

The Ince Group plc
(“Ince” or the “Group”)

Interim unaudited results for the six months to 30 September 2019

- **Strong first half with revenue up 125% and adjusted profit before tax up 264%**
 - **Nine partners hired across five offices**
 - **Successful transformation to a global business now complete**

The Ince Group PLC (AIM: INCE), the international legal and professional services company, is pleased to announce its unaudited results for the six months ended 30 September 2019.

For the six months ended 30 September (£m)	2019	2018	% Growth
Revenue	45.3	20.1	+125%
Adjusted profit before tax*	4.0	1.1	+264%
Adjusted diluted earnings per share (p)**	6.3p	1.9p	+232%
Basic diluted earnings per shares (p)	5.1p	(0.6)p	N/A
Dividend per share (p)	2.0p	2.0p	Unchanged
Net (debt)/cash	(10.4)	3.1	

* Adjusted profit before tax is calculated, as shown in note 6 to the financial statements, as the profit before tax after adding back non-recurring items of £0.5m in 2019 (2018: £0.7m) and after deducting the non-controlling interests (or partners' profit shares) as shown in the financial statements below of £7.1m in 2019 (2018: £3.2m).

** Adjusted diluted earnings per share is computed from adjusted profit before tax after deducting taxation

Financial highlights

- With the Ince transaction plus the five acquisitions in the previous year annualised profitable revenue is now c.£100m.
- Revenue increased to £45.3m, 125% up from 2018.
- Adjusted profit before tax increased to £4.0m, 264% up from 2018.
- Organic growth over last year approximately 5.3%.
- Adjusted earnings per share increased to 6.3p, 232% up from 2018.
- Former Group London office vacated and lease terms for Aldgate Tower improved, yielding an annual saving of some £2.4m.
- Net debt at the period end of £10.4 million resulting from the working capital invested in successful lateral hires and the costs of integrating the Ince business.
- Rationalisation of back office completed yielding further annual savings of £2.6m.

Operational highlights

- Now operating from 23 offices in eight countries across Europe, the Middle East and Asia, up from 11 offices in two countries this time last year.

- New “Ince” brand established globally.
- Integration of consolidated businesses completed. Successful revenue creating collaboration between offices and development of overseas offices progressing well including:
 - Ince’s London operations successfully merged and overseas operations brought within the Group from April 2019.
 - Acquisition of Ince Gibraltar (formerly Ramparts) completed in April 2019 and performing well.
 - Partner and client retention strong across the business.
- Lateral hire of three partners and over 20 staff in Hong Kong.
- Separate London office in the Lloyds Building in Leadenhall Street opened in June 2019, strengthening the Group’s contact with insurance clients.
- Mayfair office under the Gordon Dadds brand to service family and private client business opened in September 2019.
- New practice management system owned by the Group being introduced, which will lead to significant operational improvements.
- Strategic senior appointments to deepen and extend management capacity and service lines including:
 - Mark Tantam, formerly a vice chair of Deloitte, appointed as Global Head of Consulting.
 - Julian Clark, formerly Global Head of Shipping at Hill Dickinson, appointed as Senior Partner.
 - Alexander Janes, a former global managing partner of Orrick, Herrington & Sutcliffe, joining as head of Europe, Middle East and Africa.

Adrian Biles, Group Chief Executive, commented:

“These strong results are a vindication of our strategy. They are the product of the new international platform we have developed under the Ince brand. We remain on track to deliver c.£100m of annualised revenue in the current financial year, even with political headwinds buffeting some key markets across the globe.

“The second half of the year traditionally provides the majority of the Group’s profits and the lateral appointments we have made will largely show through next year. The attractions of our model and approach are being recognised amongst senior lawyers and professionals in major financial markets around the globe as can be seen from the quality of our newest hires.

“I remain confident that the business can continue to develop from here generating increasing revenue and profits.”

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Analyst presentation:

A presentation for analysts and institutional investors will be held today, 28 November 2019 at 11.00am (GMT) at Ince, Aldgate Tower, 2 Leaman Street, London, E1 8QN. All participants must be pre-registered with Portland Communications in order to attend the meeting.

About The Ince Group plc

The Ince Group is an international legal and professional services business with 23 offices in eight countries across Europe, the Middle East and Asia. With nearly 900 people, including over 100 partners worldwide, The Ince Group delivers legal advice, strategic guidance and business solutions to clients ranging from the world's oldest and biggest businesses operating across numerous industries to ultra-high net worth individuals. Through its entrepreneurial culture and "one firm" approach, the business offers its clients over 150 years of experience, insight and relationships. The Group is driven by a unique team of passionate people whose broad expertise and deep sector specialisms provide their clients with solutions to all their complex legal and strategic needs.

Please visit www.theincegroup.com for more information.

Operating Review

Overview

Strategy

The Group's strategy continues to be to increase revenue through organic growth and acquisition in legal and professional services and to administer such increased revenue through a single efficient back-office function in a low cost environment.

We believe that the clients who approach us are looking for solutions. Rarely do their problems require the application of "reserved" legal activities (which only solicitors can provide) and generally they require much wider commercial awareness. This is an ability which our partners have and which they continue to develop, supported by the wider skill sets we are seeking to grow. We are also examining opportunities to operate more efficiently and effectively for clients following the recent rule changes introduced by the Solicitors Regulation Authority which will allow individual solicitors to provide "non-reserved" legal activities in firms which are not subject to SRA regulation.

