility was determined by reference to the historical volatility of the FTSE All Share Support Services Index, as there was insufficient trading history in the Groups' shares. The expected life used is the vesting date of the award. There is an entitlement to receive dividends or dividend equivalents. Management estimate that 100% of the shares will vest.

Share awards under the DWF Group plc 2019 Buy-As-You-Earn Plan ('BAYE')

During the period ending 30 April 2019 an IPO share award was granted on Admission, consisting of free share awards made to eligible employees.

Movements in the number of shares outstanding and their exercise prices are set out below:

Year of grant	Share price per award	Exercise price per award	Date of vesting	Number of shares for which awards outstanding 15 March 2019	Awards granted during the period	Awards vested during the period	Awards lapsed during the period	Number of shares for which awards outstanding 30 April 2019
2019	1.25	Nil	July 2020	-	5,815,415	-	-	5,815,415
2019	1.25	Nil	July 2021	-	5,815,415	-	-	5,815,415

The weighted average fair value of these awards granted during the period was £1.14 per award.

The 2019 BAYE IPO free share awards were valued using the Black Scholes method with the following assumptions:

- Expected volatility (%) 13.49 (average volatility across the tranches granted)
- Expected life (years) 1.84 (average life across the tranches granted)
- Expected dividend yield (%) 5.00

Expected volatility was determined by reference to the historical volatility of the FTSE All Share Support Services Index, as there was insufficient trading history in the Group's shares. The expected life used is the vesting date of the award. There is no entitlement to receive dividends or dividend equivalents. The expected dividend yield is a management assumption. Management estimate that there will be 10% annualised leavers from the Plan.

20 Operating leases

At the statement of financial position date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Buildings 2019 £'000	**Others 2019 £'000**	Buildings 2018 £'000	Others 2018 £'000
Within one year	11,367	1,124	11,849	964
Between one and five years	37,990	749	40,923	643
More than five years	21,982	-	25,191	-
	71,339	**1,873**	**77,963**	**1,607**

Operating lease payments represent rentals payable by the Group of its office properties. Leases are negotiable for an average term of 10 years and rentals are fixed for an average of 10 years with an option to extend for a further 10 years at the then prevailing market rate.

Lease payments under operating leases are recognised as an expense in the income statement in the year.

21 Employee information and their pay and benefits

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

	2019 No.	2018 No.
Legal advisers	1,626	1,548
Support staff	1,089	1,108
	2,715	**2,656**

	£'000	£'000
Wages and salaries	110,156	101,976
Social security costs	11,369	9,628
Contributions to defined contribution plans	4,854	3,107
	126,379	**114,711**

Defined contribution plans

The Group operates a number of defined contribution pension plans. The amounts charged to the income statement in respect of these scheme represents contributions payable in respect of the accounting period. The total annual pension cost for the defined contribution scheme was £4,854,000 at 30 April 2019 (30 April 2018: £3,107,000) and the outstanding balance at year end was £914,000 at 30 April 2019 (30 April 2018: £550,000).

22 Cash generated from operations

a) Cash used in operations before adjusting items

	2019 £'000	2018 £'000
Cash flows from operating activities		
Profit before tax	12,322	21,216
Adjustments for:		
Non-underlying items	12,569	1,904
Share based payments expense	1,202	-
Depreciation, amortisation and impairment	5,365	6,333
Net finance expense	2,131	1,293
Operating cash flows before movements in working capital	**33,589**	**30,746**
Increase in trade and other receivables	(24,601)	(16,348)
Increase/(decrease) in trade and other payables	1,455	(1,391)
Increase/(decrease) in provisions	1,210	(559)
Decrease in amounts due to members of partnerships in the Group	(22,198)	(21,987)
Cash used in operations before adjusting items	**(10,545)**	**(9,539)**

Decrease in amounts due to members of partnerships in the Group can be analysed as follows:

Members' remuneration charged as an expense	31,014	25,452
Drawings	(52,803)	(47,439)
Decrease in amounts due to members of partnerships in the Group	**(21,789)**	**(21,987)**

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

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

b) Free cash flows

	2019	2018
	£'000	£'000
Free cash flows		
Operating cashflows before movements in working capital	33,589	30,746
Net working capital movement	(21,936)	(18,298)
Amounts due to members of partnerships in the Group	(22,198)	(21,987)
Net interest paid	(2,112)	(2,133)
Tax paid	(50)	(69)
Purchase of property, plant and equipment	(4,196)	(4,211)
Purchase of other intangible assets	(1,222)	(1,028)
Free cash flow	**(18,125)**	**(16,980)**

c) Working capital measures

	2019 £'000	2018 £'000
WIP days		
Amounts recoverable from clients in respect of unbilled revenue	53,996	37,854
Unbilled disbursements	6,279	5,149
Total WIP	**60,275**	**43,003**
Net revenue	**272,361**	**236,488**
WIP days	**81**	**66**
Debtor days		
Trade receivables (net of allowance for doubtful receivables)	86,022	82,804
Other receivables	5,108	4,064
Total debtors	**91,130**	**86,868**
Net revenue	**272,361**	**236,488**
Debtor days	**122**	**134**
Gross lock-up days		
Total WIP	60,275	43,003
Total debtors	91,130	86,868
Total gross lock-up	**151,405**	**129,871**
Net revenue	**272,361**	**236,488**
Gross lock-up days	**203**	**200**

23 Events after the reporting period

On 20 May 2019, DWF Law LLP, a partnership controlled by DWF Group plc, acquired the Legal Services business K&L Gates Jamka sp.k ('K&L Gates') which is registered and operates in Poland. Consideration equal to the Net Asset Value of the business, provisionally estimated at £3.0m, will be paid in several instalments over the next two years. K&L Gates is expected to generate £7.0m of revenue in the financial year ending 30 April 2020.

Due to the proximity of the approval of these financial statements, it is not practical to include full IFRS 3 'Business Combinations' disclosures. The Group will provide full IFRS 3 disclosures in the Group's Annual Report and Financial statements for the year ending 30 April 2020.