

## The Ince Group plc

("Ince" or the "Group")

Audited results for the year ended 31 March 2020

### Robust results driven by strong Ince brand

For the year ended 31 March (£m)	2020	2019	% Growth
Revenue	98.5	52.6	+87%
Operating profit	26.2	15.2	+72%
<i>% margin</i>	26.6%	28.9%	(230)bps
Adjusted* profit before tax	8.0	5.9	+36%
Adjusted** diluted earnings per share (p)	14.9p	18.8p	(21)%
Dividend per share (p)	-	6.0p	n/a
Net (debt)/cash	(9.0)	(2.9)	

\* Adjusted profit before tax is calculated as the profit before tax after adding back non-recurring items (as shown in note 11 to the financial statements) and after deducting the non-controlling interests shown in statutory accounts

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

#### Operational highlights

- Compound revenue growth of almost 60% p.a. since listing in 2017 (both through acquisitions and organic growth)
- Ince international offices now fully integrated into the Group's operations giving wider sector and geographical coverage
- More than 10 top tier lateral hires successfully embedded in the business
- Group now operates from eight jurisdictions across the UK, EMEA and Asia
- Collaborative selling across regions and expanded base of specialisms main driver of organic growth
- Successful fundraising of £14m in February 2020
- Completion and installation of wholly-owned multi-office, multi-currency practice management system.

#### Covid-19

- Trading performance has been impacted in first quarter of FY 2021 by Covid-19 (c. 10% reduction in revenue versus budget)
- Pre-existing infrastructure allowed all locations to move instantly to offsite working
- Asia practices (impacted from January 2020) have now returned to their offices following Government guidance although in Hong Kong for example social distancing measures have been reintroduced. At present we are operating at pre-pandemic levels and ahead of budget in this region

- Cash preservation through active engagement with colleagues, key suppliers and stakeholders to secure reductions and deferrals where appropriate. At 31 March 2020 cash holdings were £5.2 million and at 30 July 2020 were £6.4 million after £1.3 million scheduled reductions in borrowings

### Financial highlights

- Revenue £98.5m (2019: £52.6m) +87%
- Organic growth of revenue c. 5%
- Operating profits £26.2m (2019: £15.2m) +72%
- Adjusted\* profit before tax £8.0m (2019: £5.9m) +36%
- Non-recurring acquisition costs and related material items £1.7m (2019: £14.3m)
- Adjusted\*\* diluted earnings per share 14.9p (2018: 18.8p) -21%, reflecting equity issue
- Dividend cancelled in view of uncertainty caused by Covid-19 (2019: 6.0p)
- Net cash generated by operating activities £14.7m (2019: £5.9m)
- Net borrowings £9.0m (2018: net borrowings £2.9m), £1.2 million of external debt repaid since draw down in June 2019 and pay down continuing
- Profit and total comprehensive income for the year £21.8m (2018: £0.8m), diluted earnings per share 11.4p (2019: loss 28.1p )

\* Adjusted profit before tax is calculated as the profit before tax after adding back non-recurring items (as shown in note 11 to the financial statements) and after deducting the non-controlling interests shown in statutory accounts

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

### Outlook

Our strategy continues to be to grow revenue profitably through adding high performing partners to a single efficient administration operation. We do this by recruiting high quality personnel, developing new business streams, acquiring complementary businesses and forging strategic alliances.

The underlying business has proven resilient and the Group now has a firmly established international presence with a very strong brand.

The Board considers that the Group has the strength, flexibility and commitment to prosper and grow for the benefit of shareholders and colleagues over the coming years. Given the Covid-19 uncertainties, it is too early to provide guidance on the results for the current year.