Acquisition of Ince strengthens platform

The acquisition of Ince & Co and the consolidation of its international operations has created a fit for purpose international platform from which the Group can deliver its growth strategy, building on the current £100 million of annualised revenues. The acquisition has given the Group a substantial international presence with established offices now in eight countries in Europe, the Middle East and Asia. In the first half, the geographic split of revenue was 67% from the UK, 20% from Asia and 13% from Europe and the Middle East, compared with the equivalent period in 2018 when all the revenue was from the UK.

Our platform is increasingly attracting attention from senior lawyers and other professionals in the market who recognise the benefits of the Group's model. This provides transparent performance-based remuneration as well as access to third party capital to enable investment into the future.

Growth to be driven by lateral hires and small acquisitions

With this platform and remuneration structure, the ability to recruit individual professionals and teams has been substantially enhanced and this is where we expect our growth to come from in the short term. It is also more likely that acquisitions will be relatively small ones to infill skill gaps or offer exposure to a complementary service line or industry sector. The objectives of both lateral hires and any acquisitions continue to be to increase the intellectual capital of the firm and to grow revenues which can then be processed efficiently through the established back-office.

Remuneration model key for growth

Our core remuneration model for partners continues to be a key factor in our ability to recruit new partners, attract acquisition targets and generate profits for shareholders. This model focuses on the partners being rewarded both for the billable work they do and for the income generated from their clients across the Group's wide-ranging activities. Our basic model for partners continues to be refined to promote the behaviours we want to see and which will drive group profitability. Increasingly, we are focusing partners on the recovery of the full value of the work undertaken and the generation of gross margin from which to cover overheads and to generate profits for shareholders.

We aim to provide an environment for partners and staff which is open and transparent and in which everyone can perform to the best of their abilities. This has led to a high retention rate for partners over the period and the Ince acquisition has been no different in this respect. The stability of partners and staff is, we believe, vital to the continuing satisfaction of clients and we are pleased that our clients are responding by increasingly using the other services of the Group where appropriate.

Review of the half year

As expected we have seen a substantial increase in revenue in the half year, more than doubling from £20.1 million in 2018 to £45.3 million principally as a result of the inclusion of the Ince UK business and overseas offices for the first time together with organic growth. It is estimated that the organic growth of the Group has been 5.3% in this first half.

Integration of Ince acquisition

The half year has seen both the completion of the integration of Ince in the UK and the main parts of the integration of the overseas Ince entities.

- *Growing collaboration between offices* - The Ince offices traditionally had a very tight focus on marine, aviation, trade and insurance and had exceptional reputations in those sectors. This half year has demonstrated increasing collaboration between the various offices and skill sets of the merged business. For example,
 - we advised on a corporate restructuring transaction for a Middle East client. This was for an Ince client (which legacy Ince could not have executed) and for a client which the legacy Gordon Dadds corporate team would not have had access to.
 - we received instructions on reputation management (a legacy Gordon Dadds strength) from an Ince international commercial client.
 - we also received instructions from one of our Hong Kong office's key clients in the financial services sector in relation to a UK based application. The due diligence work is being handled by the London Regulatory Solutions team.
 - at Ince Gibraltar (formerly Ramparts, the Gibraltar legal services business acquired at the end of March) we have added another partner from a leading Gibraltar firm to add marine expertise to the business lines already established. This is particularly attractive as our German business had been referring work to local competitors which can now be handled in house.

We are encouraging this inter-office collaboration strongly and promoting it as a key part of the Group's culture. This is work in progress and will deliver further positive results over the coming years, as relationships between the lawyers develop along with increasing confidence in each other's abilities.

- *Leveraging the Group's administrative operation* - Having merged the London office of Gordon Dadds with the London office of Ince in January 2019, the first half has also seen the successful conclusion of the process of moving the majority of the Ince back office functions out of London to our low cost operation in South Wales. This will save some £3 million in staff costs in a full year.

In addition, we have as planned taken an assignment of the leases of the Ince offices in London on similar terms but with tenant break options at a number of points in time, which maintains our flexibility for the future. We have also completely vacated the Group's previous head office in Covent Garden, taking advantage of the flexibility afforded by the Group's policy of negotiating tenant break clauses. This has saved over £2.4 million per annum.

We are also introducing our bespoke practice management system across the Group which is replacing two systems which were not suitable for our future.

- *Strengthening and expanding international offices* - In the short term, a key focus is our expansion of the international offices which had been weakened by resignations between 2016 and early 2018. We are seeking to both replace capacity in Ince's traditional sectors where needed and also broaden the offering of each office.

In Hong Kong we have already hired a team of three partners and over 20 staff who bring particular experience in the commercial and corporate sectors and the commercial and construction dispute resolution sector. They are already generating significant additional revenue and profits. We are also in advanced discussions to add further partners in Singapore and Dubai and are examining opportunities for all the other overseas entities.

Financial Review

The Group's consolidated results for the six months ended 30 September 2019 are well ahead of last year, principally reflecting the Ince acquisition. The results show total revenue of £45.3 million (2018: £20.1 million), operating profit of £11.5 million (2018: £4.3 million) and adjusted profit before tax of £4.0 million (2018: £1.1 million).

As is usual for our business, the turnover and profits for the first half are expected to represent under half of both revenue and adjusted profit before tax for the full year.

Alternative Performance Measures

The Group presents two Alternative Performance Measures ("APMs"). These APMs include adjustments for specific items in order to provide a balanced view of the underlying performance of the Group's operations.

