DWF Group plc
("DWF" or "the Company" or "group")

LEI: 213800O9QREOHTOGQ266

8 September 2020

Full-year results for the year ended 30 April 2020
Strong recovery in FY21 first quarter following COVID-19 impacted FY20

DWF, the global legal business, today announces its full-year results for the year ended 30 April 2020 as well as an update on current trading.

	Audited	Audited	Audited
£m	**FY 2020**	**FY 2019**	**Change**
Net revenue	**297.2**	**268.1**	**10.9%**
Gross profit	**142.2**	**143.4**	**-0.8%**
Gross profit margin (%)	**47.9%**	**53.5%**	**-5.6 ppts**
Underlying adjusted EBITDA	**21.8**	**27.8**	**-21.6%**
Underlying adjusted PBT	**13.8**	**20.3**	**-32.4%**
Reported PBT	**18.2**	**13.0**	**39.6%**
Adjusted diluted EPS (pence)	**3.0p**	**7.1p**	**-57.7%**
Reported diluted EPS (pence)	**3.8p**	**4.5p**	**-15.6%**
Net debt	**(64.9)**	**(35.3)**	**-83.7%**

FY20 FINANCIAL HIGHLIGHTS

- 10.9% increase in Group revenue from £268.1m[1] to £297.2m, despite significant Q4 COVID-19 impact
- Underlying organic revenue growth[2] of 2.0%, with Q4 driving down expected performance
- Underlying Adjusted EBITDA (pre-IFRS 16)[3] of £21.8m, decreased by 21.6% (FY 2019: £27.8m) as COVID-19 impact came too late in the year to mitigate revenue shortfall
- Reported PBT of £18.2m (FY 2019: £13.0m) an increase of 39.6%
    - Increase largely due to adjustments relating to acquisitions
    - Underlying Adjusted PBT of £13.8m (FY 2019: £20.3m), a decline of 32.4% due to COVID-19[4]
- Adjusted diluted EPS[5] of 3.0p (FY 2019: 7.1p)
- Reported diluted EPS of 3.8p (FY 2019: 4.5p)
- Closing net debt[6] of £64.9m (FY 2019: £35.3m), reflecting COVID-19 impact and lockup days which peaked at 206 in April but have since reduced
- Proposed final dividend per share of 0.75p taking the total proposed dividend for FY20 to 3.25p

FY21 OUTLOOK AND CURRENT TRADING

- Strong trading for the first three months of FY21 with high double digit revenue growth driven by mid-single digit organic growth and contribution from acquisitions from RCD and Mindcrest
- Previously announced cost savings of £15m in FY21 are taking effect and are reflected in a significant uplift in EBITDA versus prior year, with cost to income ratio trending lower than prior year

- Disposed, closed or reduced scale of operations in Cologne, Dubai, Singapore and Brussels with further measures taken post year-end to rationalise underperforming units
- Net debt has reduced to £55.2m[7] reflecting a £9.7m reduction on the April 20 position
- Significant bid activity and new contract win with multinational insurance company, Aviva
- Our Net Promoter Score with key clients is very positive at 50, and 47 overall, based on 403 clients providing feedback
- Strong pipeline of opportunities including Managed Services bid activity supports optimism for the FY21 outturn, subject to overall market conditions
- In addition to proposing a final dividend for FY20, moving forward the Board remains committed to its stated dividend policy of a pay-out ratio of up to 70% of Adjusted Profit after Tax.

FY20 GROUP FINANCIAL SUMMARY

Sir Nigel Knowles, Group Chief Executive Officer commented:
"Trading through the majority of FY20 was strong and the Group made significant investments to support its growth objectives. The sudden and far reaching impact of COVID-19 had a material effect on the final quarter with a resulting impact on profitability. Despite this, we delivered a solid performance with overall revenue growth of 10.9% and organic growth of 2.0%. While we achieved record Group revenue, with an organic growth rate that compares to other global law firms in FY20, it was lower than expected.

"The strength and resilience of the Group and our differentiated model has been evident in the first three months of FY21. We have seen strong activity levels generating positive momentum across the business resulting in revenue and EBITDA being materially ahead of the prior year.

"We have also taken decisive action focused on consolidating our existing operations to increase profitability, delivering cost efficiencies and improving lock-up and cash generation. Measures to scale-up Managed Services and optimise the International division will position DWF well for FY21 and beyond. Having spoken with many of our stakeholders, I am very pleased that our new focus has such strong support and remain positive about DWF's future prospects."

BOARD APPOINTMENTS

Further to the appointment of Jonathan Bloomer as Non Executive Chairman and Chris Sullivan taking on the new role of Deputy Chairman with effect from 1 August 2020, the Board is pleased to announce the following appointments with effect from 22 October 2020:

- Matthew Doughty as Group Chief Operating Officer of DWF Group plc. Matthew Doughty will step down as Partner Director at the same time; and
- Following a thorough internal recruitment process, Michele Cicchetti and Seema Bains as Partner Directors of DWF Group plc. The position of Partner Director is designated by the Board as a Non-independent, Non-Executive Director position. A Partner Director represents the partners of DWF Law LLP and DWF LLP and is therefore a partner shareholder representative on the Board.

Profiles of these appointees and information required to be disclosed under LR 9.6.13 R (1) to (6) are below.

A presentation for analysts and investors of the full year results will be webcast today at 9:00am (BST) and can be accessed at https://webcasting.brrmedia.co.uk/broadcast/5f3a9ae7b14d8726264381fa

[1] Prior year figures are re-presented to exclude the results from discontinued operations

[2] Underlying organic growth is defined as the net revenue of any business unit that has been in the Group for at least 12 months, always excluding the first 12 months of any business unit that was acquired

[3] Underlying adjusted EBITDA is defined in note 2

[4] Underlying adjusted PBT is defined in note 2

[5] Adjusted diluted EPS is defined in note 8

[6] Net debt is defined in note 23 and excludes lease liabilities recognised under IFRS 16

[7] Source: 31 July 2020 Management accounts

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About DWF
DWF is a global legal business providing Complex, Managed and Connected Services, operating from 31 key locations with more than 4,200 people. The Company became the first Main Market Premium Listed legal business on the London Stock Exchange in March 2019. For more information visit: dwfgroup.com

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.

Matthew Doughty, Group Chief Operating Officer with effect from 22 October 2020
Matthew was appointed to the Board of DWF Group plc in November 2018. Matthew currently fulfils the role of Partner Director representing the interests of DWF partners on the Board. He will step down from this role on 22 October 2020 when he takes up the position of Group Chief Operating Officer on the Board. Matthew has been a partner at DWF since June 2016. In May 2020, Matthew became Group Chief Operating Officer and a member of the Executive Board. He was previously a corporate partner at Squire Patton Boggs (2013 to 2016), a corporate partner at Dorsey & Whitney (2009 to 2013) and a corporate partner of Addleshaw Goddard (2007 to 2009). Matthew holds an LLB degree from the University of Birmingham and completed the Law Society Final Examination in 1993 from the College of Law, Chester. He was admitted as a solicitor by the Solicitors Regulation Authority in 1996 and is a registered foreign lawyer with the Law Society of Scotland.

There are no additional matters that would require disclosure under LR 9.6.13 R (1) to (6) in respect of Matthew Doughty.

Michele Cicchetti, Partner Director with effect from 22 October 2020
Michele is Managing Partner of DWF (Italy) and joined the firm in November 2017. He is widely regarded in Italy as a specialist in acquisition finance, mergers and acquisitions and finance related transactions and before joining DWF he was a corporate finance partner at Pavia e Ansaldo (2011 to 2017), having also gained significant experience in the banking and finance sector at White & Case LLP (2001 to 2008). Michele holds a law degree from the University of Milan and he was admitted as a solicitor by the Italian Bar Association in 2005. In 2019 and 2020 Michele has been included in the list of the 100 most influential lawyers in Italy by Forbes magazine.

There are no additional matters that would require disclosure under LR 9.6.13 R (1) to (6) in respect of Michele Cicchetti.

Seema Bains, Partner Director with effect from 22 October 2020
Seema is a senior partner in the Insurance division. She joined DWF in March 2009 from Weightmans where she was an insurance partner from 2006-2009. Seema leads the Global Diversity and Inclusion Leadership Group and has done so since its formation in 2014. She holds an LLB degree from the University of Kingston and completed the Legal Practice Course in 1995 from the College of Law, Guildford. Seema was admitted as a solicitor by the Solicitors Regulation Authority in 1997 and is a registered foreign lawyer with the Law Society of Scotland.

There are no additional matters that would require disclosure under LR 9.6.13 R (1) to (6) in respect of Seema Bains

Chairman's statement
Supporting our people, delivering for our clients
Jonathan Bloomer
Chairman

Dear shareholder,

I am delighted to welcome you to our Annual Report and equally delighted to introduce myself as your new Chair. I have been the Chairman of DWF Group for a little over five weeks and so I want to begin by thanking my predecessor, and now Group CEO, Sir Nigel Knowles, and our Deputy Chairman, Chris Sullivan, for their contributions and support in helping me prepare this statement.

I am very pleased to have taken on the role of Chairman of DWF. It is a differentiated business in a highly competitive industry that is on the verge of a period of significant change. The Group is very well positioned to capitalise on this change, and I am looking forward to working with the Board to implement the strategy set out by Sir Nigel, aimed at taking DWF forward to a new phase of sustainable and profitable growth.

Business and markets

Like all businesses in our sector and beyond, we face the considerable challenge of navigating an unpredictable global economy that will continue to be affected by COVID-19 for the foreseeable future.

COVID-19 had a significant impact on our business, but we have done a number of things to ensure DWF has the strength and resilience to perform throughout this financial year.

These include implementing a cost-savings programme that will realise £15m of savings in this financial year, and an agreement with lenders that provides access to a secondary revolving credit facility ('RCF') of £15m, in addition to our existing RCF of £80m, with a relaxation of certain covenants.

While we moved quickly to further strengthen liquidity and increase operational efficiency, we have also seen performance improve markedly since April, as our differentiated offering and range of services remain in demand. Our strong relationships with institutional clients in our key sectors have also ensured that our cash collection has been healthy.

Our employees and culture

COVID-19 has also had a significant impact on our ways of working. Throughout this period, our priority has been the health and safety of our people. An outstanding response from our IT and other central services teams ensured that more than 95% of our people were able to work from home during the strictest lockdown periods. A significant proportion of our people continue to work remotely, and we have put in place numerous measures to support them in doing so, with a particular focus on their physical and mental wellbeing.

We are now carefully implementing plans for phased returns to offices, dependent on the specific circumstances and governmental guidance in our respective locations.

The importance DWF places upon culture has been impressed upon me since my appointment. The Group has made further progress this year to support partner and employee recognition, improve and harmonise benefits, perform strongly in leading Diversity & Inclusion ('D&I') rankings, and make a significant community impact.

Strategy and capital allocation

Despite the disruption caused by the COVID-19 pandemic, we made very good progress with our strategy in FY20. Among the principal capital allocations the Group made, the acquisitions of RCD and Mindcrest have helped develop further our International and Managed Services businesses. We anticipate reinvesting around half of the £15m of FY21 cost savings as we continue targeted, strategic investments in our capabilities.

Dividend

Like many listed businesses, the impact of COVID-19 has caused us to review our position on paying a full-year dividend. This is a matter we have given great consideration to, as we know the importance of a dividend, to both our external and internal shareholders.

The proposal of a final dividend for FY20 underscores our current confidence in FY21 trading and outlook. We are seeing our approach to providing integrated legal services through our Complex, Managed and Connected proposition resonate with clients. This is driving an encouraging pipeline of new work. At the same time, we continue to look for further operating efficiencies to build upon the cost reductions we announced in May and July and the office rationalisations that are well underway.

Living our values

The culture within our business is underpinned by our five core values. This year, more than ever, we have seen our people living our values as they have responded to the challenges presented by COVID-19. This has been clear in the way our people have supported each other, our clients and our communities.

This year we launched DWF Achievers, a recognition platform that allows colleagues to congratulate each other for living to our values. Since its launch earlier in year, there have been more than 9,000 recognitions through the platform.

Jonathan Bloomer
Chairman
7 September 2020

Group Chief Executive Officer's report
A resilient business model
Sir Nigel Knowles
Group Chief Executive Officer

The global legal industry is going through a period of significant change as new delivery models and service providers emerge to meet client demands for greater ease and efficiency. This trend is only likely to accelerate, as the economic consequences of COVID-19 force more in-house legal teams to challenge the established ways of doing things.

I am honoured to have been asked to lead the Group through this period of change, and am pleased to describe here some of what we have done through the course of FY20 – and beyond – to ensure DWF is well placed to capitalise on these market opportunities.

Firstly though, I want to reiterate my thanks and pay tribute to my predecessor as Chief Executive Officer, Andrew Leaitherland. In May this year it was announced that Andrew would be stepping down as Group CEO. Andrew spent more than 20 years at DWF and was CEO for 14 years.

He was instrumental in the growth of DWF, both in the development and expansion of the services the Group provides, as well as its geographic spread. During his tenure, DWF grew from two offices in the UK to a global business of more than 30 offices across four continents. He was also at the heart of DWF's successful IPO in March 2019. I wish Andrew well with his future endeavours.

FY20 performance

Trading through the majority of FY20 was strong and the Group made significant investments to support its growth objectives. The sudden and far reaching impact of COVID-19 had a material effect on the final quarter with a resulting impact on profitability. Despite this, we delivered a solid performance with overall revenue growth of 10.9% and organic growth of 2.0%. While we achieved record Group revenue, with an organic growth rate that compares to other global law firms in FY20, it was lower than expected.