### Adrian Biles, Group Chief Executive, commented:

*"I first want to thank my colleagues around the world without whom this year's strong performance could not have been achieved. Their fortitude, hard work and flexibility during this challenging time has been remarkable.*

*"We can justifiably claim that this has been a year of great progress. While we narrowly missed our £100m revenue target, the fact that these results were achieved despite the disruption caused by Covid-19 shows the quality of the business we are building.*

*"This is the first announcement to include the whole of Ince for a full year. The power of the Ince brand continues to win clients and attract talent.*

*"Throughout the year we have recruited exceptionally high quality partners in the marine, aviation, energy and insurance sectors, expanded the overseas offices and moved into exciting high-growth sectors. Also we have welcomed Rampart Corporate Advisors Ltd together with a team of senior shipping colleagues from Bentleys, Stokes and Lowless to the Group.*

*"We are continuing to realise the full potential of the Ince brand and our first class people."*

## **Presentations**

A presentation for analysts and institutional investors will be held today, 3 August 2020, at 11am. All participants must pre-register with Portland Communications to attend the event via: [ince@portland-communications.com](mailto:ince@portland-communications.com).

An open presentation and Q&A for all investors will also be held via the Investor Meet Company platform on 5 August 2020 at 4pm. Investors can register for the event via: <https://www.investormeetcompany.com/ince-group-plc-the/register-investor>

## **FOR FURTHER INFORMATION, PLEASE CONTACT:**

### **The Ince Group plc**

**[investorrelations@incegd.com](mailto:investorrelations@incegd.com)**

Adrian Biles, Group Chief Executive

Simon Oakes, Chief Financial Officer

### **Arden Partners plc**

Nominated Advisor and Broker to the Company **+44 (0) 20 7614 5900**

John Llewellyn-Lloyd, Corporate Finance

Ciaran Walsh, Corporate Finance

Dan Gee-Summons, Corporate Finance

Fraser Marshall, Equity Sales

### **Portland Communications**

**+44 (0) 7767 345 563**

Steffan Williams

[ince@portland-communications.com](mailto:ince@portland-communications.com)

Simon Hamer

Riku Heikkila

## **About The Ince Group plc**

The Ince Group is an international legal and professional services business with 21 offices in eight countries across Europe, the Middle East and Asia. With some 800 people, including over 100 equity partners worldwide, The Ince Group delivers legal advice, strategic guidance and business solutions to sector leading businesses operating across numerous industries. Through its entrepreneurial culture and "one firm" approach, the business offers its clients over 150 years of expertise, insight and relationships. The Group is driven by a senior management team whose broad expertise and deep sector specialisms provide its clients with solutions to complex legal and strategic needs.

Please visit [www.theincegroup.com](http://www.theincegroup.com) for more information.

## Chairman's statement

It gives me great pleasure to present my first report since succeeding Anthony Edwards as chairman in April this year. I and the board thank Anthony for his guidance and chairmanship through the flotation process and since the Group's admission to AIM.

The Group's turnover increased by 87% to £98.5 million, operating profit by 72% to £26.2 million and Adjusted\* profit before taxation to £8.0 million from £5.9 million. Adjusted\* diluted earnings per share were 14.9p, a decrease of 22% from last year reflecting the increased shares in issue. We paid a dividend of 4p per share in the year and had declared a further dividend of 2p per share for payment in April, however this was cancelled for prudence as the Covid-19 pandemic struck. The Group's results are more fully described and discussed in the following pages by our CEO and our Group FD.

The year has been another one full of challenges and successes. Continuing the integration of the two firms, their operations and their cultures has been an on-going process and the CEO develops that theme below. The results for the year were advancing well until Covid-19 appeared and global governmental actions to limit the spread progressively impacted all of our offices, starting in the Far East in January. This has dampened the outcome for the year end, however we are pleased with the substantial progress throughout the year.

I would like to place on record my thanks to all our colleagues across the Group around the world for their dedication to serving our clients particularly throughout the period of unusual working conditions.