Adjusted profit before tax is calculated as profit before tax after:

- adding back non-recurring items, which in FY 2019 included the costs of the acquisition of Ince and the material costs associated with implementing the merger of the businesses; and
- Deducting partners' profit shares and other non-controlling interests as these are a cost of motivating the relevant business generators. It is one of the largest variable costs of the business and is reported in the statutory accounts as part of the non-controlling interests. The reported profit metrics therefore do not provide a true reflection of the underlying profits generated by the operations and available to equity holders. The adjusted disclosure essentially treats all forms of remuneration as an operating cost of the business (just as employees' costs).

Adjusted earnings per share is calculated by adjusting for taxation and dividing by the weighted average number of shares in issue for the period, on a diluted basis where a materially different result is produced.

For the six months ended 30 September	2019	2018	%
	£m	£m	Growth
Revenue	45.3	20.1	+125%
Operating profit	11.5	4.3	+167%
Non-controlling interests	(7.1)	(3.2)	
Adjusted operating profit	4.4	1.1	+300%
Net finance charge / other	(0.4)	(0.0)	
Adjusted profit before tax	4.0	1.1	+264%
<i>Adjusted net margin</i>	<i>8.8%</i>	<i>5.5%</i>	
Non-recurring costs	(0.4)	(0.7)	
Income tax	(1.6)	(0.2)	
Other non-controlling interests*	-	(0.4)	
Retained profit for equity holders	2.0	(0.2)	

*In 2019, all non-controlling interests have been deducted in computing Adjusted profit before tax: the same treatment in 2018 would have reduced Adjusted profit before tax by £0.4m and this is reflected above.

Steady progress on KPIs

In financial terms, we continue to focus on our targets of growing turnover, improving gross margin towards 50% of revenue, controlling overhead towards 30% of revenue and keeping lock-up below 100 days. Our targets remain and we believe that we are making steady progress towards each of them which will be reported at the year end.

IFRS 16 adoption

The Group has adopted IFRS 16 in the current period for the first time. Its impact is to replace rent by an amortisation charge and an interest charge, typically reducing profits before tax a little in the early years and increasing profits thereafter. It also impacts the balance sheet by increasing assets and liabilities by similar amounts. Full details are given in note 14.

Gain on bargain purchase

The results in the first half have benefitted from a bargain purchase gain (or negative goodwill) of £3.9 million. This arises from the first time consolidation of the Ince overseas entities in the half year and represents the difference between the fair value of the net assets acquired and the consideration payable. Commercially, this is the benefit compensating the Group for the losses anticipated for the Ince overseas entities while the teams in those offices are being rebuilt as referred to above.

Net debt

In the six months, our net debt has increased to £10.4 million, within our available borrowings of £12.5 million. This increase is the result of paying down more of the acquisition costs in respect of the Ince transaction and an increased working capital requirement particularly in the overseas offices and including the working capital to fund the successful lateral hires of the new partners in Hong Kong. Typically, when we make a lateral hire, we will need to fund working capital equivalent to approaching six months' revenues as the lateral settles, undertakes work, bills it and then collects the fees, before approaching mature fee generation after one to two years.

Tax

Corporation Tax for the year ended 31 March 2019 was negligible. In the current year, we expect some further tax losses to be available for use, but it is likely that the rate of tax will move to beyond the standard UK rate of Corporation Tax as the amortisation of client portfolios will not be allowable.

Dividend

As the Group is expanding further through lateral hires which will require the commitment of additional working capital, the Board has decided that the interim dividend should remain unchanged from last year. The Board has therefore declared an interim dividend of 2p per share payable on 16 April 2020 to shareholders on the register on 6 March 2020. The Board remains committed to a progressive dividend policy broadly related to earnings per share.

Outlook

In conclusion, having taken the business from £25 million of annual revenues at flotation in 2017 to the current £100 million annualised, we have established an excellent platform from which our growth and development can continue over the coming years. This, with the growing collaboration between partners and offices that we are driving, should deliver increasing revenues, profits and earnings per share for shareholders.

Unaudited Consolidated Statement of Comprehensive Income

	Note	6 months to 30 September 2019 £'000	6 months to 30 September 2018 £'000	12 months to 31 March 2019 £'000
Continuing operations				
Fees and commissions	2	45,339	20,114	52,576
Staff costs	3	(22,582)	(8,116)	(18,296)
Depreciation – property, plant and equipment		(697)	(35)	(99)
Depreciation – right-of-use asset		(2,161)	-	-
Amortisation		(2,007)	(655)	(1,566)
Other operating expenses		(10,288)	(7,038)	(17,406)
Bargain purchase gain	4	3,890	-	38
Operating profit		11,494	4,270	15,247
Finance income		147	132	218
Finance expense – right-of-use asset		(246)	-	-
Finance expense - other		(167)	(20)	(251)
Acquisition and other material costs	5	(461)	(716)	(14,267)
Share of profit of associates		(91)	(118)	19
Profit before income tax		10,676	3,548	966
Income tax expense		(1,604)	(159)	(206)
Profit for the period		9,072	3,389	760
Attributable to:-				
Equity holders of the Company		1,974	(168)	(8,552)
Non-controlling interests		7,098	3,557	9,312
Profit for the period		9,072	3,389	760
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Translation of foreign operations		35	-	-
Other comprehensive income for the period		35	-	-
Total comprehensive income for the period		9,107	3,389	760
Attributable to:-				
Equity holders of the Company		2,009	(168)	(8,552)
Non-controlling interests		7,098	3,557	9,312
Total comprehensive income for the period		9,107	3,389	760
Earnings per share				
Basic earnings per share (pence)	6	5.43	(0.58)	(28.66)
Adjusted basic earnings per share (pence)	6	6.68	1.91	19.15
Diluted earnings per share				
Diluted earnings per share (pence)	6	5.10	(0.58)	(28.10)
Adjusted diluted earnings per share (pence)	6	6.27	1.91	18.77

The profit for the period relates to continuing operations only. The attached notes are an integral part of these consolidated financial statements.