Our progress with our strategy

Our strategy is to provide integrated legal services globally through our Complex, Managed and Connected delivery models, which we can combine to deliver bespoke solutions for our clients. This single integrated approach delivers greater efficiency, price certainty and transparency for our clients without compromising on quality and service.

Complex legal advisory services have always been a mainstay of our business. Through our Commercial, Insurance and International Services divisions, we provide clients with premium legal advice and excellent client service. We have continued to invest in strengthening our Complex legal advisory capabilities through the year, including through the majority of our net 64 partner joiners. This includes the new partners who have joined our business through acquisition.

Managed Services provides alternative legal services, often outsourced and process led services, which standardise, systematise, scale and optimise legal workflows. We took a significant step towards scaling our Managed Services offering this year through the acquisition of Mindcrest. This significantly extended our Managed Services capability, giving us a presence in Pune, India, and access to an experienced and talented team that has been operating Managed Services contracts with corporate clients for more than 15 years. The addition of Mindcrest to our existing Managed Services teams is already resulting in new client opportunities.

While our Connected Services division, which provides products and services that enhance our legal offerings, did not grow as much as anticipated at 13.0%, this was affected by underperformance in one Connected business that we have since restructured. The other Connected business' revenues grew c.18.5% year-on-year. A number of Connected innovations and client projects were also instrumental in DWF achieving its highest ever position in the 2019 Financial Times Innovative Lawyers report, being ranked the eighth most innovative law firm in Europe. We also won two awards, including one for our ground-breaking IPO. Our innovation credentials were strengthened further this year with the acquisition of RCD in Spain. RCD has also consistently ranked highly in the FT's report and was the first in its market to establish a specific innovation department.

M&A is also a key factor in enabling us to achieve our strategy. In FY20, we completed the acquisitions of RCD and Mindcrest, and established our first office in Poland through the recruitment of the Warsaw office of K&L Gates Jamka. We also opened an office in Düsseldorf through a team hire from Marccus Partners and, with further team hires, we strengthened our offering in Australia. DWF has completed 17 acquisitions in the past 13 years, but with external market conditions and a desire to ensure we have fully integrated our most recent additions, there is a temporary pause on M&A. It will still be a key ingredient in driving further growth, and we anticipate resuming activity when conditions allow.

Our people

Our culture is defined by our five core values: Always aim higher; Be better together; Disrupt to progress; Keep all promises; and Attend to details. These values have long been integral to the success of our business and emphasise our focus on our people, our clients and our communities, but this year we launched two key engagement initiatives to further establish them across the business.

We launched The Rubie Awards, our annual awards programme, through which people can nominate colleagues for recognition in one of ten different categories. We also launched DWF Achievers as a day-to-day recognition platform, through which people recognise each other for living our values. I also want to recognise here the resilience and commitment of our people, and thank everybody for living our values in recent months.

COVID-19 has required all of us to make significant adjustments to our daily working lives, in many cases juggling other personal responsibilities and commitments. We have seen countless examples of the ways colleagues have been supporting each other through challenging circumstances, and continuing to provide the same excellent service to our clients.

We conduct two global Pulse Surveys each year, helping us assess the views of our people on their career and experiences at DWF. The most recent of these surveys completed shortly following my appointment as CEO in FY21, but it seems appropriate to reveal the findings here, to illustrate our progression. We were pleased with a sizeable increase in the proportion of people completing the survey, rising from 60% to 67%, while our overall Engagement Score – a composite figure based on three key questions in the survey – edged up from 75 to 76.

Our people are central to the Group's CSR activities, dedicating their time and expertise through programmes such as our social mobility initiative, 5 STAR Futures, and contributing to and coordinating fundraising to support the charitable giving of the DWF Foundation. This has again been evident throughout COVID-19, with a range of fundraising and community activities to support, for example, the manufacture of PPE equipment and donations to food banks.

We participate in the Business in the Community's Responsible Business Tracker, to help us assess our performance as a responsible business. Our overall score of 60% confirms that we are leading our benchmarking group, compared to a legal sector average of 51%, and that we scored higher than the average score of 43%, from all 94 cross-sector companies who took part.

Our clients

We have continued to strengthen our client relationships this year through the provision of services to new and existing clients. In FY20, we were successful in being appointed or reappointed to 28 legal panels, including appointments from Severn Trent and Dixons Carphone. DWF was also appointed as a Strategic Legal Partner to BT, to provide real estate and insurance services through a five-year Managed Services contract. We were subsequently also added to BT's significantly reduced external legal panel. We have also supported our clients in a number of important litigation mandates, which included the successful defence of WM Morrison in a landmark case at the Supreme Court.

This year, we launched a new internal Key Client programme to ensure we are providing even greater resources and focus to our most significant clients. This programme is in its first year, but we have already seen 21% year-on-year billings increase from our ‘grow’ and ‘target’ clients.

At the end of our last financial year, we launched our largest ever client-listening project, conducting a review of more than 400 client contacts. The purpose of this project is to give us comprehensive client feedback, enabling us to invest further in areas where clients derive most value, and to identify any areas to improve.

FY21 strategy

Following my appointment as CEO on 29 May, I reaffirmed our commitment to our strategy, which is fundamentally the right one. There will be no sharp changes of direction from DWF, but there will be much greater focus this year on operational improvement. The aim is to improve efficiency across the Group, better connectivity across our global business, and to see the improvements in working capital performance that we believe will help us to reduce net debt. Key priorities, some of which are already complete, include:

- a strategic review of our business, resulting in the closure of offices in Brussels and Singapore, and a reduction of our presence in Cologne and Dubai
- a review of the Group’s costs, resulting in the identification of a further £5m of cost savings in FY21, in addition to £10m of savings already implemented before my appointment
- a project to significantly improve our lock up performance (the time it takes to convert work in progress and debtors into cash) with progress already being made, as lock up has fallen from 206 days at 30 April to 200 days at 31 July a greater focus on the integration of recent acquisitions, to improve business opportunities and synergies

growing our Managed Services offering.

Outlook and current trading

In our trading update issued in July, we said we were cautiously optimistic that FY21 will benefit from the actions we have taken to reshape costs, combined with the client opportunities we continue to see. The environment remains uncertain, but we have large parts of our business which are annuity and some which are counter-cyclical in nature and we expect to see some increased activity as a result. The first four months of trading have shown a steady recovery in activity levels since the dip in activity in Q4 of FY20, and more importantly, this has translated into a significantly improved net profit position. This is despite the cost savings we have executed having a time lag such that they are not yet all reflected in the FY21 year-to-date profit contribution. As we look forward, we expect to benefit from a full year revenue and profit contribution from our acquisitions, RCD and Mindcrest. The Group will also benefit from the partner and team hire activity made towards the end of FY20, as these contribute organic revenue and profits. The further impact of the cost saving measures and savings from discontinued loss making operations will underpin near term profitability, in line with the Group’s target of delivering profitable, cash backed growth. The discontinued and reduced operations represented c.1.5% of Group revenues and generated a £4.5m EBITDA loss in FY20. The Group’s cost saving programmes are expected to reduce the FY20 cost base by £15m, although approximately 50% of this may be reinvested into the business in key growth sectors. The proposal of a final dividend for FY20 underscores our current confidence in FY21 trading and outlook.

We are seeing our approach to providing integrated legal services through our Complex, Managed and Connected proposition resonate with clients. This is driving an encouraging pipeline of new work. At the same time, we continue to look for further operating efficiencies to build upon the cost reductions we announced in May and July and the office rationalisations that are well underway.

In the first quarter, we have seen a significant uptick in bid activity which has resulted in numerous client wins, including a new contract to handle casualty and motor injury claims in Scotland and Northern Ireland with multinational insurance company, Aviva.

Sir Nigel Knowles
Group Chief Executive Officer
7 September 2020

Financial review
Strong performance
A challenging end to the year
Chris Stefani
Chief Financial Officer

Financial overview

The Board recognises that the financial performance for the year ended 30 April 2020 ('FY20') was severely affected by COVID-19 in Q4, at a point in the year when the significant investments made since IPO were expected to support revenue growth. Despite these headwinds, revenues have grown by 10.9%, albeit with some short-term dilution to gross and net margins as a result of the shortfall in Q4 revenues, impacting profitability.

International and Connected Services continue to be the 'growth engines' of the business, with International growing 53.2%, helped by the acquisitions of K&L Gates in Poland and RCD in Spain. Connected Services grew by 13.0%, with good performances across the majority of the businesses, albeit overall growth was held back by underperformance in one practice group, which has since been restructured.

In addition to the COVID-19 disruption, a number of entities in these two divisions underperformed during the year, and we announced the decision to close Singapore and Brussels, and slim down Dubai and Cologne, on 9 July 2020. These changes will have a significant positive impact in FY21 and beyond, by eliminating losses and reducing cash consumption. In the FY20 accounts, we have only treated Cologne as a discontinued business as the decisions regarding the other locations were made after the year end.

While revenues have grown, reported gross profit declined by 0.8% on the previous year, due to a 24.3% increase in direct costs from acquisitions, and investments in additional partners and fee earners. That said, some of the reduction comes from the revised remuneration model implemented at IPO. The increase in underlying gross profit of 3.8% indicates what growth would have been had the revised compensation model always been in place. Underlying adjusted administrative expenses increased in line with revenues, with most of this increase relating to acquisitions, professional indemnity insurance and an increase in provision for doubtful debt. The cost to income ratio improved by 0.1 ppt to 42.6% in FY20.

The shock impact of COVID-19, combined with growth in direct and administrative costs, resulted in an underlying adjusted EBITDA figure of £21.8m, a 21.6% reduction on the previous year. Underlying adjusted PBT is £13.8m, a 32.4% decrease on FY19. Reported Profit Before Tax (PBT) is £18.2m, a 39.6% increase on prior year, with the increase largely due to the gain on bargain purchase for Poland, RCD and Mindcrest. This gain being the difference between the element of the purchase price treated as consideration and the fair value of the assets acquired. This gain is treated as a non-underlying item as it is not recurring.

As announced in April and May, we have effected a series of cost-cutting initiatives, with a combined impact of £15m in the year, to ensure the business operates with an improved level of efficiency.

Working capital

Working capital (measured using 'gross lock-up days') has remained a key area of focus, and closing net debt was £64.9m at the year end. Although this was above management's expectations (prior to the impact of COVID-19), strong April collections helped to mitigate the level of increase.

Gross lock-up days comprise two elements: Work-in-progress (‘WIP days’), representing the amount of time between performing work and invoicing clients; and debtor days, representing the length of time between invoicing and cash collection.

The Group is pleased by its performance for WIP days, which remained flat year over year at 81 days and improved by 15 days since the half year in October 2019. This is a result of the divisions working to bill earlier, combined with billing-process improvements, which are beginning to reflect in performance.

The Group’s debtor days increased by 4 days as a result of two issues: Firstly, a delay in February billing due to some teething issues in upgrading the practice management system; and secondly, slower collections activity in Q4, which was mainly the result of COVID-19 related interruptions. The billing delay was a one-off issue that has since been resolved, but had a knock-on effect on the timing of collections. FY21 collections are encouraging, as countries come out of COVID-19-related lockdown, but the Board acknowledges this may be tempered if the situation in any location reverses.

The Group continues to focus on efficient lock-up management, and believes there is a significant opportunity to reduce lock-up days. Previously published targets signposted a five-to-ten-day reduction in the medium term. Internally, we have set more demanding targets for FY21 in the expectation that we can achieve a higher reduction. While Q4 turbulence delayed some operational initiatives, the Group is now re-focussing on standardising the global process for billing and collections, billing automation, and partner accountability, to improve working-capital performance.

Any improvement in lock-up days will have a knock-on effect on net debt, with each day of lock-up reduction affecting cash favourably, by over £1m.

The Group has an £80m RCF facility and during the height of the COVID-19 pandemic secured an additional £15m contingency facility as a precaution against any further unexpected impacts from the pandemic. There are also a number of ancillary working capital facilities available for use. The Group does not expect to use the contingency facility based on current forecasts, expects to continue to operate within its banking covenants, and has seen strong free cash flow generation over the course of Q1 of FY21 as trading normalises after the COVID-19 impacts seen in Q4 of FY20.

Revenue

Revenue (excluding discontinued operations) was £297.2m for the year, compared to £268.1m in FY19, an increase of 10.9%. Three out of four divisions grew, with Insurance growing 5.2% and Connected Services growing 13.0%, all organic. International grew by 53.2%, boosted by acquisitions. The organic growth in International was 11.1%, as strong results in locations such as Australia and France were diluted by weaker performances in Dubai, Singapore, Germany and Brussels. We have since closed or scaled back these territories as part of the cost-rationalisation measures mentioned above. Similarly, Connected Services’ growth was diluted by some challenges in the DWF 3Sixty software business, which we have now restructured. Commercial Services, however, felt the deepest impact from COVID-19 due to a drop in transactional activity, contracting by 4.1% compared to FY19.

Direct costs

Direct costs, including partner remuneration, were £155.0m compared to £124.7m in the previous year, an increase of 24.3%. This increase was due to investment in 160 additional fee earners and 20 partners on an organic basis, and the addition of 44 partners and fee earners through M&A.