The Group's strategy continues to be the profitable growth of income and the intellectual capital of the Group both through lateral team hires and, where appropriate, acquisitions. To this end, the Group has increased the number of equity partners to over 100 since 1 April 2019. This includes achieving control of the Ince offices in Hong Kong, Singapore, Dubai, Greece, Monaco and Germany and taking on the partners of Bentleys, Stokes and Lowless, a long established boutique London law firm specialising in shipping.

Of particular significance have been the lateral hires of three partners in Hong Kong who have driven substantial growth in that office and the hires of Julian Clark as Senior Partner of the law firm, Mark Tantam as head of consulting businesses and Alex Janes as head of EMEA offices who are all now active across the Group. The latter three have brought both significant client lists and experience of managing international professional service businesses, expanding and strengthening the Group's management team.

In late March, the Board reluctantly concluded that the Company should take the prudent action of cancelling the dividend which had been declared for payment in April as there was a high level of uncertainty about the impact of the Covid-19 pandemic. The Group has conserved cash very effectively since then and at 30 July 2020 had cash of some £6.4 million in the bank compared with £5.2 million at 31 March and we had reduced indebtedness by £1.3 million by scheduled repayments. Various governmental programmes which have been helpful to the Group will expire or be reduced over the next few months and there will be obligations to pay back some of this funding. Accordingly, the Board does not believe it prudent to propose a dividend at this time. The Board continues to believe that rewards for shareholders who have invested in the business are very important and the position is under continuous review.

In terms of governance, we are actively looking to recruit at least one further non-executive director and are determined to deliver a board which is balanced, diverse and inclusive in terms of area of relevant expertise, background and culture. It is very important that the boardroom has a wide range of views in order to understand, acknowledge and respond to our clients, colleagues and shareholders.

The Group now has a firmly established global presence with a very strong brand which we are continuing to build upon through lateral team hires. The world will not be the same post Covid-19, however I believe that the Group has the strength, flexibility and commitment to prosper and grow for the benefit of our valued shareholders and colleagues over the coming years. Given the Covid-19 uncertainties, it is too early to provide guidance on the results for the current year.

David Furst, Chairman

31 July 2020

*\* These terms are explained in the Chief Financial Officer's report*

## Group Chief Executive's Report

I first want to thank my colleagues around the world without whom this year's strong performance could not have been achieved. Their fortitude, hard work and flexibility during this challenging time has been remarkable.

The year has been another one of great progress for the Group, with the completion of the Ince consolidation in April 2019 which saw the overseas offices joining the Group and contributing to revenues which, despite the effects of the Covid-19 pandemic, almost reached £100 million.

Our strategy has been and continues to be to acquire and grow revenue through organic growth, lateral hires and, where appropriate, acquisition and to administer that revenue through a single efficient administrative operation in a low-cost environment.

Our objective at admission to AIM in August 2017 was to double revenue in three years. As we approach the third anniversary, our reported revenue has almost quadrupled, a compound growth rate of almost 60% p.a.

We have the ambition to develop a highly profitable and fast growing international legal and professional services group and have the structure and teams in place to achieve this.