Unaudited Consolidated Statement of Financial Position

	Note	30 September 2019 £'000	30 September 2018 £'000	31 March 2019 £'000
ASSETS				
Non-current assets				
Property, plant and equipment		3,768	337	1,182
Right-of-use assets	14	14,285	-	-
Intangible assets	7	59,255	26,393	53,198
Investments		358	200	379
		77,666	26,930	54,759
Current assets				
Trade and other receivables	8	43,495	19,254	35,222
Cash and cash equivalents	9	2,669	4,257	4,759
		46,164	23,511	39,981
Total assets		123,830	50,441	94,740
EQUITY				
Capital and reserves attributable to equity holders				
Share capital	10	370	288	370
Share premium	11	11,192	230	11,192
Capital redemption reserve	11	-	46,448	-
Reverse acquisition reserve	11	(24,724)	(24,724)	(24,724)
Foreign exchange translation reserve	11	35	-	-
Other reserves		145	-	48
Retained earnings	11	40,024	723	38,787
		27,042	22,965	25,673
Non-controlling interest		5,312	4,898	5,807
Total equity		32,354	27,863	31,480
LIABILITIES				
Non-current liabilities				
Trade and other payables	12	28,018	10,391	25,629
Borrowings	13	11,305	148	5,240
Provisions		1,113	-	1,213
Lease liabilities	14	12,970	-	-
		53,406	10,539	32,082
Current liabilities				
Trade and other payables	12	26,747	10,458	23,040
Corporation tax		1,827	272	245
Borrowings	13	1,728	1,006	2,370
Provisions		5,528	303	5,523
Lease liabilities	14	2,240	-	-
		38,070	12,039	31,178
Total liabilities		91,476	22,578	63,260
Total equity and liabilities		123,830	50,441	94,740

The attached notes are an integral part of these consolidated financial statements.

Unaudited Consolidated Statement of Cash Flows

	6 months to 30 September 2019 £'000	6 months to 30 September 2018 £'000	12 months to 31 March 2019 £'000
Cash flows from operating activities			
Profit before income tax	10,676	3,548	966
Adjustments for:			
Finance income	(147)	(132)	(218)
Finance expense	413	20	251
Acquisition related costs	461	716	14,267
Depreciation, amortisation and impairment	4,865	690	1,665
Share of profits of associates	91	118	(19)
Bargain purchase gain	(3,890)	-	-
Fair value adjustment to share options	97	-	-
Changes in operating assets and liabilities (net of acquisitions):			
Decrease/(Increase) in trade and other receivables	545	(894)	(15,589)
(Decrease)/Increase in trade and other payables	(6,900)	(2,260)	(1,388)
(Decrease)/Increase in provisions	(232)	138	6,571
Cash generated by operations	5,979	1,944	6,506
Interest and other financial costs paid	(413)	(20)	(92)
Tax paid	(33)	(134)	(554)
Net cash generated by operating activities	5,533	1,790	5,860
Cash flows from investing activities			
Cash paid on acquisitions (net of cash acquired)	2,250	-	(6,388)
Payment of contingent and deferred consideration on acquisitions	(4,304)	(2,276)	(4,762)
Payment of acquisition related costs	(461)	(716)	(7,525)
Purchase of PPE	(708)	(6)	-
Purchase of intangible assets	(503)	-	(795)
Purchase of interest in associates	-	-	-
Dividends received	-	-	-
Interest received	147	112	218
Net cash absorbed by investing activities	(3,579)	(2,886)	(19,252)
Cash flows from financing activities			
Movement in borrowings (including finance leases)	4,663	144	6,969
Proceeds from issuance of shares	-	-	11,504
Transactions costs relating to issue of shares	-	-	(460)
Dividends paid	(737)	(1,150)	(1,150)
Transactions with non-controlling interests	(6,844)	(3,072)	(7,699)
Payment of lease liabilities	(1,274)	-	-
Net cash (absorbed)/generated from financing activities	(4,192)	(4,078)	9,164
Net (decrease) / increase in cash and cash equivalents	(2,238)	(5,174)	(4,228)
Effect of exchange rate changes on cash	(103)	-	-
Cash and cash equivalents at beginning of period	4,720	8,948	8,948
Cash and cash equivalents at end of period	9	2,379	3,774