Gross profit

Gross profit decreased marginally, by 0.8%, compared to the previous year, at £142.2m (FY19: £143.4m). This reflects a decrease in gross profit margin of 5.6ppts. While Insurance maintained underlying gross margin at FY20 levels (FY20: 48.1%), the other three divisions all saw margins dilute due to the impact of COVID-19 on Q4 activity levels and the previously mentioned underperforming entities we have now restructured. We expect the level of margin dilution reflected in the FY20 figures will reverse during FY21, and have seen this in trading performance since the year end. Managed Services also remains an opportunity, with cost savings signposted on the acquisition of Mindcrest expected to provide further support for a recovery in gross margin.

Divisional performance

Commercial Services

Commercial Services had a challenging year, with the first half performance of its transactional teams in Corporate Services and Real Estate affected by uncertainties around the timing of Brexit and the general election. The second half was expected to be stronger in those areas, and there were some signs of a recovery in Q3.

However, the effect of COVID-19 on the division in Q4 was material – more than on any other division. A combination of larger client projects being put on hold, lower levels of corporate transactional activity generally and WIP write-offs resulted in lower than normal productivity and consequently a severe, albeit short term, reduction in revenue. Even Litigation, which had performed strongly for the majority of the year, was not unaffected with courts closing and a moratorium being placed on certain court proceedings. Overall, the division ended the financial year having contracted by 4% and with an underlying gross margin decline of 11% (underlying gross margin percentage decline of 3.4ppts).

Given the speed with which COVID-19 impacted, and the proximity to the Group's April year end, it was not possible to take sufficient mitigating actions to protect underlying gross margin for FY20. Indeed, as well as retaining capacity on the expectation of a post-election recovery towards the end of Q3 and into Q4, the division had made a number of lateral hires during the year, several of whom arrived during Q4. The new data protection team was launched and other partner lateral hires joined in Q4 in the corporate, commercial, banking and restructuring teams. These investments had a dilutive effect on the FY20 underlying gross margin, exacerbating the COVID-19 impact, but are expected to contribute to more profitable revenues in FY21. For example, the data protection team has already gained a strong market profile, with a number of new wins and panel appointments secured which are helping to drive H1 performance.

In addition, actions have now been taken to remove excess capacity across the division whilst the medium term impact of COVID-19 on the division can be better understood. Q1 of FY21 has seen a recovery in activity levels – not to pre-COVID levels, but to a level which, along with the cost savings being implemented, is expected to lead to a recovery in the gross margin contribution of the division.

As we move into Q2 of FY21, client demand for the teams in Litigation remains strong, with recent significant wins in both 'complex' and 'volume' work. In particular, the commercial, finance and regulatory litigation teams are demonstrating strong levels of activity and growth. Although, activity levels in Corporate Services have picked up since the end of FY20, the outlook for Corporate Services and also Real Estate remains cautious given the ongoing impact of the pandemic. Each of Corporate Services, Litigation and Real Estate remains focused on developing opportunities with Managed Services and Connected Services. In particular, Managed Services, including the new Mindcrest business, have been working closely with both Litigation and Real Estate on several client projects. Corporate Services has also been working closely with Connected Services to develop products that allow the smooth and more efficient completion of transactions remotely throughout the pandemic. These initiatives, together with the current levels of activity and the implemented cost savings, are delivering improved gross margin.

Insurance Services

The Group's Insurance Services business delivered revenue growth of 6% for the year, despite the COVID-related impact of the lockdown. The sudden transition to home working and the added challenge for many of childcare and home schooling resulted in a significant reduction in activity levels. This, combined with a slowdown in instructions in the important end of year month impacted on revenue growth for the year, and diluted previous gains in profitability with FY20 delivering a broadly flat underlying gross margin at 48%. Insurers are seeing a changing frequency of claims and mix, with some move away from Motor, General Liability and some transportation sector work and this will continue to be impacted by COVID-19, but we are seeing already increased exposure to other insurance sector legal work. The Group believes prospects for this division remain resilient given the annuity type nature of these services and the counter-cyclical nature of litigation services.

The Professional Indemnity and Commercial, and CAT PI & Occupational Health practice groups both delivered revenue growth in the year, with PI in particular performing strongly as a result of recent partner hires and related client wins. Motor, Fraud, RL & IHT was flat in year as expected as the legal and insurance industries geared up for the implementation of the so-called whiplash reforms (now further postponed).

The Insurance division has long-term, annuity relationships with some of the largest Insurers in the UK and this is demonstrated by our being retained by two of our biggest clients to advise them in connection with the FCA proceedings for a declaration on various policy wordings relating to business interruption claims arising from COVID-19. It is a privilege to be the trusted advisor in one of the most important cases for many insurers for centuries, joining an exclusive circle of legal advisers for the insurance industry which includes magic circle and silver circle firms.

The Group expects demand for Insurance services to remain strong in particular in relation to COVID-19 related claims. In addition to the business interruption claims being handled by the commercial insurance team, the first COVID-19 fatal and injury claims have been received from the care and food sectors with the expectation of substantial numbers of claims to follow. The potential for fraudulent claims is huge and the division's award winning Fraud team is ideally placed to advise and assist with those claims. There is a pipeline of targeted partner hires in addition to recent partner joiners which will support continued profitable growth in the division. The ongoing recruitment of a team in Southampton is also expected to contribute to revenues in FY21.

Connected Services

The Group's Connected Services division delivered revenue growth of 13.0% for the year compared to 23.3% in the prior year. FY20 growth was less than targeted, predominantly driven by lower demand for services within the DWF360 software development business, which saw a number of large projects either cancelled or put on hold, and the impact of COVID-19 towards the end of the financial year. Excluding this, the other businesses delivered combined growth of c.18.5% year-on-year, in line with expectations.

Awareness of Connected Services capabilities has continued to develop in the financial year with businesses becoming more established and mature and delivering improving performances. In particular, there has been strong growth in Vueity (50%), Adjusting (141%) and Forensic (187%) albeit these are all businesses which were in build mode in the prior year. Advocacy grew by 19% but was impacted by the disruption to the court system from COVID-19 at the end of the financial year. The Claims business, which accounts for just over a third of revenue in the Division, has shown modest growth of 5%. A business restructuring was undertaken towards the end of the financial year which provides a strong platform for continued growth in revenue and profitability in all territories (UK, Australia, Canada, France, Ireland, Italy and USA) in the coming year, particularly as insurers see the volume of COVID-19 related business interruption claims increase. Performance in USA and Italy in FY20 was particularly strong with growth of 153% and 15% respectively driven by team expansion. The newly launched Regulatory Consulting business finished the year with a well-developed pipeline which bodes well for FY21.

The underlying gross margin development of the Connected businesses was delayed by the disruption from COVID-19 preventing what would likely have been a small year on year improvement. However, a number of cost saving and restructuring measures have been effected in order to support positive margin development in FY21 as the businesses continue to mature, growing revenues on a controlled cost base.

International

The International division grew by 53% in FY20, delivering revenues of £76.2m compared to £49.7m in the previous year. Poland and Spain contributed the majority of this growth, with both acquisitions performing well. Underlying organic growth was 5%, with some relatively flat performances across the rest of the International locations and contraction in a small number of locations with Dubai being the most material drag on growth, contracting by 38%. Australia was a standout in terms of growth, with revenues of £16.4m being 43% ahead of prior year.

Performance across a number of locations was impacted by COVID-19 in the final quarter, with previously forecast revenues falling away as transactions stalled and instructions slowed. Given the investment in partner headcount in FY19 and H1 of FY20, some of the locational performances were nevertheless disappointing and a number of cost saving measures were triggered at the half year to right-size the cost base and tackle areas of underperformance. The benefit from these savings takes some time to be realised due to notice periods being served, but are expected to be delivered early in FY21. In addition, since year-end, the decision has been taken to cease operations in Singapore and Brussels and slim-down operations in Dubai and Cologne. This will save costs without having a material impact on revenues.

The underlying gross margin percentage for the division fell by 2.8pts to 40.7% as a result of the COVID-19 revenue impact, the underperformance of certain locations, and the level of investment carried into Q4 in the direct cost line. The cost saving measures that have been implemented are expected to deliver a stronger margin in FY21.

Whilst some operations have been closed or slimmed down, the International division remains a key growth opportunity for the Group. In Germany, Düsseldorf will become our regional centre now that Cologne has been substantially slimmed down. In Australia, real estate hires in Sydney and Melbourne, and employment and commercial teams in Melbourne, have hit the ground running despite the challenges of COVID-19. Elsewhere, selective investments in partner hires in Poland, Italy and Paris will help to drive further organic growth. 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 the USA, Canada, Hong Kong and the Netherlands all being locations where we will continue to look for opportunities. The timing of any future M&A will be determined by ongoing FY21 performance as the impact of the pandemic becomes clearer.

Administrative expenses

Reported administrative expenses have reduced compared to the previous year, moving from £128.3m in FY19 to £120.1m in FY20. However, this movement is skewed by three factors: the impact of acquisitions, non-underlying items and share-based payment expenses:

- The accounting for acquisitions creates a gain on bargain purchase due to the difference between the fair value of the assets acquired and the element of the purchase price treated as consideration
- Acquisitions have also impacted non-underlying items by £2.9m due to the fact that there are elements of the purchase price paid for RCD and Mindcrest that link to continuing employment obligations. They are therefore treated as remuneration rather than consideration and are non-underlying as they cease after the end of the lock-in period during which there is an ongoing employment obligation
- The majority of the remaining non-underlying items are the transaction costs related to Poland, Mindcrest, RCD and the costs of an aborted acquisition due to COVID-19
- Share based payment charges have increased as a result of a full year of the vesting of IPO related share awards and an element of the acquisition purchase price for RCD being accounted for as employment linked expense settled in the form of shares

On an adjusted basis, administrative expenses increased by £8.6m, or 7.5%, which mainly related to additional premises costs, an increase in PI insurance costs, and an increase in the doubtful-debt provision due to COVID-19. This increase is a result of an increase in the aged debtor balance which triggers a higher expected future loss. The table below breaks out the split of the reported numbers:

	2020 £'000	Represented 2019 £'000
Net revenue	**297,231**	268,136
Administrative expenses	**120,084**	128,264

Amortisation of intangible assets – acquired	**(1,510)**	–
Impairment	**(382)**	–
Gain on bargaining purchase	**25,084**	–
Non-underlying expenses	**(7,632)**	(12,569)
Share-based payment expenses	**(12,570)**	(1,202)
Impact of transition to IFRS 16	**3,492**	–
Adjusted administrative expenses	**126,566**	114,493
Cost to income ratio	**42.6%**	42.7%

On an adjusted basis, the cost-to-income ratio has reduced from 42.7% in the previous year to 42.6% in FY20, reflecting good control of costs despite revenue dropping away sharply in Q4. There are, nevertheless, opportunities for savings, which we are looking in to and executing in H1 of FY21, and there are substantial COVID-19-related savings from reduced travel, reduced office consumables and reduced business development expenditure. Opportunities to learn from the flexible working enforced by COVID-19, and the impact this has on the need for office space for the Group, may offer future savings.

Net finance expense

Net finance expenses were £1.9m in FY20, compared to £2.1m in FY19, a decrease of 10.6%, a result of better structuring of the Group's borrowing arrangements. FY20 now includes interest payable on leases (disclosed separately from net finance expenses in the income statement) of £2.0m, reflective of the accounting changes arising following the transition to IFRS 16.

Profit before tax

Reported PBT was £18.2m, compared to £13.0m in FY19, an increase of 39.6%. The reported PBT is affected by the same items that skew administrative expenses (acquisition related gains and expense, share-based payments and non-underlying charges). Underlying adjusted PBT is stated before the impact of these items together with the impact of the change to IFRS16 and the revised compensation model. Underlying adjusted PBT of £13.8m in FY20 compares to £20.3m in FY19. The year-on-year reduction of £6.6m, or 32.4%, is due to the aforementioned factors affecting gross margin dropping through to bottom-line profit, as the COVID-19 revenue impact came too late in the year to be able to mitigate with cost savings. As described above, we have acted on direct costs and administrative expenses to help improve margins.

Taxation

The overall tax charge for the year is £3.6m, which represents an effective tax rate of 19.9%.

The reported profit before tax includes net non-underlying credits of £15.6m, which largely consist of gains on bargain purchases offset by acquisition-related expenses. These items have been treated as non-taxable and non-deductible respectively, resulting in a reduction in the effective tax rate. These were offset by other non-deductible items relating to Australian members' remuneration treated locally as dividends, share-based payment charges relating to the consideration shares issued for the acquisition of RCD, amortisation of intangible assets arising on consolidation and other disallowable trading expenditure to reduce the overall tax charge by £1.4m.

Tax losses generated in a nil-tax jurisdiction and tax charges incurred in higher tax jurisdictions such as Spain (£0.9m), and tax losses in entities where the recognition criteria for associated tax assets have not been met (£0.7m), have increased the overall tax charge.

The acquisitions of law firms in Poland, Spain and Australia, as well as the acquisition of the Mindcrest business, have given rise to deferred tax liabilities of £8.8m as at 30 April 2020 in respect of intangible assets recognised on consolidation. These deferred tax liabilities are increased by short-term timing differences in Australia (£0.2m) and offset by deferred tax assets recognised in respect of tax depreciation timing differences (£0.8m), estimated tax deductions for share-based payments (£1.8m) and tax losses in Australian and the UK (£0.5m) to give a net deferred tax liability at 30 April 2020 of £5.9m.

Adjustments in respect of prior periods of £0.1m relate to minor differences in the final corporate tax returns compared to the amounts provided for in the prior period accounts.