### *Key achievements*

- From the consolidation of the Ince overseas offices in April 2019 and the integration of all of the Ince offices into the Group, the increasing collaboration between offices and practice areas has been progressively driven forwards.
- We have also focussed on forging a common culture across the various teams and offices, aimed at embedding the Group's core values of connection, agility, clarity and entrepreneurship.
- In mid 2019 we completed a branding review aimed at capitalising on the Group's established brand names. We also implemented a new brand style for the very strong "Ince" brand globally for most of the businesses. We have had increasing evidence of the strength of this brand and have adjusted the balance sheet intangible value to ascribe more value to the brand acquired instead of the client portfolio essentially connected to the partners of the acquired business. We recognise that the business is "sticky" to individual partners but is stickier to the Ince brand where clients have multiple touchpoints. This is reflected in the balance sheet at 31 March 2020.
- We have begun the process of strengthening the Ince overseas offices where partner attrition had left them sub-scale. In doing this we have deliberately sought to expand the service lines offered by those offices beyond the world leading marine services which they have always provided: this has included the three Hong Kong partners taken on (as reported last year) who have been effective in developing their non-marine business in the Group very rapidly. A further four partners have joined our offices in Dubai, Gibraltar and Singapore in the second half of the year strengthening our service offering in those regions.
- Through very senior lateral hires in the UK we have also expanded and strengthened the management team and then created an executive committee which is responsible to the Chief Executive and the board for delivering successful day-to-day operations.
- In addition to those very senior lateral hires and the overseas lateral hires a number of focussed lateral hires in the UK have also been achieved. We have made more than 10 top tier lateral hires in the year
- We raised £14.0 million of further equity capital early in 2020 and we were pleased to welcome a number of new shareholders as well as further investment by many of our existing institutional investors, private investors, partners and colleagues.
- Perhaps the most gratifying achievement has been the way the Group has reacted to the Covid-19 pandemic: it first struck in the Far East and we closed our offices there in late January to protect personnel while continuing to operate to support our clients seamlessly. We then progressively closed each of the other offices as required. Our infrastructure and administrative services enabled all our colleagues to provide the usual high quality service our clients expect at all times. The Greater China offices were the first to re-open and they have, so far in the current financial year, performed ahead of our expectations. The EMEA and UK offices started re-opening later and are showing encouraging signs of a return to normality. That said, we continue to encourage agile working and have plans to ensure continuity of client service through any future potential lock downs across our jurisdictions.

### *Financial performance*

We are pleased with our results, which are detailed in the Group Finance report below, with the Ince businesses delivering a full year's contribution for the first time.

The Group's revenues have grown by 87% over the year and much of this is due to the inclusion of the whole of Ince for a complete year. Within this, we estimate that organic growth was 5%

The split of the Group's revenue by business area has changed significantly over the year, with the contribution from marine, aviation and transport activities growing to represent half of the Group's revenue for the year. We are also pleased to see that the revenues generated by real estate (as a proportion of the global revenues) has dropped significantly and was significantly less than 10% in the year. These revenues, while important to the business as an adjunct to other service lines, are volatile, high risk and high maintenance and we are much more comfortable for the future of the business with such revenues at or under 10% of the whole Group.

An analyses of the revenues for the year ended 31 March 2020 by service line is set out below.

Years to 31 March	2020	2019	2018
	£m	£m	£m
Shipping & trade	55.7	8.8	-
Dispute resolution	17.0	10.0	9.5
Corporate & tax	11.6	13.4	9.1
Real estate	5.8	7.3	6.6
Family & private client	3.9	4.9	3.4
Other	4.5	8.2	2.7
	<u>98.5</u>	<u>52.6</u>	<u>31.3</u>

Geographically, the revenue for the year ended 31 March 2020 was as below.

Year to 31 March	2020
	£m
UK	63.9
Greater China	19.6
Dubai	4.9
Germany	3.6
Greece	3.5
Singapore	1.7
Gibraltar	1.3
	<u>98.5</u>

### *Operational performance*

We have continued to integrate all aspects of our operations onto a single administrative platform which can serve all our offices on a basis which enables appropriate regional and departmental management control. Operations are managed across all service lines to enable sensible operational decisions at global and local levels as appropriate.

As reported previously, the Group now owns a copy of the basic source code for the Group's practice management system. Over the last twelve months this has continued to be developed and is expected in the next month to deal with all London transactions regardless of origin of the transaction or execution or currency. It will then be installed in all overseas offices over coming months, becoming one of, if not the only, independent multi-office, multi-currency practice management systems available to UK based businesses which is not associated with a major data supplier and therefore subject to that supplier's own commercial imperatives. We believe that this is a significant competitive advantage.