Unaudited Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Reverse acquisition reserve £'000	Foreign Exchange translation reserve £'000	Other reserves £'000	Distribut able reserves £'000	Non- controlling interest £'000	Total equity £'000
Balance at 1 April 2018	288	230	(24,724)	-	-	48,489	4,512	28,795
Profit/(loss) and total comprehensive income/(expense) for the period	-	-	-	-	-	(168)	3,557	3,389
Dividends paid	-	-	-	-	-	(1,150)	-	(1,150)
Transferred to members	-	-	-	-	-	-	(3,171)	(3,171)
Balance at 30 September 2018	288	230	(24,724)	-	-	47,171	4,898	27,863
Balance at 1 October 2018	288	230	(24,724)	-	-	47,171	4,898	27,863
Profit/(loss) and total comprehensive income/(expense) for the period	-	-	-	-	-	(8,384)	5,755	(2,629)
Shares issued in period	82	11,422	-	-	-	-	-	11,504
Share issue transactions costs	-	(460)	-	-	-	-	-	(460)
Share options acquired	-	-	-	-	48	-	-	48
Deferred shares cancelled	-	-	-	-	-	-	-	-
Share premium cancelled	-	-	-	-	-	-	-	-
Transferred to members	-	-	-	-	-	-	(4,846)	(4,846)
Balance at 31 March 2019	370	11,192	(24,724)	-	48	38,787	5,807	31,480
Balance at 1 April 2019	370	11,192	(24,724)	-	48	38,787	5,807	31,480
Profit/(loss) for the period	-	-	-	-	-	1,974	7,098	9,072
Translation of foreign operations	-	-	-	35	-	-	-	35
Dividends paid	-	-	-	-	-	(737)	-	(737)
Share options acquired	-	-	-	-	97	-	-	97
Transferred to members	-	-	-	-	-	-	(7,593)	(7,593)
Balance at 30 September 2019	370	11,192	(24,724)	35	145	40,024	5,312	32,354

The attached notes are an integral part of these consolidated financial statements.

Notes to the Financial Statements

These interim consolidated financial statements have been approved for issue by the Board of Directors on 26 November 2019.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation and significant accounting policies

The financial information for the year ended 31 March 2019 set out in this half yearly report does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. The figures for the year ended 31 March 2019 have been extracted from the Group financial statements for that year. Those financial statements have been delivered to the Registrar of Companies and included an independent auditor's report, which was unqualified and did not contain a statement under section 493 of the Companies Act 2006.

The half yearly financial information has been prepared using the same accounting policies and estimation techniques as will be adopted in the Group financial statements for the year ending 31 March 2020. The Group financial statements for the year ended 31 March 2019 were prepared under International Financial Reporting Standards as adopted by the European Union. These half yearly financial statements have been prepared on a consistent basis and format with the Group financial statements for the year ended 31 March 2019. The interim condensed consolidated financial statements for the six months ended 30 September 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2019.

A number of new or amended standards became applicable for the current reporting period, and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting IFRS 16 *Leases*. The impact of the adoption of the leasing standard and the new accounting policies are disclosed in note 14 below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

1.2 Business combinations

The Group applies the acquisition method of accounting to account for business combinations in accordance with IFRS 3 'Business Combinations'. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. All transaction related costs are expensed in the period they are incurred. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in the income statement.

1.3 Financial instruments

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are recognised on trade date when the group becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially at fair value plus, in the case of a financial instrument not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument. Financial instruments are derecognised on trade date when the group is no longer a party to the contractual provisions of the instrument.

Financial assets are included on the balance sheet as trade and other receivables and cash and cash equivalents.

Financial liabilities are included on the balance sheet as trade and other payables and borrowings.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.3 Financial instruments (continued)

(a) Trade receivables

Trade receivables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts.

(b) Trade payables

Trade payables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash payments over the short payment period is not considered to be material.

(c) Interest-bearing borrowings

Interest-bearing borrowings are stated at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

1.4 Going concern

The financial statements have been prepared on the going concern basis. In deciding this, the directors have considered the detailed budgets for the current financial year and high level budgets for the succeeding year including in both cases cash flows. They have also considered the impact of adverse changes resulting from the major risks and uncertainties they consider apply to the Group.

2. REVENUE

In the following table, revenue from contracts with customers is disaggregated by primary geographical market and major service offering:

	Legal & professional services £'000	Other £'000	Total £'000
Period ended 30 September 2019			
UK	27,158	1,750	28,908
Europe, Middle East and Africa	5,915	-	5,915
Asia	10,516	-	10,516
Total revenue	43,589	1,750	45,339
Year ended 31 March 2019			
UK	46,879	4,900	51,779
Europe, Middle East and Africa	-	-	-
Asia	797	-	797
Total revenue	47,676	4,900	52,576
Year ended 31 March 2018			
UK	20,114	-	20,114
Europe, Middle East and Africa	-	-	-
Asia	-	-	-
Total revenue	20,114	-	20,114

3. STAFF COSTS

The average number of persons employed by the Group (excluding Directors) during the period, analysed by category, was as follows:

	Number of employees		
	6 months to 30 September 2019	6 months to 30 September 2018	12 months to 31 March 2019
Fee earners	378	179	194
Direct production support	97	56	69
Administration	251	109	133
Total	726	344	396

The average number of members and partners of the group during the period was 90 (2018: 54).

The aggregate employment costs of these persons were as follows:

	6 months to 30 September 2019 £'000	6 months to 30 September 2018 £'000	12 months to 31 March 2019 £'000
	Wages and salaries	19,198	6,986
Social security costs	1,816	690	1,740
Employee benefits costs	930	232	569
Pension costs	638	208	514
Total staff costs	22,582	8,116	18,296

4. BARGAIN PURCHASE GAIN

The bargain purchase gain represents the difference between the consideration payable to achieve control of the Ince overseas entities and the estimated fair value of the net assets acquired. In commercial terms this gain represents the allowance in the purchase price for the anticipated short term losses of those entities.