The Group's current tax expense of £6.1m mainly relates to its entities in the UK (£4.7m) and Spain (£1.3m). In line with the payment profile of tax liabilities in these territories payments of £3.6m have been made in the year ended 30 April 2020, of which £0.5m was in respect of the prior period current tax expense.

With the exception of an open transfer pricing enquiry in India relating to a pre-acquisition period of the Mindcrest business, for which the Group has adequate indemnification from the sellers, there are no open tax audits or investigations across the group. In line with group's tax strategy, it is not considered that any aggressive or materially uncertain tax positions have been adopted by any of the group entities. As such, the level of tax risk faced by the group is considered to be low.

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 previously stated dividend strategy for the Group was, from FY20, to target a dividend-pay-out ratio of up to 70% of DWF Group plc's profit after tax. Given the stronger-than-expected recovery in Q1 of FY21, the Board will increase the pay-out ratio to c.90% for FY20, to allow a final FY20 dividend of [0.75p] per share. This underscores the Board's confidence in the improving financial outlook, and the commitment of the Group to deliver compelling shareholder returns while also achieving the Group's growth strategy. This final dividend is subject to approval at the AGM on 21 October 2020 and, if approved, will be paid on 5 November 2020.

Balance sheet

Group net assets increased to £69.2m in FY20 compared to £41.8m in 2019. The increase is due to:

- an increase in gross lock-up (work in progress, trade & other receivables and disbursements) of £35.2m (23.2%), which has grown due to acquisitions, net revenue growth and an increase in lock up days;
- a £19.6m increase in prepayments from the accounting treatment of part of the purchase price of the Group's acquisitions, as remuneration is expensed to the income statement over the lock-in period of five years post completion.

There has also, however, been an increase in liabilities:

- £29.6m increase in net debt
- £7.2m increase in deferred consideration
- £5.7m opening net assets impact of the transition to IFRS 16, principally due to the recognition of a £70.3m right-of-use asset and a £78.1m lease liability, both replacing the £10.5m operating lease incentive liability.

Capital expenditure ('capex')

The Group's operating structure is not capital intensive, and FY20 was no exception. Expenditure in the period was primarily focused on IT infrastructure and replenishment, and building the Managed Services platform. The investment in the Managed Services platform increased overall capex by £2.0m from £5.4m in FY19 to £7.4m in FY20.

Conclusion

The Group expected to achieve profitable growth in the year, from a combination of organic performance and M&A contribution. While some units saw a degree of underperformance, the adverse impact of COVID-19 was the material factor in the lower-than-expected revenues, which dropped away sharply on lockdown, and left a shortfall in profit contribution due to the short amount of time the Group had to react to a very dynamic environment. Cost-saving initiatives are currently underway to secure target savings of £15m in FY21 and £18.5m from FY22 and, in addition, we have closed or slimmed down a number of underperforming units to protect margins and cash.

COVID-19 came after a period of heavy investment, with the majority of the 64 additional partner joiners brought into the business in the year hired by the end of Q3 (pre-COVID) and £16.7m of cash outflows committed to M&A, in the expectation that a strong Q4 would see the business de-leverage quickly. While Q4 working capital performance was stronger than expected, it fell short of a normal year end, leading to a higher leverage position than anticipated before the impact of COVID-19. We expect that the cost-saving measures and working-capital drive will help reduce the leverage and improve the net-margin positions seen in the FY20 accounts, and current trading to end of August FY21 reflects both this de-leveraging effect and materially improved profitability. We are managing, and will continue to manage, working capital and net debt tightly, and this represents an opportunity to reduce borrowings in the medium term.

The acquisitions in Poland, RCD in Spain, and Mindcrest, reflect important strategic steps for the Group and we expect them to make a significant contribution to performance in FY21 and beyond. We will continue to consider carefully organic and, at the appropriate point, inorganic growth opportunities. We expect profitable growth in FY21 as we return to more normal trading conditions, albeit the Board remains cautious given the uncertain economic environment.

Chris Stefani
Chief Financial Officer
7 September 2020

FINANCIAL STATEMENTS

Consolidated Income Statement

Year ended 30 April 2020

	Notes	**2020** **£'000**	Re-presented 2019 £'000
Revenue		**356,612**	**317,221**
Recoverable expenses		(59,381)	(49,085)
Net revenue	**3**	**297,231**	**268,136**
Direct costs		(154,997)	(124,707)
Gross profit		**142,234**	**143,429**
Administrative expenses – other		(116,789)	(125,888)
Administrative expenses – trade receivables impairment		(3,295)	(2,376)
Operating profit	**4**	**22,150**	**15,165**
Adjusted operating profit		**36,915**	**34,301**
Impairment	4	(382)	-
Amortisation of intangible assets – acquired	4	(1,510)	-
Depreciation and amortisation	4	(17,755)	(5,365)
Gain on bargain purchase	4	25,084	-

Non-underlying items	4	(7,632)	(12,569)
Share based payments expense	4	(12,570)	(1,202)
Interest payable on leases	5	(2,047)	-
Net finance expense	5	(1,905)	(2,131)
Profit before tax		**18,198**	**13,034**
Taxation	6	(3,629)	(138)
Profit from continuing operations		**14,569**	**12,896**
Loss from discontinued operations	10	(4,301)	(712)
Profit for the year		**10,268**	**12,184**
Earnings from continuing operations per share attributable to the owners of the parent:			
Basic (p)	8	5.4p	4.8p
Diluted (p)	8	5.3p	4.7p
Earnings from all operations per share attributable to the owners of the parent:			
Basic (p)	8	3.8p	4.5p
Diluted (p)	8	3.7p	4.5p

Consolidated Statement of Comprehensive Income

Year ended 30 April 2020

	2020	Re-presented 2019
	£'000	£'000
Profit for the year	**10,268**	**12,184**

Items that are or may be reclassified subsequently to the income statement:

Foreign currency translation differences – foreign operations	(1,435)	180
Total other comprehensive (expense)/income for the year, net of income tax	**(1,435)**	**180**
Total comprehensive income for the year	**8,833**	**12,364**

Consolidated Statement of Financial Position
As at 30 April 2020

	Notes	**2020 £'000**	2019 £'000
Non-current assets			
Intangible assets and goodwill	11	50,654	4,541
Property, plant and equipment	12	83,775	14,032
Investments		254	254
Trade and other receivables	13	11,329	152
Deferred tax asset	19	3,294	933
Total non-current assets		**149,306**	**19,912**
Current assets			
Deferred tax asset	19	228	-
Trade and other receivables	13	207,707	164,168
Cash at bank and in hand	14	31,212	12,912
Total current assets		**239,147**	**177,080**
Total assets		**388,453**	**196,992**
Current liabilities			
Trade and other payables	15	79,833	53,995
Current tax liabilities		2,139	418
Deferred consideration		8,982	1,625
Lease liabilities	16	12,981	-
Other interest-bearing loans and borrowings	17	7,259	9,028
Provisions	18	1,252	1,252
Amounts due to members of partnerships in the Group		35,852	38,071
Total current liabilities		**148,298**	**104,389**
Non-current liabilities			
Trade and other payables	15	-	10,072
Deferred tax liability	19	8,884	-
Deferred consideration		-	208
Lease liabilities	16	71,697	-
Other interest-bearing loans and borrowings	17	88,815	39,196
Provisions	18	1,562	1,329
Total non-current liabilities		**170,958**	**50,805**
Total liabilities		**319,256**	**155,194**
Net assets		**69,197**	**41,798**
Equity			
Share capital	20	3,246	3,000
Share premium	20	88,610	63,167
Treasury shares	20	(20)	-
Other reserves		5,861	(1,323)
Accumulated losses		(28,500)	(23,046)
Total equity		**69,197**	**41,798**

Consolidated Statement of Changes in Equity

Year ended 30 April 2020

	Share capital	Share premium	Treasury shares	Merger reserve	Share based payments reserve	Translation reserve	(Accumulated losses)/ retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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 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**

	Share capital	Share premium	Treasury shares	Merger reserve	Share based payments reserve	Translation reserve	Accumulated losses	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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)**
	3,000	63,167	-	(2,385)	1,053	9	(28,761)	**36,083**
Profit for the year	-	-	-	-	-	-	10,268	**10,268**
Exchange rate difference	-	-	-	-	-	(1,435)	-	**(1,435)**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(1,435)**	**10,268**	**8,833**
Treasury shares	-	-	(20)	-	-	-	-	**(20)**
Issue of share capital	246	25,443	-	-	-	-	-	**25,689**
Dividends paid	-	-	-	-	-	-	(9,811)	**(9,811)**
Share based payments	-	-	-	-	8,619	-	-	**8,619**
Tax on share based payments	-	-	-	-	-	-	(196)	**(196)**
At 30 April 2020	**3,246**	**88,610**	**(20)**	**(2,385)**	**9,672**	**(1,426)**	**(28,500)**	**69,197**

Consolidated Statement of Cash Flows
Year ended 30 April 2020

	Notes	**2020** **£'000**	2019 £'000
Cash flows from operating activities			
Cash generated from / (used in) operations before adjusting items	23	24,158	(10,545)
Cash used to settle non-underlying items		(10,501)	(19,289)
Cash generated from / (used in) operations		**13,657**	**(29,834)**
Interest paid		(4,192)	(2,405)
Tax paid		(4,309)	(50)
Net cash generated from / (used in) operating activities		**5,156**	**(32,289)**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		(3,853)	-
Acquisition of subsidiary, deferred consideration		(2,859)	(1,802)
Purchase of property, plant and equipment		(3,520)	(4,196)
Purchase of other intangible assets		(4,116)	(1,222)
Net cash flows used in investing activities		**(14,348)**	**(7,220)**
Cash flows from financing activities			
Issue of ordinary shares, net of issue costs		(57)	73,350
Treasury share sale		-	2,707
Dividends paid		(9,811)	-
Proceeds from borrowings		73,535	80,290
Repayment of borrowings		(24,913)	(89,475)
Repayment of lease liabilities		(12,654)	-
Movement in supplier payments facility		(1,973)	(2,646)
Interest received		456	293
Capital contributions by Members		5,938	4,732
Repayments to former Members		(3,386)	(23,124)
Net cash flows from financing activities		**27,135**	**46,127**
Net increase in cash and cash equivalent		**17,943**	**6,618**
Cash and cash equivalents at the beginning of year		10,822	4,228
Effects of foreign exchange rate changes on cash and cash equivalents		(38)	(24)
Cash and cash equivalents at the end of year	**14**	**28,727**	**10,822**

Consolidated Notes to the Financial Statements

Year ended 30 April 2020

1 Accounting policies

1.1 Nature of these 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 2020 on which an unqualified report has been made by the Company's auditors. The 2020 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, EC2M 3AG.

1.2 Statement of accounting policies

The preliminary announcement for the year ended 30 April 2020 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 2020 along with new standards and interpretations which became mandatory for the financial year.

The prior period financial results have been re-presented for the impact of discontinued operations.

1.3 Going concern

The Directors have assessed the going concern basis adopted by the Group in the preparation of the consolidated financial statements, taking into account the current financial position of the Group including our financing arrangements, the business model at the time of approving this report and the uncertain environment due to the impact of covid-19. The Directors' assessment was over the period to 30 September 2021 taking account of the potential impact of the principal risks documented in the Strategic Report and accepting that whilst the covid-19 pandemic is ongoing, there are external factors that could affect Group trading that are difficult to predict with as much confidence as would have been the case pre-pandemic.

The Group experienced a material impact from covid-19 in the final quarter of the year, seeing revenue fall away suddenly and to an unprecedented degree due to a number of factors caused by covid-19. This impact materially reduced profit expectations for FY20 as the April year-end coincided with the peak impact of the pandemic, and it was not possible to mitigate the income statement or cash impact of covid-19 due to the lead-time required to reduce costs and mobilise operational initiatives around working capital management. In response to this impact a number of actions were taken to protect liquidity, access to funding and near-term profit protection:

- Financial covenants were reviewed and it was agreed with the banking syndicate, with whom the Group has strong relationships, to relax the EBITDA to net debt covenant (the leverage covenant) from 1.5 times to 2 times on the April and July testing dates, and 1.75 times on the October 20 and January 21 testing date, and back to 1.5 times EBITDA by April 21.

- An additional £15m contingency RCF facility was put in place, for up to July 2021 (with an additional six month extension available to the Company), to provide extra funding should there be any further adverse impact on working capital. This facility has not been drawn and is not envisaged to be required based on current modelling assumptions.
- Cost reduction measures were agreed and executed to secure £15m of cost savings in FY21 to remove excess capacity from the business as a result of lower activity levels due to covid-19.
- Operational initiatives were launched to improve lockup management and reduce working capital consumption by improving billing and collection processes.
- Whilst no staff were furloughed under the UK government scheme, the Group availed itself of a number of permitted tax deferrals made available by HMRC which will be repaid over the course of 2021.

The actions above were a prudent reaction to a highly unusual situation due to the sudden and severe impact of covid-19 that impacted Q4 of FY20. The timing of the covid-19 impact followed a period of heavy investment whereby capital had been deployed on the strategic acquisition of RCD in Spain (December) and Mindcrest (January) – both acquisitions continue to perform well and serve as a differentiator in the legal sector. These acquisitions were progressed with the anticipation that the traditionally strong final quarter of the year would replenish the cash deployed and generate sufficient EBITDA to keep the leverage covenant within more normal parameters. Under more typical circumstances, the covid-19 impact, whilst significant, would not have necessitated such material actions around liquidity and covenants in particular, and the Directors are of the view that as trading normalises FY21 will transition the business back to a lower level of borrowings and leverage.