Our core remuneration model (as well as the valuable brand “Ince” which is being enhanced and developed) continues to be a magnet for partners in other firms to join us – our results in this regard over the last twelve months evidence the powers of our brand and our remuneration structure. Our remuneration model focuses on professional practitioners being rewarded both for the billable work they do and for the income generated from their clients. Our basic model for partners continues to be refined to promote our core values and the behaviours we want to see which will drive Group profitability. We continue to focus partners financially on generating fees from their clients, 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 have placed a lot of emphasis since the Ince acquisition on the development of a culture for the Group. This culture aims to provide an environment of trust for partners and colleagues which is open and transparent and in which everyone can perform to the best of their abilities. In the context of an integration on the scale of the Ince merger, the turnover in partners and other colleagues over the period has been little different to the Group’s history. The stability of partners and other colleagues is, we believe, vital in delivering the continuing satisfaction of clients and we are, therefore, unsurprised by our clients being open to using the other strengths of the Group where appropriate.

### *The future*

We can and will do even better as the partners in the Group come to trust each other with each other’s clients to develop performance. We are determined to grow our client base and intellectual capabilities and believe we have the platform to achieve this. We have built a platform which supports a substantial international business which is being incrementally grown by lateral hires and modest acquisitions – for both of which there continues to be a ready supply of opportunities.

We continue to develop the collaborative growth of the business from adding service lines supplied by new recruits in an office and from the ability to service additional needs of existing clients. This requires significant trust to be built up between partners and other colleagues across service lines and geographies.

We have made progress in our diversity and inclusion strategy, but we must continue to improve this further. The value created through diverse experiences and contributions at all levels in our business are important to our growth. We have re-established a new diversity and inclusion steering committee made up of colleagues from across the Group, who I and the board will work closely with to drive our strategy over the coming years.

Our clients are, along with its people, the Group’s most valuable assets. It is because of the value we add for our clients that we can continue to do what we do best: advise them in relation to their most crucial and important business and personal needs. We need to look after our clients, make sure we are communicating with them in the right way and at the right time, and continue to deliver the high-quality legal service they have come to expect from Ince. Clear and accurate communication is key to success. The Ince Key Account Management Programme (KAM) has recently been launched for a number of clients with whom we believe we can further develop and strengthen relationships, resulting in better service for those clients and increased revenue for the Group.

Our existing client base is our most valuable marketing and business development audience so by implementing and investing in a KAM programme we will:

- Develop and broaden relationships with existing clients
- Create greater client loyalty
- Through listening to clients, better understand our clients’ current business along with future needs
- Generate greater revenue growth from clients who are managed and developed

There are a number of active examples of this, for example, where we achieved a successful small transaction for a client in the last three years and where we are now billing that client a substantial multiple of the initial fee on an annual basis – the key as we see it is to be a trusted partner of our client, providing a range of services which enable the clients to realise increased value from their businesses.

Notwithstanding the global Covid-19 pandemic, the current year is generating opportunities to grow the business and we are seizing those opportunities.

One of our key differentiators as a listed professional services entity is the quality of our work and the quality of our people who look after our clients. While we enjoyed the benefit of a number of market leading practice areas prior to the Ince merger, without a doubt that merger brought with it a substantial body of first class business and

professional partners and colleagues. We have consolidated the marketing of our client services under the Ince brand and our clients include a wide range of world leaders in shipping, energy and aviation among other sectors.

We will continue to succeed further and drive value for our shareholders by continuing to provide relevant and expert advice to our clients from understanding their business as a whole or their individual circumstances (rather than the particular legal issue they might expect to consult us on) therefore providing value to our client. This will enable us further to succeed and drive value for our shareholders.

Adrian Biles

31 July 2020

## Chief Financial Officer's Report

The Group's consolidated results for the year ended 31 March 2020 show total revenue of £98.5 million (2019: £52.6 million), operating profits of £25.9 million (2019: £15.2 million) and adjusted profit before tax of £7.7 million (2019: £5.92 million).