5. NON RECURRING COSTS

Non recurring costs include acquisition related costs of £327,000 and other material items related to the acquisition which will not recur of £134,000. Other material items represent costs incurred specifically as a result of the integration activities associated with the Ince & Co acquisition.

Acquisition related costs represent professional fees and other costs incurred in acquisitions completed or under negotiation during the year.

Non recurring costs include non-audit fees payable to the Company's auditors of £Nil

6. EARNINGS PER SHARE

Earnings per share for the year ended 31 March 2019 and the periods ended 30 September 2019 and 30 September 2018 are based on the weighted average number of shares of the Company in issue or issued as consideration for the entities whose results are reported in the period. The number of shares and periods are as follows:

1 April 2018	28,759,711	Being the Company's issued shares at that date
12 February 2019	36,976,730	Being the Company's current issued shares following new shares issued as part of an equity placing exercise

Basic earnings per share, shown on the consolidated income statement, is based on profit after tax for the period ended 30 September 2019 of £2,009,000 (30 September 2018: loss of £168,000, 31 March 2019: loss of £8,552,000) attributable to equity holders, divided by 36,976,730 (30 September 2018: 28,759,711, 31 March 2019: 29,840,305), being the weighted average total number of ordinary shares in issue during the period.

Adjusted basic earnings per share, shown on the consolidated income statement, is based on adjusted profit after tax for the period ended 30 September 2019 of £2,470,000 divided by 36,976,730 (30 September 2018: 28,759,711, 31 March 2019: 29,840,305), being the weighted average total number of ordinary shares in issue during the period.

If the 2,392,846 share options issued on 31 December 2018 were included the weighted average total number of shares for the period would be 39,369,576 (30 September 2018: 28,759,711, 31 March 2019: 30,436,878), which is applied in the calculation of diluted earnings per share, also shown on the consolidated income statement.

Adjusted profit before tax is calculated as follows:

	6 months to 30 September 2019 £'000	6 months to 30 September 2018 £'000	12 months to 31 March 2019 £'000
Profit before tax from statement of comprehensive income	10,676	3,548	966
Deduct: Partners profit shares shown as non-controlling interests	(7,098)	(3,160)	(9,312)
Add: Non-recurring expenses:			
- Acquisition related expenditure	461	90	5,823
- Material-related costs	-	626	8,444
Adjusted profit before tax	4,039	1,104	5,921
Add/Deduct:			
Translation of foreign operations	35	-	-
Taxation	(1,604)	(159)	(206)
Other non-controlling interests	-	(397)	-
Adjusted profit after tax	2,470	548	5,715

Adjusted profit before tax is regarded by the directors as an appropriate alternative performance measure to present to the Company's equity holders as it treats the non-controlling interests, representing the remuneration of the partners, as a productive cost of the business rather than as a distribution and it eliminates non-recurring costs. The gain on Bargain Purchase is not adjusted for as, commercially, it arises from a transaction which recognised that trading losses would result from the transaction which would be reflected in Other operating expenses.

In periods subsequent to the six months ended 30 September 2018, Other non-controlling interests have been included with Partners' profits shares shown as non-controlling interests. If this change were adjusted for in the period ended 30 September 2018, it would have reduced adjusted profit before tax by £397,000 for that period but would not have affected adjusted earnings per share.

7. INTANGIBLE ASSETS

	Goodwill £'000	Client portfolio £'000	Internally generated software £'000	Intellectual property £'000	Total £'000
Cost					
Balance at 1 April 2019	42,075	16,719	1,248	189	60,231
Acquisition of subsidiary	99	6,494	-	-	6,593
Additions	-	-	503	-	503
Reassessment of fair value	968	-	-	-	968
Balance at 30 September 2019	43,142	23,213	1,751	189	68,295
Amortisation and impairment					
Balance at 1 April 2019	-	6,818	168	47	7,033
Charge for the period	-	1,966	32	9	2,007
Balance at 30 September 2019	-	8,784	200	56	9,040
Carrying value					
At 31 March 2019	42,075	9,901	1,080	142	53,198
At 30 September 2019	43,142	14,429	1,551	133	59,255

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs), or group of units that are expected to benefit from that business combination.

Goodwill has been reassessed in the period to take account of the revision of estimates of the fair value of liabilities assumed.

Client portfolio represents the acquisition of the business and certain assets from other professional services firms. The client portfolio intangible asset is carried at cost less accumulated amortisation.

Amortisation is provided for in line with the fees billed and cash collections generated by the client portfolio acquired.

Internally generated software includes £1,751,000 (2019: £1,248,000) of development costs relating to development of software applications. The directors have considered the carrying value of internally generated software of £1,551,000 (2019: £1,080,000) as appropriate as it is expected to create future economic benefit.

Intellectual property includes £133,000 (2019: £142,000) of intellectual property acquired on the acquisition of certain assets and liabilities of Prolegal Limited (in administration).

The Intangible assets of the Group for the prior year were as follows:-

	Goodwill £'000	Client portfolio £'000	Internally generated software £'000	Intellectual property £'000	Total £'000
Cost					
Balance at 1 April 2018	24,150	7,719	453	189	32,511
Acquisition of subsidiary	17,642	9,000	-	-	26,642
Additions	279	-	795	-	1,074
Reassessment of fair value	4	-	-	-	4
Balance at 31 March 2019	42,075	16,719	1,248	189	60,231
Amortisation and impairment					
Balance at 1 April 2018	-	5,336	103	28	5,467
Charge for the period	-	1,482	65	19	1,566
Balance at 31 March 2019	-	6,818	168	47	7,033
Carrying value					
At 31 March 2018	24,150	2,383	350	161	27,044
At 31 March 2019	42,075	9,901	1,080	142	53,198

7. INTANGIBLE ASSETS (CONTINUED)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs), or group of units that are expected to benefit from that business combination and is analysed below.