Banking facilities, which in addition to the contingency facility and various ancillary facilities, include a rolling credit facility of £80m that matures in January 2022 (with an additional one year extension available to the Company to January 2023) are considered to be sufficient for the Group's purposes based on current projections. It is assumed that these facilities will be renewed successfully in 2021. The leverage covenant is set at 1.5 times EBITDA from April 21 onwards and the Group expects to operate comfortably within this parameter for the forecast period. The other covenants, being maximum net debt of 1 times equity, minimum 4 times interest cover, WIP and debtors being a minimum of 2 times net debt and the number of members in the group remaining above 180 are all projected to be fully compliant with significant headroom. The directors consider short term cash flows are monitored on a monthly basis. All results and forecasts confirm full covenant compliance, and sufficient resources to settle liabilities as they fall due.

Base case budget assumptions for FY21, and medium term modelling assumptions for FY22 and beyond, reflect that the Group will operate in compliance with covenants and with sufficient cash and access to banking facilities to meet all obligations as they fall due. The timing of the FY20 preliminary annual results announcement being moved to 8 September has given the Directors visibility of trading performance and cash flows for May to August and both profit and cash generation have improved since the Q4 covid-19 impact. It has also been possible to assess the impact, so far, of the mitigating actions outlined above. The Directors are of the view that the stronger than expected trading performance in recent months and the availability of additional cash and cost mitigations in the event of further headwinds give confidence in the ongoing viability of the Group. Mitigations available to the Group include further cost cutting measures including bonus payments, deferral of certain outflows, and review of the dividend policy and reassessment of capital expenditure.

The going concern assessment considers business plans, funding and liquidity requirements as well as sensitivity analysis to account for a reasonable worst case scenario. All indicators show full covenant compliance after taking into account mitigating actions that the Group would take in such a scenario. The Group's current position and principal risks have been considered, with those risks set out in the Strategic Report. These risks have been considered individually and in aggregate, and with reference to Group strategy and external factors such as covid-19 and adverse economic conditions. In assessing going the Group the Directors considered different scenarios and performed sensitivity assessment. These scenarios and sensitivities included a reduction of profit and working capital. These scenarios and sensitivities did not indicate a mitigated reasonable worst case scenario that requires any enhanced disclosure.

Whilst the impact of covid-19, and the risk of future disruption, could potentially be material the Directors consider the following characteristics of the legal sector and the Group instructive in forming their conclusions on going concern:

- The ongoing profitability of the business in FY20, generating £22m of Adjusted EBITDA despite the severe Q4 covid-19 impact.
- The annuity and counter-cyclical nature of certain divisions and services such as Insurance and Litigation.
- Low exposure to sectors more severely impacted by Covid-19.
- The ability to flex the acquisition strategy to allow cash to replenish in the business after the timing of covid-19 exacerbated the stretch on cash from two recent strategic acquisitions.
- The availability of mitigating actions to control costs.
- A strong relationship with the Group's banking syndicate who continue to provide facilities which ensure ongoing liquidity with material headroom.
- Whilst the Group has no current plan to change the use of its real estate portfolio the experience of agile working as part of our covid-19 response may give opportunities to review office space in the future.
- Operational interventions being implemented to improve working capital performance, with the aim of reducing lockup and therefore net debt.

The Directors therefore consider that the business model is appropriately robust, and that there are sufficient mitigating actions available to the Board, that the Group is suitably resilient to deal with the crystallisation of key risks and/or adverse economic conditions. On this basis, the Directors have a reasonable expectation that the Group will continue as a going concern and meet all its liabilities as they fall due.

2 Alternative performance measures

Alternative performance measures are not intended to supplant IFRS measures. In line with investor feedback and to provide readers of the financial statements 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:

- impairment;
- amortisation of intangible assets – acquired;
- non-underlying items;
- share-based payments expense;
- gain on bargain purchase;
- 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:

	2020 £'000	Re-presented 2019 £'000
Profit before tax ('PBT')	**18,198**	**13,034**
Amortisation of intangible assets - acquired	1,510	-
Impairment	382	-
Gain on bargain purchase	(25,084)	-
Non-underlying items	7,632	12,569
Share based payments expense	12,570	1,202
Adjusted PBT	**15,208**	**26,805**
Depreciation of right-of-use asset	11,580	-
Other depreciation and amortisation	6,175	5,365
Interest payable on leases	2,047	-
Net finance expense	1,905	2,131
Adjusted operating profit ('Adjusted EBITDA')	**36,915**	**34,301**
Internally reported partner remuneration pro-forma adjustment	-	(6,456)
Impact of the transition to IFRS 16	(15,072)	-
Underlying adjusted EBITDA	**21,843**	**27,845**

Underlying adjusted PBT reconciles to Adjusted PBT as follows:

	2020 £'000	Re-presented 2019 £'000
Adjusted PBT	**15,208**	**26,805**
Internally reported partner remuneration pro-forma adjustment	-	(6,456)
Impact of the transition to IFRS 16	(1,445)	-
Underlying adjusted PBT	**13,763**	**20,349**

The cost to income ratio is calculated as follows:

	2020 £'000	Re-presented 2019 £'000
Net revenue	**297,231**	**268,136**
Administrative expenses	**120,084**	**128,264**
Amortisation of intangible assets - acquired	(1,510)	-
Impairment	(382)	-
Gain on bargain purchase	25,084	-
Non-underlying items	(7,632)	(12,569)
Share-based payment expenses	(12,570)	(1,202)
Impact of transition to IFRS 16	3,492	-
Adjusted administrative expenses	**126,566**	**114,493**
Cost to income ratio	**42.6%**	**42.7%**

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 focused on supporting clients on a global scale, with a sector-focused 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 2020

	Commercial Services	Insurance Services	International	Connected Services	Total
	£'000	£'000	£'000	£'000	£'000
Segment net revenue	104,367	95,838	76,165	20,861	297,231
Direct costs	(45,960)	(49,726)	(45,188)	(14,123)	(154,997)
Reported gross profit	**58,407**	**46,112**	**30,977**	**6,738**	**142,234**
				Administrative expenses	(120,084)
				Operating profit	**22,150**
				Net finance expense	(3,952)
				Profit before tax	**18,198**
				Taxation	(3,629)
				Profit from continuing operations	**14,569**

For year ended 30 April 2019 (Re-presented)

	Commercial Services	Insurance Services	International	Connected Services	Re-presented Total
	£'000	£'000	£'000	£'000	£'000
Segment net revenue	108,885	91,062	49,729	18,460	268,136
Direct costs	(40,499)	(44,532)	(28,123)	(11,553)	(124,707)
Gross profit	**68,386**	**46,530**	**21,606**	**6,907**	**143,429**
				Administrative expenses	(128,264)
				Operating profit	**15,165**
				Net finance expense	(2,132)
				Profit before tax	**13,034**
				Taxation	(138)
				Profit from continuing operations	**12,896**

For year ended 30 April 2019 – Underlying adjusted

	Commercial Services	Insurance Services	International	Connected Services	Re-presented Total
	£'000	£'000	£'000	£'000	£'000
Segment net revenue	108,885	91,062	49,729	18,460	268,136
Direct costs	(40,499)	(44,532)	(28,123)	(11,553)	(124,707)
Revised compensation model adjustment	(3,792)	(2,555)	-	(109)	(6,456)
Underlying gross profit	**64,594**	**43,975**	**21,606**	**6,798**	**136,973**

There are no intra-segmental revenues which are material for disclosure. Administrative expenses represent indirect 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:

	2020 **£'000**	Re-presented 2019 £'000
UK	218,562	220,486
Rest of Europe	45,905	19,807
Middle East	6,702	9,871
Rest of World	26,062	17,972
Net revenue	**297,231**	**268,136**

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

		2020 **£'000**	Re-presented 2019 £'000
Recognised in the income statement			
Members' remuneration charged as an expense		38,808	31,014
Net foreign exchange loss		517	545
Impairment of intangible assets – continuing operations		382	-
Impairment of intangible assets – discontinued operations		654	-
Amortisation of intangible assets - acquired		1,510	-
Amortisation of intangible assets – software and capitalised development costs		1,504	1,017
Depreciation of tangible assets		4,671	4,348
Depreciation of right-of-use asset		11,580	-
Operating lease cost on land and buildings		-	12,261
Short term and low value lease cost		1,310	-
Operating lease cost of other leases		-	1,202
Gain on bargain purchase		(25,084)	-
Non-underlying items		7,632	12,569
Share based payments expense		12,570	1,202

Auditor's remuneration			
Audit of the Group financial statements		340	250
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		144	120
Other assurance services		-	2,500
Tax advisory services		-	626
Other assurance services		43	-
Other services		161	105
Total fees		**688**	**3,601**

Non-underlying items are set out in the table below:

		2020	2019
		£'000	£'000
Acquisition related advisory fees - successful		2,639	-
Acquisition related advisory fees - aborted		1,542	-
Acquisition related remuneration expense		2,876	-
COVID-19 related costs		230	-
IPO related advisory fees		345	12,569
Non-underlying items		**7,632**	**12,569**

Acquisition related remuneration expense does not reflect the ongoing employment costs of the individuals retained as part of the acquisition agreement. The ongoing employment costs of these individuals is expensed in direct costs.

COVID related costs include, inter-alia, specialist cleaning and additional IT support costs that are non-recurring.

5 Net finance expense

	2020	2019
	£'000	£'000
Finance income		
Interest receivable	456	293
	456	**293**
Finance expense		
Interest payable on bank borrowings	1,655	1,057
Other interest payable	165	279
Bank and other charges	541	1,088
	2,361	**2,424**
Net finance expense	**1,905**	**2,131**
Finance expense - leases		
Interest payable on leases	2,047	-

	2,047	**-**

6 Taxation

	2020 **£'000**	Re-presented 2019 £'000
UK corporation tax on profit	4,746	237
Foreign tax on profit	1,347	145
Adjustments in respect of prior periods	97	53
Current tax expense	**6,190**	**435**
Deferred tax credit	(2,587)	(297)
Adjustments in respect of prior periods	26	-
Deferred tax expense	**(2,561)**	**(297)**
Taxation	**3,629**	**138**

Factors affecting the tax charge for the year:

The effective tax rate is higher (2019: lower) than the average rate of corporate tax in the UK of 19% (2019: 19%). The difference is explained below:

	2020 **£'000**	Re-presented 2019 £'000
Profit before taxation	18,198	13,034
Tax on Group profit at standard UK corporation tax rate of 19% (2019: 19%)	3,458	2,476
Tax borne by individual members of partnerships within the Group	-	(4,708)
Foreign tax rate differences	917	20
Non-taxable income	(4,766)	(135)
Non-deductible expenses	3,326	2,479
Adjustments in respect of prior periods	123	53
Brought forward tax losses utilised	(28)	-
Tax losses not recognised as assets	706	-
Effect on deferred tax of change in corporation tax rate	(107)	(47)
Group total tax charge for the year	**3,629**	**138**

On 18 November 2019, the UK Government cancelled plans to reduce the corporation tax rate from 19% to 17% from 1 April 2020. Deferred tax assets and liabilities are measured at the rates that are expected to apply in the periods of the reversal so UK deferred tax assets and liabilities previously measured at 17% are now measured at 19%.

7 Dividends

Distributions to owners of the parent in the year:

	2020 pence per share	2019 pence per share
FY 2019 final dividend	1.00p	-
FY 2020 first interim dividend	1.25p	-
FY 2020 second interim dividend	1.25p	-
Total dividends paid in the year	**3.50p**	**-**
Final dividend proposed	**0.75p**	**-**

	2020 £'000	2019 £'000
FY 2019 final dividend	2,746	-
FY 2020 first interim dividend	3,428	-
FY 2020 second interim dividend	3,637	-
Total dividends paid in the year	**9,811**	**-**
Final dividend proposed	**2,434**	**-**

The first interim dividend of 1.25 pence per share was approved by the Board on 13 November 2019. The dividend was paid on 20 December 2019 to all shareholders on the Register of Members on 22 November 2019. The payment of this dividend did not have any tax consequences for the Group.

The second interim dividend of 1.25 pence per share was approved by the Board on 16 January 2020. The dividend was paid on 21 February 2020 to all shareholders on the Register of Members on 24 January 2020. The payment of this dividend did not have any tax consequences for the Group.