For the year ended 31 March (£m)	2020	2019	% Growth
Revenue	98.5	52.6	+87%
Operating profit	26.2	15.2	+72%
<i>% margin</i>	26.6%	28.9%	(230)bps
Adjusted* profit before tax	8.0	5.9	+36%
Adjusted** diluted earnings per share (p)	14.9p	18.8p	(21)%
Dividend per share (p)	-	6.0p	n/a
Net (debt)/cash	(9.0)	(2.9)	

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 of £1.6 million in 2020 (2019: £14.3 million). In 2020, these primarily relate to costs for the final phase of the Ince acquisition when new network arrangements were established with certain Ince overseas offices; and
- deducting partners' profit shares and other non-controlling interests of £16.4 million in 2020 (2019: £9.3 million). Partners' profit share and other non-controlling interests represent the costs of rewarding and motivating the relevant business generators. It is one of the largest outgoings (and 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 operating costs 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.

The result is adjusted profit before tax and adjusted earnings per share (both for continuing operations) as shown below.

For the year ended 31 March	2020	2019
	£m	£m
Profit before tax from statement of comprehensive income	23.20	0.97
Deduct: Non-controlling interests including partners' profit shares	(16.85)	(9.31)
Add: Non-recurring costs - acquisition costs and material related costs	1.66	14.26
<b>Adjusted profit before tax</b>	<b>8.01</b>	<b>5.92</b>
Deduct: Taxation	(1.54)	(0.21)
<b>Adjusted profit after tax for adjusted earnings per share</b>	<b>6.47</b>	<b>5.71</b>

### **Key Performance Indicators (KPIs)**

To achieve profits for shareholders, we focus the business on a small number of KPIs which we consider essential business drivers of profit growth. In simple terms, if we grow revenues, maintain or increase gross margin, constrain overheads and convert work done into cash, the profits for shareholders (as measured by adjusted profit before tax) will grow.

We therefore monitor the progress of the business through four essential KPIs:

- Revenue (measured net of disbursements and VAT)
- Gross margin percentage
- Overheads as a percentage of revenue
- Lockup

For management purposes we regard the profit and loss account as follows:

	2020	2019
	£m	£m
Revenue	98.5	52.6
Production costs – employment costs	(31.6)	(12.0)
Production costs – non-controlling interests	(16.8)	(9.3)
Production costs – amortisation *	(2.0)	(1.5)
Production costs – other	(4.2)	(4.2)
Gross margin	<u>43.9</u>	<u>25.6</u>
Administrative salaries and non-productive profit shares	(13.6)	(6.3)
Other overheads	<u>(22.3)</u>	<u>(13.4)</u>
Adjusted profit before tax	<u>8.0</u>	<u>5.9</u>

\* - this represents amortisation of client portfolio intangibles of acquired businesses, recognised in in line with relevant fee billings / cash collections

*Revenue* is discussed in the Group Chief Executive's report above.

*Production costs* are the profit shares of the equity partners and the employment costs of the other fee earners together with their direct costs (such as travel) and direct support costs (such as dedicated secretaries) and provision for doubtful and bad debts (where we provide for all unsecured debts over six months old). This also includes the amortisation of client portfolios.

*Gross margin* is the fees charged to clients less direct production costs and is expressed as a percentage of revenue. Gross margin is in the control of the heads of each department or business unit and these individuals are rewarded with a participation in gross margin achieved in excess of 45%. In the current year (and after including amortisation which will be replaced by a partners' profit share in due course) it was 44.6% (2018: 48.6%). The current year's gross margin reflects:

- The incorporation of the gross margin profiles of the Ince overseas offices (39% in the year), which were brought into the Group in the knowledge they required a certain level of investment in fee earners through lateral hires to improve their fee earning capacity:
  - This began in the year with the hiring into our Greater China practice in Q1 of a team of three partners supported by twenty fee earner colleagues into our Hong Kong office, which resulted in that region delivering gross margin of 48% for the year (£9.3m).
  - Management is now focussing on securing lateral hires into other regions, with the recent hires in Singapore, Dubai and Gibraltar mentioned earlier.