The CGUs relating to Personal Injury Legal Services, GDLLP Legal Services, Alen-Buckley and Ince & Co LLP are considered as a single CGU for impairment testing as the operations are now merged into one and cashflows are now indistinguishable.

The goodwill of the Group is analysed as follows:

	Consulting and Technology £'000	Culver Financial Services £'000	Personal Injury Legal Services £'000	GDLLP Legal Services £'000	Alen Buckley £'000
Cost					
At 1 April 2019	2,030	4,185	5,317	3,103	1,329
Acquisitions	-	-	-	-	-
Reassessment of fair value	-	-	-	-	-
At 30 September 2019	2,030	4,185	5,317	3,103	1,329
Impairment					
At 1 April 2019	-	-	-	-	-
Impairment	-	-	-	-	-
At 30 September 2019	-	-	-	-	-
Carrying value					
At 31 March 2019	2,030	4,185	5,317	3,103	1,329
At 30 September 2019	2,030	4,185	5,317	3,103	1,329

	CW Energy £'000	White & Black £'000	Ince & Co LLP £'000	Ramparts £'000	Total Goodwill £'000
Cost					
At 1 April 2019	6,464	2,005	16,544	1,098	42,075
Acquisitions	-	-	-	99	99
Reassessment of fair value	-	-	968	-	968
At 30 September 2019	6,464	2,005	17,512	1,197	43,142
Impairment					
At 1 April 2019	-	-	-	-	-
Impairment	-	-	-	-	-
At 30 September 2019	-	-	-	-	-
Carrying value					
At 31 March 2019	6,464	2,005	16,544	1,098	42,075
At 30 September 2019	6,464	2,005	17,512	1,197	43,142

7.1 Business combinations and acquisitions

The details set out below provide the information required under IFRS 3 'Business Combinations' for the acquisitions that occurred during the period to 30 September 2019.

With effect from 1 April 2019 the Group gained control over the following Ince overseas network entities:

- Ince & Co (Hong Kong)
- Ince & Co Singapore LLP
- Ince & Co Middle East LLP
- Herring, Parry, Khan Law Office
- Ince & Co Germany LLP

Until 31 December 2018 these entities were subsidiaries of Ince & Co International LLP (now in administration and renamed). With effect from 1 April 2019, revised arrangements were agreed with these entities which gave the group control over them without any ownership interest.

As part of the new arrangements concluded with effect from 1 April 2019, the Group has agreed to make payments to the partners of those entities depending on the levels of revenue achieved in the three year period ending 31 December 2021. Based on revenue expectations, the group currently estimates that these payments will amount in aggregate to £10 million over the three years of which £6,495,000 is regarded as the purchase of a client portfolio and will be amortised in line with the fees billed and cash collections being generated by the client portfolio acquired.

In the six months ended 30 September 2019, these entities contributed £15,285,000 to turnover and £718,000 of loss before tax.

On 10th June 2019, the Group acquired 100% of the issued share capital of Ramparts Corporate Services Limited, a Gibraltar-based practice providing corporate and administrative support for listed funds and listing market instruments.

Initial consideration was £258,000 and goodwill of £99,000 was recognised in accounting for the acquisition.

In the six months ended 30 September 2019, these Ramparts Corporate Services Limited contributed £76,000 to turnover and £8,000 of profits before tax.

7.1.2 Identifiable assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities at the date of acquisition were as follows:

	Ince & Co Overseas Entities £'000	Ramparts Corporate Services Limited £'000	Total £'000
Property, plant and equipment	2,453	8	2,461
Identifiable intangible assets	6,495	-	6,495
Trade and other receivables	9,324	132	9,456
Cash and cash equivalents	2,487	42	2,529
Trade and other payables	(7,693)	(23)	(7,716)
Borrowings	(474)	-	(474)
Provisions	(191)	-	(191)
Contingent liabilities	-	-	-
Net identifiable assets and liabilities	12,401	159	12,560
Goodwill	-	99	99
Negative goodwill arising on bargain purchase	(3,890)	-	(3,890)
Non-controlling interest in the recognised amounts of identifiable assets and liabilities	1,232	-	1,232
Total consideration	9,743	258	10,001
Satisfied by:			
Cash	-	258	258
Equity instruments	-	-	-
Contingent consideration	9,743	-	9,743
Total consideration transferred	9,743	258	10,001
Net cash outflow arising on acquisition:			
Cash consideration	-	258	258
Less: cash and cash equivalent balances acquired	(2,487)	(42)	(2,529)
	(2,487)	216	(2,271)

7.2 Disposals

There were no disposals from the Group during the period to 30 September 2019.

8. TRADE AND OTHER RECEIVABLES

	30 September 2019 £'000	30 September 2018 £'000	31 March 2019 £'000
Trade receivables	25,977	11,057	17,229
Accrued income	10,617	4,123	5,591
Other receivables	1,759	2,092	8,570
Prepayments	5,142	1,982	3,832
	<u>43,495</u>	<u>19,254</u>	<u>35,222</u>

Trade receivables are stated including £3,084,000 of VAT and £3,824,000 of disbursements.