The proposed final dividend of 0.75 pence per share was approved by the Board on 7 September 2020 and is subject to approval by shareholders at the Annual General Meeting in October. The final dividend 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 25 September 2020. The dividend will be paid on 5 November 2020. 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:

	2020 £'000	Re-presented 2019 £'000

Earnings from continuing operations for the purpose of basic and diluted earnings per share	14,569	12,896
Losses from discontinued operations for the purpose of basic and diluted earnings per share	(4,301)	(712)
Earnings from all operations for the purpose of basic and diluted earnings per share	10,268	12,184

	Number	Re-presented Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	271,406,294	269,221,068
Effect of dilutive potential ordinary shares:		
Future exercise of share awards and options	5,087,543	3,969,034
Weighted average number of ordinary shares for the purposes of diluted earnings per share	276,493,837	273,190,102
Earnings from continuing operations per share attributable to the owners of the parent:		
Basic earnings per share	5.4p	4.8p
Diluted earnings per share	5.3p	4.7p
Earnings from discontinued operations per share attributable to the owners of the parent:		
Basic earnings per share	(1.6)p	(0.3)p
Diluted earnings per share	(1.6)p	(0.3)p
Earnings from all operations per share attributable to the owners of the parent:		
Basic earnings per share	3.8p	4.5p
Diluted earnings per share	3.7p	4.5p

Adjusted earnings per share is included as an Alternative Performance Measure ('APM'). Adjusted earnings per share is not presented in accordance with IAS 33. Adjusted earnings per share has been calculated using adjusted earnings calculated as profit after taxation but before:

- non-underlying items;
- share based payments expense;
- gain on bargain purchase;
- amortisation of acquired intangible assets;
- impairment;
- the tax effect of the above items; and
- in the prior year only, 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:

	2020 £'000	Re-presented 2019 £'000
Earnings from continuing operations for the purpose of adjusted earnings per share	**14,569**	**12,896**
Add/(remove):		

Impairment	382	-
Amortisation of intangible assets – acquired	1,510	-
Gain on bargain purchase	(25,084)	-
Non-underlying items	7,632	12,569
Share based payments expense	12,570	1,202
Tax effect of adjustments above	(2,394)	(204)
Pro-forma tax adjustment	-	(5,275)
Adjusted earnings for the purposes of adjusted earnings per share	**9,185**	**21,188**

	Number	Number
Weighted average number of ordinary shares for the purposes of adjusted earnings per share	271,406,294	269,221,068
Add:		
Additional shares held in trust	31,400,161	26,809,898
Weighted average number of ordinary shares for the purposes of adjusted basic earnings per share	302,806,455	296,030,966
Effect of dilutive potential ordinary shares:		
Future exercise of share awards and options	5,087,543	3,969,034
Weighted average number of ordinary shares for the purposes of adjusted diluted earnings per share	307,893,998	300,000,000
Adjusted basic earnings per share	3.0p	7.2p
Adjusted diluted earnings per share	3.0p	7.1p

Tax adjustments of £2,394,000 (2019: £5,479,000) 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%, which is largely driven by the UK corporation tax rate of 19% 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 2020

Where applicable, acquisition related remuneration expense does not reflect the ongoing employment costs of the individuals retained as part of the acquisition agreement. The ongoing employment costs of these individuals is expensed in direct costs.

a) Rousaud Costas Duran S.L.P. - Spain

On 20 December 2019, DWF Spain S.L.P., an indirect subsidiary of DWF Group plc, acquired 48% of the issued share capital of Rousaud Costas Duran S.L.P. ("RCD"), a legal services business registered and operating in Spain. The remaining 52% of the share capital was acquired by DWF Group plc, who then sold its 52% shareholding to DWF Spain S.L.P. This transaction expands the Group's geographic footprint.

The Sellers consist of nine former equity partners who have all been retained as employees following the sale of the business. A total purchase price of £38.5m (or €45.2m) was agreed between DWF Group plc and the Sellers. This is comprised of the following components.

- £6.3m (or €7.4m) initial cash payment paid on completion. This amount is linked to the continuing employment of the Sellers for a period of up to two years following completion. This cash outflow is accounted for as remuneration. It is initially recorded as a prepaid expense in the consolidated statement of financial position and is subsequently recorded as an expense in the income statement (classified as a non-underlying item) vesting evenly over the two-year period.
- £9.4m (or €11.0m) deferred cash payments are due in four equal instalments over a period up to December 2021. These cash payments are also linked to the continuing employment of the Sellers. These future cash outflows are accounted for as remuneration. An expense in the income statement (classified as a non-underlying item) is recognised evenly over the two-year period.
- £1.8m (or €2.1m) deferred cash payments are due in two instalments up to November 2020. This cash outflow is accounted for as consideration within the scope of IFRS 3 Business Combinations.
- £1.7m (or €2.0m) deferred cash payments are payable contingent on RCD achieving stretching EBITDA targets for FY20. No continuing employment clause is linked to this payment. This cash outflow is accounted for as contingent consideration within the scope of IFRS 3 Business Combinations.
- £9.1m (or €10.7m) shares issued in five equal tranches that vest separately to the Sellers over a period of between one and five years to December 2024 contingent on continuing employment of the Sellers. This is accounted for within the scope of IFRS 2 Share based payments.
- £9.1m (or €10.7m) shares issued in five equal tranches that vest separately to the Sellers over a period of between one to five years to December 2024 contingent on continuing employment of the Sellers and stretching EBITDA targets. This is accounted for within the scope of IFRS 2 Share based payments.
- £1.1m (or €1.3m) shares issued with no continuing employment or performance conditions attached. This is accounted for as consideration within the scope of IFRS 3 Business Combinations. The fair value of the consideration was based, inter-alia, on the share price (1.25 pence per ordinary share) on the date of completion.

In summary, the purchase price of £38.5m (or €45.2m) is split and is accounted for as follows:

- Consideration £4.6m (or €5.4m) IFRS 3 Business combinations
- Remuneration £15.7m (or €18.4m) IAS 19 Employee related benefits
- Remuneration £18.2m (or €21.4m) IFRS 2 Share based payments**

**The fair value of this expense has been calculated using the methodology as set out in note 21. A £18.2m share based payment expense for the period to December 2024 has been calculated.

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

	Rousaud Costas Duran S.L.P. Provisionally recognised fair value on acquisition £'000
Consideration paid	

Deferred cash consideration	1,805
Deferred and contingent cash consideration	1,736
Initial share consideration	1,097
Fair value of consideration	**4,638**
Less:	
Intangible assets – customer relationships	25,751
Intangible assets – brand	536
Intangible assets - software	19
Property, plant and equipment	767
Trade receivables	8,052
Other receivables	5,145
Cash	(1,242)
Trade payables	(2,017)
Other payables	(4,518)
Other interest bearing loans and borrowings	(184)
Deferred tax liability	(6,572)
Fair value of net assets acquired	**25,737**
Gain on bargain purchase	**(21,099)**

The fair value of acquired trade receivables is £8.1m. The gross contractual amount for trade receivables due is £10.2m with a loss allowance of £2.1m recognised on acquisition.

A £21.1m gain on bargain purchase has been recognised within administrative expenses. Remuneration expense of £2.7m is recorded in the year in the income statement classified in non-underlying items. A share based payment expense of £3.0m relating to the RCD acquisition is recorded in the income statement in the year.

Acquisition related remuneration expense does not reflect the ongoing employment costs of the individuals retained as part of the acquisition agreement. The ongoing employment costs of these individuals is expensed in direct costs.

The acquired business contributed revenues of £12,465,000 to the group for the period from 20 December 2019 to 30 April 2020.

Acquisition-related advisory costs of £1.1m are included in the income statement classified in non-underlying items.

Cash flow impact

No cash consideration has been paid in the year. Remuneration linked purchase price of £6,404,000 has been paid in the year – this is included in the statement of cash flows as cash used to settle non-underlying items.

b) 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 £3,015,000, which results in a gain on bargain purchase of £2,772,000 (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 £2,410,000 is payable in instalments over 18 months as follows:

- £247,000 VAT refund payable within 14 days of receipt
- £811,000 (30%) in November 2019
- £811,000 (30%) in May 2020
- £541,000 (20%) in November 2020

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	K&L Gates Jamka sp.k Adjustments to fair value on acquisition £'000	K&L Gates Jamka sp.k Final recognised fair value on acquisition £'000
Consideration paid			
Initial cash consideration paid	605	-	605
Deferred consideration	2,408	2	2,410
Fair value of consideration	**3,013**	**2**	**3,015**
Less:			
Intangible assets – customer relationships	-	3,095	3,095
Property, plant and equipment	301	-	301
Trade receivables	2,177	(842)	1,335
Other receivables	455	771	1,226
Cash	877	-	877
Trade payables	(346)	141	(205)
Other payables	(254)	-	(254)
Deferred tax liability	-	(588)	(588)
Fair value of net assets acquired	**3,210**	**2,577**	**5,787**
Gain on bargain purchase	**(197)**	**(2,575)**	**(2,772)**

The fair value of the acquired trade receivables is £1,336,000. The gross contractual amount for trade receivables due is £1,833,000, with a loss allowance of £497,000 recognised on acquisition.

The acquired business contributed revenues of £9,425,000 to the group for the period from 1 May 2019 to 30 April 2020.

Acquisition-related advisory costs of £0.8m are included in the income statement classified in non-underlying items.

Cash flow impact

Cash consideration of £1,663,000 has been paid in the year.

c) Mindcrest Inc.

On 28 February 2020 DWF US Group LLC, a 100% owned subsidiary of DWF Group plc, acquired 54% of the issued share capital of Mindcrest Inc., a managed services legal business registered and operating in the USA, with subsidiary operations in the UK and India. DWF Group plc acquired the remaining 46% of the issued share capital of Mindcrest Inc. DWF Group plc then contributed their 46% shareholding in Mindcrest Inc. at its market value of $8.4m to DWF US Group LLC in exchange for one newly-issued share in DWF US Group LLC, making them the sole shareholder of Mindcrest Inc. The group obtained control from the date of exchange on 28 January 2020. This transaction expands DWF's managed services offerings.

A total purchase price of £14.2m (or $18.4m) was agreed between DWF Group plc and the Sellers. This is comprised of the following components.

- £1.8m (or $2.3m) initial cash payment paid on completion to the Sellers. £0.7m (or $0.8m) of this initial cash payment is linked to the continuing employment of certain key individuals for a period of up to two years following completion. This cash outflow is accounted for as remuneration. It is initially recorded as a prepaid expense in the consolidated statement of financial position and is subsequently recorded as an expense in the income statement (classified as a non-underlying item) vesting evenly over the two-year period. The remaining £1.1m (or $1.5m) initial cash payment is accounted for as consideration within the scope of IFRS 3 Business Combinations.
- £5.9m (or $7.7m) deferred cash payments are due over a six-month period to August 2020. £2.1m (or $2.7m) of these deferred cash payments are linked to the continuing employment of certain key individuals for a period of up to two years following completion. This cash outflow is accounted for as remuneration recognised evenly in the income statement (classified as a non-underlying item) over the period to February 2022. The remaining £3.8m (or $5.0m) deferred cash payments are accounted for as consideration within the scope of IFRS 3 Business Combinations.
- £3.3m (or $4.2m) shares issued on completion that vest to the Sellers on publication of the FY2021 results. This is accounted for within the scope of IFRS 3 Business Combinations. The fair value of the consideration was based, inter-alia, on the share price (1.29 pence per ordinary share) on the date of completion.
- £3.3m (or $4.2m) shares issued on completion that vest to the Sellers on publication of the FY2022 results that are subject to a contingent non-stretching threshold revenue growth clause for the years ending 31 December 2020 and 31 December 2021. This is accounted for within the scope of IFRS 3 Business Combinations. The fair value of the consideration was based, inter-alia, on the share price (1.29 pence per ordinary share) on the date of completion.

In summary, the purchase price of £14.2m (or $18.5m) is split and is accounted for as follows:

- Consideration £11.5m (or $14.9m) IFRS 3 Business combinations
- Remuneration £2.7m (or $3.6m) IAS 19 Employee related benefits

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

	Mindcrest Inc. Provisionally recognised fair value on acquisition £'000
Consideration paid	
Initial cash consideration	1,143
Deferred cash consideration	3,821
Initial share consideration	3,236
Initial contingent share consideration	3,236
Fair value of consideration	**11,436**
Less:	
Intangible assets – customer relationships	5,036
Intangible assets - brand	1,149
Intangible assets - software	15
Property, plant and equipment	103
Deferred tax asset	86
Trade receivables	1,047
Other receivables	705
Cash	98
Trade payables	(60)
Other payables	(3,609)
Other interest-bearing loans and borrowings	(590)
Deferred tax liability	(1,670)
Fair value of net assets acquired	**2,310**
Goodwill	**9,126**

The fair value of the acquired trade receivables is £1.0m. The gross contractual amount for trade receivables due is £1.1m, with a loss allowance of £0.1m recognised on acquisition.

Goodwill of £9.1m has been recognised on acquisition relates to the benefit of operating an already well established business in a low cost environment in India. Remuneration expense of £0.2m is recorded in the year in the income statement classified in non-underlying items.

Acquisition related remuneration expense does not reflect the ongoing employment costs of the individuals retained as part of the acquisition agreement. The ongoing employment costs of these individuals is expensed in direct costs.

The acquired business contributed revenues of £3,319,777 to the group for the period from 28 January 2020 to 30 April 2020.

Acquisition-related advisory costs of £0.7m are included in the income statements classified in non-underlying items.

Cash flow impact

Cash consideration of £1,811,000 has been paid in the year. Remuneration linked purchase price of £991,000 has been paid in the year – this is included in the statement of cash flows as cash used to settle non-underlying items.

d) McDonald Johnson

On 21 November 2019 DWF Law Australia Pty Ltd ("DWF") purchased the trade and assets of McDonald Johnson ("the Business"). As part of this arrangement, on 1 December 2019 DWF acquired the net assets of the Business, and commenced employment of the Seller and Relevant Employees. Although the transaction was completed on 21 November 2019, the Group obtained control on 1 December 2019. This transaction expands the Group's geographic presence in Australia.

Total consideration has been calculated at £78,855, which results in a gain on bargain purchase of £1,213,000 (recognised within administrative expenses as a non-underlying item).

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

	McDonald Johnson Provisionally recognised fair value on acquisition £'000
Consideration paid	
Initial cash consideration paid	79
Fair value of consideration	**79**
Less:	
Intangible assets – customer relationships	1,527
Other receivables	237
Deferred tax liability	(472)
Fair value of net assets acquired	**1,292**
Gain on bargain purchase	**(1,213)**

The acquired business contributed revenues of £409,000 to the group for the period from 1 December 2019 to 30 April 2020.