*Overheads* are all the other costs of running the business - premises, insurance, computing and telephones etc. - apart from the costs of acquisitions. In the year, overheads as a percentage of fees charged to clients were 36.4% (2019: 37.4%) while our target is 30%. The target becomes more achievable the more fees are generated, so the

successful deployment of lateral hires into the overseas offices will be critical to delivering this metric. As noted below, we are also reviewing our overhead cost base in the light of the impact of Covid-19.

Lock up is defined for our KPI as the value of trade debtors and work in progress compared with fees charged to clients, in each case excluding disbursements and VAT. This measure is under the control of the Client Care Partner for each client and they are guided and assisted in this by our revenue management team. Our current target for this is 100 days for the Group, although within this we expect some degree of variance across the different jurisdictions in which we operate. In the last quarter of the financial year, lock up significantly increased as Covid-19 impacted the Group, first in our Asian operations and latterly in the UK. Lock up as at 31 March 2020 was therefore 96 days. This was despite a marked slowing of debtor collections in the period immediately preceding the lockdown in the UK and a significant build up in debtors in Greater China.

Management's focus remains on achieving the above lock up, gross margin and overheads targets in the medium term. There is an aspiration of a 15% net margin but management believes 10-12% is realistically achievable in a shorter term after non-recurring expenses. Management is also closely focussed on optimising the productive capacity of fee earners and delivering organic growth through collaborative selling across our different disciplines and jurisdictions.

### **Funding and external facilities**

In February 2020, the Group raised £14.0 million through a share issue of 31,214,182 new shares.

In the placing announcement for the issue of new shares, the Group indicated an intention to pay down its £6.5 million RCF from Barclays Bank plc. This RCF is part of the external debt facilities put in place in December 2018 at the point of the first phase of the Ince acquisition. It was planned that the repayment would take place during the financial year ending 31 March 2021.

When Covid-19 began to impact the international markets in which the Group operates, the Directors decided to delay repayment of the RCF to mitigate the adverse cash flow impacts from Covid-19. As noted below, revised forecasts, including an estimate of Covid-19's impact, show the Group will be able to meet the Barclays Bank plc external debt facilities' covenants over the next 12 months.

### **Balance sheet and cash flow**

The acquisition of Ince gave rise to intangible assets which have been recognised in three ways – as goodwill, as client portfolio and as trademark, associated to the value of the Ince brand. A third party valuation of the Ince brand at the date of acquisition has been commissioned and an initial valuation of £17 million has been received and included in the balance sheet as part of the intangible asset acquisition of Ince. We have also received initial guidance that the efforts we have invested in developing the brand have significantly increased this value since acquisition. Both goodwill and the value of the trademark will be reviewed annually for impairment. The client portfolio value is being amortised over the three years during which the deferred consideration is being paid to the former Ince partners (until December 2021), at an annual charge of some £2 million.

At the end of the year, the balance sheet had net borrowings of £9.0 million (2019: net borrowings of £2.9 million), comprising cash and cash equivalents of £5.2 million and borrowings of £14.2 million, predominantly comprising the Barclays facilities discussed above. As noted above, this net debt position is higher than anticipated at the time of the share issue, as we have continued to use the Group's £6.5 million RCF whilst Covid-19 has temporarily reduced business activity and slowed cash collections in some parts of the business.

The Consolidated Statement of Cash Flow shows that the Group had £14.7 million of cash flow generated by operating activities (2019: £5.9 million).

As was outlined in last year's statutory accounts, whilst some tax losses remain available for use, this year the rate of tax (at 6.7%) has moved closer to the standard UK rate of Corporation Tax. It remains our expectation that this trend will continue moving forward. As a result of the disallowance of the amortisation of client portfolios as an expense, the effective tax rate on Adjusted Profit before tax is higher than the standard UK rate and this is expected to continue for the next financial year before returning towards that standard rate.