9. CASH AND CASH EQUIVALENTS

	30 September 2019 £'000	30 September 2018 £'000	31 March 2019 £'000
Cash in hand and at banks	2,669	4,257	4,759
Total	<u>2,669</u>	<u>4,257</u>	<u>4,759</u>

Cash and cash equivalents include the following:-

Cash as above	2,669	4,257	4,759
Bank overdrafts	(290)	(483)	(39)
Total	<u>2,379</u>	<u>3,774</u>	<u>4,720</u>

10. SHARE CAPITAL

	30 September 2019 Number	30 September 2019 £'000	30 September 2018 £'000	31 March 2019 £'000
Allotted, called up and fully paid				
Ordinary shares of 1p each	36,976,730	370	288	370

Ordinary shares rank equally as regards to dividends, other distributions and return on capital. Each ordinary share carries the right to one vote.

11. RESERVES

Share premium represents the difference between the amount received and the par value of shares issued less transaction costs.

The capital redemption reserve represents distributable reserves arising from the cancellation of deferred shares and share premium and was consolidated into Retained Earnings from 31 March 2019.

The reverse acquisition reserve has arisen under IFRS3 'Business Combinations' following the acquisition of the Gordon Dadds Group.

Other reserves represents the impact of the valuation of share options issued.

Retained earnings represents the cumulative profits or losses net of dividends paid and other adjustments.

12. TRADE AND OTHER PAYABLES

	30 September 2019 £'000	30 September 2018 £'000	31 March 2019 £'000
Current:			
Trade payables	9,944	2,632	7,666
Other taxes and social security	1,280	987	2,436
Other payables	1,954	731	1,344
Deferred consideration	8,522	4,617	7,436
Accruals	5,047	1,491	4,158
	26,747	10,458	23,040
Non-current:			
Other payables	1,112	-	-
Deferred consideration	25,959	10,391	21,607
Accruals	947	-	4,022
	28,018	10,391	25,629
Total	54,765	20,849	48,669

Substantially all of the deferred consideration above is dependent on the future performance of the acquired businesses to which it relates.

13. BORROWINGS

	30 September 2019 £'000	30 September 2018 £'000	31 March 2019 £'000
Bank overdrafts	290	483	39
Bank loans	12,401	-	6,000
Other loans	321	636	1,542
Obligations under hire purchase and lease contracts	21	35	29
Total borrowings	13,033	1,154	7,610
Current	1,728	1,006	2,370
Non-current	11,305	148	5,240
Total	13,033	1,154	7,610

The Group has a secured bank loan with Barclays Bank Plc with a carrying value of £5,700,000 at 30 September 2019 (March 2019: £6,000,000, September 2018: £nil). The loan was entered into on 31 December 2018, has a term of three years (to be repaid in quarterly instalments commencing in September 2019) and carries interest at LIBOR + 2.75% per annum. A £6.5m revolving credit facility was also entered into with Barclays Bank plc at 31 December 2018 and was drawn in June 2019. The loan and the revolving credit facility are both secured against certain entities within the Group and are subject to covenants which are assessed each quarter (no current or forecast breaches have been identified).

Other loans of £321,000 (March 2019: £1,542,000, September 2018: £636,000) are unsecured and carry interest at between 3.0 per cent and 10 per cent per annum. Other loans are repayable within 12 months, except non-current other loans of £126,000 which has a maturity of 1-3 years.

14. CHANGES IN ACCOUNTING POLICIES

14.1 Adjustments recognised on adoption of IFRS 16

The Group has adopted IFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for previous reporting periods, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

The Group has lease contracts for various offices and IT equipment. Before the adoption of IFRS 16, leases were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line bases over the period of the lease.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019 of 3.16%.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

	2019 £'000
Operating lease commitments disclosed at 31 March 2019	7,402
Discounting using the lessee's incremental borrowing date at the date of initial application	(742)
Add: finance lease liabilities recognised as at 31 March 2019	29
(Less): short-term leases recognised on a straight-line basis as expense	(389)
(Less): low-value leases recognised on a straight-line basis as expense	(47)
Add: adjustments as a result of a different treatment of extension and termination options	1,939
Lease liability recognised as at 1 April 2019	8,192
Of which are:	
Current lease liabilities	1,351
Non-current lease liabilities	6,841
	8,192

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 March 2019.

The change in accounting policy affected the following items in the balance sheet on 1 April 2019:

	£'000
Right-of-use assets	8,192
Sundry debtors	(101)
Lease liabilities	(8,163)
Accruals	72
Retained Earnings	-

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

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

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

14. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Set out below are the carrying amounts of the Group's right-of-use assets and the movements during the period:

	Property	Other equipment	Total
	£'000	£'000	£'000
At 1 April 2019	7,909	283	8,192
Acquisition of subsidiaries	7,290	-	7,290
Additions	964	-	964
Depreciation charge for the year	(2,142)	(19)	(2,161)
At 30 September 2019	14,021	264	14,285

As the Group has applied IFRS 16 using the modified retrospective approach, comparative information has not been restated and continues to be reported under IAS 17. The table below summarises the impact of IFRS 16 on the Group's Income Statement for the period to 30 September 2019:

	IAS 17	IFRS 16	
	Rental Expense	Depreciation	Interest
	£'000	£'000	£'000
Property	2,113	2,142	242
Other equipment	23	19	4
Total	2,136	2,161	246

14.2 Summary of new accounting policies

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

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

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

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

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

Payments associated with short-term leases and leases of low-value assets (with a value of less than £10,000) are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014