Cash flow impact

Cash consideration of £79,000 has been paid in the year.

e) 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 year to 30 April 2019

There were no material acquisitions during the year.

10 Discontinued operations

On 30 April 2020, the Group disposed of the business of the Cologne office in Germany and the results of that business are reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period is set out below.

		2020 **£'000**	2019 £'000
Net revenue		**3,171**	**4,225**
Direct costs		(2,184)	(2,164)
Gross profit		**987**	**2,061**
Administrative expenses		(5,288)	(2,773)
Operating profit		**(4,301)**	**(712)**
Adjusted operating profit		**(3,647)**	**(712)**
Depreciation, amortisation and impairment		(654)	-
Loss before tax		**(4,301)**	**(712)**
Taxation		-	-
Loss from discontinued operations		**(4,301)**	**(712)**

Further discontinuation and scale back programmes

In a trading statement on 9 July 2020, the Board announced further disposals, closures and scaling back programmes in Brussels, Singapore and Dubai as well as for DWF Resource (a part of the Connected Services division). The results for these business are not treated as discontinued in the period as the decision was taken after the year end. These operations represented c.1.5% of the Group's revenues and generated a £4.5m EBITDA loss in FY20.

11 Intangible assets and goodwill

		Acquired				
	Goodwill £'000	Customer relationships £'000	Brand £'000	External Software costs £'000	Capitalised development costs £'000	Total £'000
Cost						
At 1 May 2019	2,589	-	-	1,580	3,260	7,429
Additions through acquisitions	9,126	35,410	1,685	35	-	46,256
Additions – internally developed	-	-	-	-	3,823	3,823
Additions – externally purchased	-	-	-	293	-	293
Effect of movements in foreign exchange	(24)	(199)	-	15	-	(208)
At 30 April 2020	**11,691**	**35,211**	**1,685**	**1,923**	**7,083**	**57,593**
Amortisation and impairment						
At 1 May 2019	319	-	-	538	2,031	2,888
Amortisation for the year	-	1,351	159	469	1,035	3,014
Impairment	1,036	-	-	-	-	1,036
Effect of movements in foreign exchange	1	-	-	-	-	1
At 30 April 2020	**1,356**	**1,351**	**159**	**1,007**	**3,066**	**6,939**
Net book value						
At 30 April 2020	**10,335**	**33,860**	**1,526**	**916**	**4,017**	**50,654**
At 1 May 2019	2,270	-	-	1,042	1,229	4,541

The impairment expense includes £654,000 relating to the discontinued operation. The remaining impairment expense of £382,000 relates to DWF 360 (a part of the Connected Services division) following a year of poor performance relating to assets acquired as part of the historic acquisition.

Individual intangible assets that are material to the financial statements are set out below:

- Customer relationships – Spain: Net book value at 30 April 2020 £24,898,000 (2019: £nil) – remaining amortisation period is 9.6 years
- Customer relationships – Managed Services (Mindcrest): Net book value at 30 April 2020 £4,912,000 (2019: £nil) – remaining amortisation period is 9.8 years
- Customer relationships – Poland: Net book value at 30 April 2020 £2,784,000 (2019: £nil) – remaining amortisation period is 9.0 years
- Customer relationships – McDonald Johnson: Net book value at 30 April 2020 £1,463,000 (2019: £nil) – remaining amortisation period is 9.6 years
- Capitalised development costs – Managed Services: Net book value at 30 April 2020 £1,600,000 (2019: £nil) – remaining amortisation period is 3.0 years

		Acquired				
	Goodwill £'000	Customer relationships £'000	Brand £'000	External 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**

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:

	2020	2019
	£'000	£'000
Managed Services	9,126	-
Other individually immaterial CGUs	1,209	2,270
	10,335	**2,270**

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. Recently acquired businesses are performing in line with the investment case approved by the Board.

The recoverable amounts of the CGUs are determined from value in use calculations. The calculations have been based on a discounted cash flow model covering a period of five years using forecast revenues and costs, extended to perpetuity. The inputs into the model appropriately consider the relevant market maturity and local factors. The first year of the forecast is established from the budget for FY21 which is underpinned by the business plan that has been signed off by the Board. The outer years have been included on a consistent basis with the Board approved strategy. 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.

Significant headroom exists for each CGU. No reasonable worst-case scenario gives rise to an impairment risk. On this basis, no sensitivity is disclosed.

12 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	6,246	324	592	233	7,395
Additions	4,649	185	751	2,584	8,169
Effect of movements in foreign exchange	-	43	(5)	50	88
At 30 April 2020	**81,237**	**16,782**	**12,282**	**39,838**	**150,139**
Accumulated depreciation					
At 1 May 2019	-	11,665	6,051	32,397	50,113
Charge for the year	11,580	1,071	1,137	2,463	16,251
At 30 April 2020	**11,580**	**12,736**	**7,188**	**34,860**	**66,364**
Net book value					
At 30 April 2020	**69,657**	**4,046**	**5,094**	**4,978**	**83,775**
At 1 May 2019	-	4,565	4,893	4,574	14,032

	Right-of-use asset £'000	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

13 Trade and other receivables

	2020	2019

	£'000	£'000
Trade receivables (net of allowance for doubtful receivables)	108,727	86,022
Other receivables	4,950	5,108
Amounts recoverable from clients in respect of unbilled revenue	64,379	53,996
Unbilled disbursements	8,501	6,279
Prepayments and accrued income	20,298	11,911
Reimbursement asset*	852	852
	207,707	**164,168**
Non-current		
Other receivables	152	152
Prepayments and accrued income	11,177	-
	11,329	**152**

* 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.

Non-current prepayments and accrued income relates to the prepaid remuneration expense arising as a result of the acquisitions of Spain (£10,752,000) and Mindcrest (£425,000).

Ageing of trade receivables

	2020 **£'000**	2019 £'000
Trade receivables not past due	39,820	33,656
Trade receivables past due		
0 – 90 days	46,810	37,368
91 – 180 days	13,403	7,548
181 – 270 days	5,935	4,820
271 – 365 days	2,992	2,172
More than 365 days	11,638	6,992
	120,598	**92,556**

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

Movement in allowance for doubtful receivables

	2020 **£'000**	2019 £'000
Brought forward provision	6,534	3,854

Impact of transition to IFRS 9	-	2,510
Provision utilised and other movements	956	(2,206)
Charges to income statement	4,381	2,376
	11,871	**6,534**

These balances are held against trade receivables. Charges to the income statement include £1,086,000 (2019: £nil) relating to discontinued operations.

14 Cash and cash equivalents

	2020 £'000	2019 £'000
Cash at bank and in hand	31,212	12,912
Bank overdrafts	(2,485)	(2,090)
Cash and cash equivalents per statement of cash flows	**28,727**	**10,822**

15 Trade and other payables

	2020 £'000	2019 £'000
Trade payables	26,779	24,756
Other payables	15,133	7,657
Other taxation and social security	26,224	9,879
Accruals and deferred income	11,697	10,291
Operating lease incentives	-	1,412
	79,833	**53,995**
Non-current		
Operating lease incentives	-	10,072
	-	**10,072**

16 Lease liabilities

	£'000
1 May 2019	(87,302)
Additions	(9,832)
Interest expense related to lease liabilities	(2,047)
Net foreign currency translation gain	(198)
Repayment of lease liabilities (including interest)	14,701
30 April 2020	**(84,678)**

Current lease liabilities	(12,981)
Non-current lease liabilities	(71,697)
	(84,678)

The maturity of lease liabilities at 30 April 2020 were as follows:

	Lease payments
	£'000
Year to 2021	(14,842)
Year to 2022	(13,753)
Year to 2023	(13,004)
Year to 2024	(11,286)
Later years	(39,702)
Effect of discounting	7,930
Effect of movement in foreign currency translation rates	(21)
Lease liability at 30 April 2020	(84,678)

The undiscounted contractual cash flows relating to lease liabilities accounted for in accordance with IFRS 16 is £92,608,000.

17 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

	2020	2019
	£'000	£'000
Current liabilities		
Bank loans	4,464	4,655
Supplier payment facility	310	2,283
Bank overdrafts	2,485	2,090
	7,259	**9,028**
Non-current liabilities		
Bank loans	89,194	39,791
Capitalised loan arrangement fees	(379)	(595)
	88,815	**39,196**
	96,074	**48,224**

	2020 £'000	2019 £'000
Terms of repayment of bank loans and overdrafts		
Within one year	7,259	9,028
Between one and five years	88,815	39,196
Total bank loans and overdrafts	**96,074**	**48,224**

Contractual terms of interest-bearing loans and borrowings

	Currency	Nominal interest rate	Year of maturity	**Fair value £'000**	**2020 Carrying amount £'000**	Fair value £'000	2019 Carrying amount £'000
RCF	GBP	LIBOR+1.4 %	2022	79,334	79,334	38,405	38,405
RCF	EUR	EURIBOR +1.4%	2022	9,321	9,321	-	-
Unsecured bank loans	GBP	3.75%	2020	23	23	109	109
Unsecured bank loans	EUR	2.00%	2020	176	176	79	79
Unsecured bank loans	AUD	6.50%	2021	244	244	563	563
Unsecured bank loans	GBP	1.77%-2.84%	2019-2021	4,171	4,171	4,695	4,695
Unsecured bank loans	USD	1.50%	2020	10	10	-	-
Supplier payment facility	GBP	No rate	2020	310	310	2,283	2,283
Bank overdrafts	GBP	Base+1.15%	2020	2,485	2,485	2,090	2,090
				96,074	**96,074**	**48,224**	**48,224**

18 Provisions

Dilapidations provision

Dilapidation provisions are established for wear and tear of 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 13, resulting in net exposure of £400,000 as at 30 April 2020 (2019: £400,000). The enquiry is ongoing and therefore it is not possible to estimate when the provision will crystallise.

	2020 £'000	2019 £'000
Dilapidations provision		
Balance at beginning of the year	1,329	119

Provisions made during the year	233	1,440
Provisions used during the year	-	(200)
Provisions reversed during the year	-	(30)
Balance at the end of the year	**1,562**	**1,329**
Non-current	1,562	1,329
Current	-	-
	1,562	**1,329**
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	2,581	1,371
Provisions made during the year	233	1,440
Provisions used during the year	-	(200)
Provisions reversed during the year	-	(30)
Balance at the end of the year	**2,814**	**2,581**
Non-current	1,562	1,329
Current	1,252	1,252
	2,814	**2,581**

19 Deferred taxation

The deferred tax asset as at 30 April 2020 is as follows:

	2020 **£'000**	2019 £'000
Assets		
Balance at the beginning of year	933	-
Arising on group restructure	-	636
Acquired	86	-
Deferred tax debit recognised directly in equity	(198)	-
Deferred tax credit in the income statement for the year	2,195	297
Exchange rate translation	278	-
Balance at the end of year	**3,294**	**933**

£228,000 (2019: £nil) of the balance at the end of the year is classified as a current asset as it is expected to be utilised within one year.

The Group deferred tax asset arises as a result of tax on share based payments: £1.8m (2019: £0.2m), future deductions available on property, plant and equipment £0.9m (2019: £0.6m) and future deductions available on tax losses carried forward £0.6m (2019: £nil). It is anticipated that the Group and related subsidiary undertakings will make sufficient taxable profit to allow the benefit of the deferred tax asset to be utilised. A potential deferred tax asset of £0.7m (2019: £0.6m) has not been recognised relating to tax losses.

The deferred tax liability as at 30 April 2020 is as follows:

	2020 £'000	2019 £'000
Non-current liabilities		
Balance at beginning of year	-	-
Arising on acquisition intangibles	9,250	-
Deferred tax credit in the income statement for the year	(366)	-
Balance at the end of year	**8,884**	**-**

The Group deferred tax liability relates to the recognition of acquired intangible assets arising on consolidation.

20 Share capital

	Number of 1p each	Ordinary shares £'000	Share premium £'000	Treasury shares £'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**
Shares issued in acquisition of Rousaud Costas Duran S.L.P.U	19,525,927	195	19,037	(20)	19,212
Shares issued in acquisition of Mindcrest Inc.	5,028,726	51	6,406	-	6,457
At 30 April 2020	**324,554,653**	**3,246**	**88,610**	**(20)**	**91,836**

On 20 December 2019, DWF Group plc issued 17,559,755 ordinary shares with a nominal value of £0.01 each to Rousaud Costas Duran SLP. On the same day the EBT agreed to subscribe for 1,966,172 newly issued shares to be held by the EBT for the benefit of employees of Rousaud Costas Duran SLP only. One of the RCD Sellers (Carmaral 2000 SLP) who had received consideration shares then agreed to transfer 1,145,755 of its shares to the EBT as a gift to be held by the EBT for the benefit of employees of Rousaud Costas Duran SLP only. The total of shares that was issued altogether in relation to the acquisition of Rousaud Costas Duran SLP is 19,525,927.

On 28 February 2020, DWF Group plc issued 5,028,726 ordinary shares with a nominal value of £0.01 each in relation to the acquisition of Mindcrest Inc.

21 Share based payments

Charge to the income statement

The Group operates two share-based payment plans, both of which are equity settled.

The charge to the income statement is set out below:

	2020	2019
	£'000	£'000
Share plans:		
Equity incentive plan (EIP)	5,503	193
Buy-as-you-earn plan (BAYE)	6,096	860
	11,599	**1,053**
Social security expenses	971	149
Total expense	**12,570**	**1,202**

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

Within each plan, grants are made to eligible employees through one of several schemes as described below.

Share awards under the DWF Group plc 2020 EIP – IPO award

At IPO, awards were granted consisting of conditional and restricted share awards made to a limited number of the senior management team.

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

Financial year of grant	Share price per award	Exercise price per award	Date of vesting	Number of shares for which awards outstanding 1 May 2019	Awards granted during the year	Awards vested during the year	Awards lapsed during the year	Number of shares for which awards outstanding 30 April 2020
2018/19	1.25	Nil	July 2020	671,316	-	-	-	671,316
2018/19	1.25	Nil	July 2021	671,316	-	-	-	671,316
2018/19	1.25	Nil	July 2022	671,316	-	-	-	671,316
2018/19	1.25	Nil	July 2023	671,316	-	-	-	671,316
2018/19	1.25	Nil	July 2024	671,316	-	-	-	671,316

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

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

- Expected volatility (%) 14.2 (average volatility across the tranches granted)
- Expected life (years) 3.3 (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 EIP – Career level 1-3 award

This scheme is to incentivise senior employees for performance and additional contribution to the Group. Additionally, as part of the RCD acquisition, shares are ringfenced for future grant to employees of the acquired business which fall under this award.

In August 2019, awards were granted to incentivise senior employees and, in both January 2020 and April 2020, awards were granted to incentivise RCD employees.

Financial year of grant	Share price per award	Exercise price per award	Date of vesting	Number of shares for which awards outstanding 1 May 2019	Awards granted during the year	Awards vested during the year	Awards lapsed during the year	Number of shares for which awards outstanding 30 April 2020
2019/20	1.19	Ni	January 2021	-	104,190	-	-	104,190
2019/20	1.19	Ni	January 2022	-	104,190	-	-	104,190
2019/20	1.19	Ni	January 2023	-	104,190	-	-	104,190
2019/20	1.19	Ni	January 2024	-	104,190	-	-	104,190
2019/20	1.19	Ni	January 2025	-	104,190	-	-	104,190
2019/20	1.25	Nil	September 2020	-	150,011	-	-	150,011
2019/20	1.25	Nil	July 2021	-	449,807	-	-	449,807
2019/20	1.25	Nil	July 2022	-	449,807	-	-	449,807
2019/20	1.25	Nil	July 2023	-	449,807	-	-	449,807
2019/20	1.25	Nil	July 2024	-	449,807	-	-	449,807
2019/20	1.25	Nil	July 2025	-	299,797	-	-	299,797
2019/20	1.25	Nil	September 2020	-	42,655	-	-	42,655
2019/20	1.25	Nil	July 2021	-	127,900	-	-	127,900
2019/20	1.25	Nil	July 2022	-	127,900	-	-	127,900
2019/20	1.25	Nil	July 2023	-	127,900	-	-	127,900
2019/20	1.25	Nil	July 2024	-	127,900	-	-	127,900
2019/20	1.25	Nil	July 2025	-	85,245	-	-	85,245

The weighted average fair value of these awards granted during the period was £1.24 per award.

Career level 1-3 award awards are valued using the Black Scholes method with the following assumptions:

- Expected volatility (%) 14.5 (average volatility across the tranches granted)
- Expected life (years) 3.0 (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 on some of the awards. Management estimate that 80-100% of performance conditions are met and there is between 5-25% attrition over the vesting period.

Share awards under the DWF Group PLC EIP - Long-Term Incentive Plan ('LTIP')

The Group incentivises its Executive Board with long-term reward based on challenging performance targets. Awards were granted to the Executive Board members in the year.

Financial year of grant	Share price per award	Exercise price per award	Date of vesting	Number of shares for which awards outstanding 1 May 2019	Awards granted during the year	Awards vested during the year	Awards lapsed during the year	Number of shares for which awards outstanding 30 April 2020
2019/20	1.19	Nil	July 2020	-	517,699	-	-	517,699
2019/20	1.19	Nil	July 2021	-	517,699	-	-	517,699
2019/20	1.19	Nil	July 2022	-	517,699	-	-	517,699
2019/20	1.19	Nil	July 2023	-	517,699	-	-	517,699
2019/20	1.19	Nil	July 2024	-	517,699	-	-	517,699

The weighted average fair value of these awards was £1.19.

The LTIP free share awards are valued using the Black Scholes method with the following assumptions:

- Expected volatility (%) 12.8 (average volatility across the tranches granted)
- Expected life (years) 3.0 (average life across the tranches granted)
- Expected dividend yield (%) 5.0

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 no entitlement to receive dividends or dividend equivalents on the awards. Management estimate that 80% of performance conditions are met and there is between 25% attrition over the vesting period.

Share awards under the DWF Group PLC EIP – Promotion award

The Group may incentivise its employees on promotion with a share award from this scheme.

Financial year of grant	Share price per award	Exercise price per award	Date of vesting	Number of shares for which awards outstanding 1 May 2019	Awards granted during the year	Awards vested during the year	Awards lapsed during the year	Number of shares for which awards outstanding 30 April 2020
2019/20	1.24	Nil	January 2021	-	87,243	-	-	87,243
2019/20	1.24	Nil	January 2022	-	87,243	-	-	87,243
2019/20	1.24	Nil	January 2023	-	87,243	-	-	87,243
2019/20	1.24	Nil	January 2024	-	87,243	-	-	87,243
2019/20	1.24	Nil	January 2025	-	87,243	-	-	87,243
2019/20	1.19	Nil	August 2020	-	61,742	-	-	61,742
2019/20	1.19	Nil	August 2021	-	61,742	-	-	61,742
2019/20	1.19	Nil	August 2022	-	61,742	-	-	61,742
2019/20	1.19	Nil	August 2023	-	61,742	-	-	61,742
2019/20	1.19	Nil	August 2024	-	61,742	-	-	61,742

The weighted average fair value of these awards was £1.19.

The promotion share awards are valued using the Black Scholes method with the following assumptions:

- Expected volatility (%) 13.0 (average volatility across the tranches granted)
- Expected life (years) 3.0 (average life across the tranches granted)
- Expected dividend yield (%) 5.0

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 no entitlement to receive dividends or dividend equivalents on the awards. Management estimate that 80% of performance conditions are met and there is 25% attrition over the vesting period.

Share awards under the DWF Group plc BAYE – IPO award

At IPO, awards were granted to eligible employees.

Financial year of grant	Share price per award	Exercise price per award	Date of vesting	Number of shares for which awards outstanding 1 May 2019	Awards granted during the year	Awards vested during the year	Awards lapsed during the year	Number of shares for which awards outstanding 30 April 2020
2018/19	1.25	Nil	July 2020	5,554,568	-	-	-	5,554,568
2018/19	1.25	Nil	July 2021	5,554,568	-	-	-	5,554,568
2019/20	1.19	Nil	August 2021	-	312,675	-	-	312,675

2019/20	1.19	Nil	August 2022	-	312,675	-	-	312,675

The weighted average fair value of these awards was £1.25.

The BAYE IPO awards are valued using the Black Scholes method with the following assumptions:

- Expected volatility (%) 15.0 (average volatility across the tranches granted)
- Expected life (years) 1.5 (average life across the tranches granted)
- Expected dividend yield (%) 5.0

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 no entitlement to receive dividends or dividend equivalents on the awards. Management estimate there is 25% attrition over the vesting period.

Share awards under the DWF Group plc BAYE – free-share award

The Group incentivises its employees for additional contributions from this scheme.

Financial year of grant	Share price per award	Exercise price per award	Date of vesting	Number of shares for which awards outstanding 1 May 2019	Awards granted during the year	Awards vested during the year	Awards lapsed during the year	Number of shares for which awards outstanding 30 April 2020
2019/20	1.24	Nil	December 2021	-	97,301	-	-	97,301
2019/20	1.24	Nil	December 2022	-	97,301	-	-	97,301

The weighted average fair value of these awards granted during the period was £1.24 per award.

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

- Expected volatility (%) 21.0 (average volatility across the tranches granted)
- Expected life (years) 1.0 (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 no entitlement to receive dividends or dividend equivalents. Management estimate that 100% of the shares will vest.

22 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:

	2020 **No.**	2019 No.
Legal advisers	1,980	1,626
Support staff	1,341	1,089
	3,321	**2,715**

	£'000	£'000
Wages and salaries	193,576	110,156
Social security costs	11,970	11,369
Contributions to defined contribution plans	6,689	4,854
	212,235	**126,379**

Defined contribution plans

The Group operates defined contribution pension plans. The amounts charged to the income statement in respect of the scheme represents contributions payable in respect of the accounting period. The total annual pension cost for the defined contribution scheme was £6,689,000 at 30 April 2020 (30 April 2019: £4,854,000) and the outstanding balance at year end was £979,000 at 30 April 2020 (30 April 2019: £914,000).

23 Cash generated from operations

a) Cash generated/(used) in operations before adjusting items

	2020 **£'000**	2019 £'000
Cash flows from operating activities		
Profit before tax including loss from discontinued operations	13,897	12,322
Adjustments for:		
Impairment	1,036	-
Amortisation of acquired intangible assets	1,510	-
Depreciation of right-of-use asset	11,580	-
Other depreciation and amortisation	6,175	5,365
Gain on bargain purchase	(25,084)	-
Non-underlying items	7,632	12,569
Share based payments expense	11,599	1,202
Interest payable on leases	2,047	-
Net finance expense	1,905	2,131
Operating cash flows before movements in working capital	**32,297**	**33,589**
Increase in trade and other receivables	(18,726)	(24,601)
Increase in trade and other payables	15,125	1,455
Increase in provisions	233	1,210
Decrease in amounts due to members of partnerships in the Group	(4,771)	(22,198)
Cash generated/(used) in operations before adjusting items	**24,158**	**(10,545)**

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

	1 May 2019	Cash flow	Exchange movement	Non-cash movement	30 April 2020
	£'000	£'000	£'000	£'000	£'000

Cash and cash equivalents	10,822	17,943	(38)	-	28,727
Bank loans	(43,851)	(48,622)	-	(806)	(93,279)
Supplier payments facility	(2,283)	1,973	-	-	(310)
Total net debt (excluding IFRS 16)	**(35,312)**	**(28,706)**	**(38)**	**(806)**	**(64,862)**

	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 (excluding IFRS 16)	**(54,096)**	**18,450**	**(11)**	**345**	**(35,312)**

b) Free cash flows

	2020 £'000	2019 £'000
Free cash flows		
Operating cash flows before movements in working capital	32,297	33,589
Net working capital movement	(3,368)	(21,936)
Amounts due to members of partnerships in the Group	(4,771)	(22,198)
Cash generated from/(used in) operations before adjusting items	**24,158**	**(10,545)**
Repayment of lease liabilities	(12,654)	-
	11,504	**(10,545)**
Net interest paid	(4,192)	(2,112)
Tax paid	(4,309)	(50)
Purchase of property, plant and equipment	(3,520)	(4,196)
Purchase of other intangible assets	(4,116)	(1,222)
Free cash flows	**(4,633)**	**(18,125)**

c) Working capital measures

	2020	2019
	£'000	£'000
WIP days		
Amounts recoverable from clients in respect of unbilled revenue	64,379	53,996
Unbilled disbursements	8,501	6,279
Total WIP	**72,880**	**60,275**
Pro-forma net revenue	**330,340**	**272,361**
WIP days	**81**	**81**
Debtor days		
Trade receivables (net of allowance for doubtful receivables)	108,727	86,022
Other receivables	4,950	5,108
Total debtors	**113,677**	**91,130**
Pro-forma net revenue	**330,340**	**272,361**
Debtor days	**125**	**122**
Gross lock-up days		
Total WIP	72,880	60,275
Total debtors	113,677	91,130
Total gross lock-up	**186,557**	**151,405**
Pro-forma net revenue	**330,340**	**272,361**
Gross lock-up days	**206**	**203**

Pro-forma net revenue includes revenue from acquisitions on a full year pro-forma basis.

24 Events after the reporting period

Directorate changes

On 29 May 2020, Andrew Leaitherland informed the Board of his intention to step down as Group Chief Executive Officer with immediate effect. Sir Nigel Knowles assumed the role of Group Chief Executive Officer and Chris Sullivan, the Senior Independent Director, was appointed as interim Chairman on the same day.

On the 31 July 2020, following the successful completion of a process led by the Nomination Committee to hire a new Chair, the Company announced that Jonathan Bloomer would join the Board as Chairman with effect from 1 August 2020. On the same day, Chris Sullivan was appointed as Deputy Chairman and continues to act as Senior Independent Director.

The Company intends to announce on 8 September 2020 the following appointments with effect from 22 October 2020:
- Matthew Doughty as Group Chief Operating Officer of DWF Group plc. Matthew Doughty will step down as Partner Director at the same time; and

- Following a thorough internal recruitment process, Michele Cicchetti and Seema Bains as Partner Directors of DWF Group plc. The position of Partner Director is designated by the Board as a Non-independent, Non-Executive Director position.

A Partner Director represents the partners of DWF Law LLP and DWF LLP and is therefore a partner shareholder representative on the Board.

Discontinuation and scale back programmes

In a trading statement on 9 July 2020, the Board announced further closures and scaling back programmes in Brussels, Singapore and Dubai as well as for DWF Resource (a part of the Connected Services division). The results for these business are not treated as discontinued in the period as the decision was taken after the year end. These operations represented c.1.5% of the Group's revenues and generated a £4.5m EBITDA loss in FY20.