### **Covid-19**

The Covid-19 virus has had a rapid and significant impact on the global economy, affecting many of the markets and sectors in which we operate. As a result of this pandemic, the level of chargeable work being done in various practice areas has reduced in particular in transactional areas such as real estate and corporate.

Accordingly, the Group has taken proactive action across all of its locations and has activated business continuity plans minimising the risk of disruption to business operations, taking account of relevant local government advice and the need to safeguard the health of our workforce. Steps have been taken to reduce / delay costs, including:

- Discretionary expenditure across all our locations has been cancelled or deferred, unless an immediate, business critical requirement is identified, and key suppliers / stakeholders have been engaged with to temporarily defer or reduce expenditure.
- The Group has taken advantage of the UK Government's furlough scheme in the case of colleagues who cannot for various reasons effectively work other than in the Group's offices and also where clients do not need servicing (for example in the residential conveyancing part of the UK business). Departmental management has been tasked with using the scheme to maintain a level of utilisation above 60%.
- All Board and most UK colleagues' salaries have been reduced on a temporary basis and partners' drawings have been reduced and profit distributions deferred.

We have been pleased with the level of engagement and support we have received from colleagues and partners as well as our supplier network. We will continue to follow the various national institutes' policies and advice and in parallel will look to continue our operations in the best and safest way possible without jeopardising anyone's health.

Furthermore, although the impact was first seen in our Asian offices in late January 2020, these offices have now seen activity levels return to levels included in the original forecast for the year ending 31 March 2021.

#### **Going concern**

In light of the impact of Covid-19, the Directors revised the original forecasts for the financial year ending 31 March 2021 to sensitise for the potential impact on profitability and cash flow over the next 12 months.

This revised model was prepared using the expected impact based on trading patterns in March and April 2020, which indicated a potential reduction in activity levels and therefore revenue of 20% to 30%. The actual adverse impact to date has not been as significant with revenues to 30 June only c.10% behind our budget prepared before Covid-19 and cash at 30 July 2020 approximately £6.4 million.

The cash flow forecast indicates a low point of cash across the Group in October 2020 of £2.7 million (with £8.3 of net debt), once the impact of the cash management actions described above is taken into account and after paying all debt repayments due on schedule. The Group's external debt facilities are not due for renewal until December 2021 and forecasts indicate the Group will meet its covenant requirements for the next 12 months.

Consequently, the Board of Directors expect that the Company and the Group have adequate resources to continue to trade for the next 12 months. Accordingly, these accounts have been prepared on a going concern basis.

Simon Oakes

31 July 2020

## Consolidated Statement of Comprehensive Income

	Note	Year ended 31-Mar-20 £'000	Year ended 31-Mar-19 £'000
<b>Continuing operations</b>			
Fees and commissions	5	98,478	52,576
Staff costs	6	(45,153)	(18,296)
Depreciation and amortisation		(8,279)	(1,665)
Other operating expenses		(19,182)	(17,406)
Other operating income		354	38
<b>Operating profit</b>	7	<b>26,218</b>	<b>15,247</b>
Finance income	8	352	218
Finance expense	8	(1,571)	(251)
Non-recurring costs	9	(1,657)	(14,267)
Share of (loss)/profit of associates		(140)	19
<b>Profit before income tax</b>		<b>23,202</b>	<b>966</b>
Income tax expense	10	(1,543)	(206)
<b>Profit from continuing operations</b>		<b>21,659</b>	<b>760</b>
Profit from discontinued operations		137	-
<b>Profit for the period</b>		<b>21,796</b>	<b>760</b>
<b>Attributable to:-</b>			
Equity holders of the Company		4,952	(8,552)
Non-controlling interests		16,844	9,312
<b>Profit for the period</b>		<b>21,796</b>	<b>760</b>
<b>Earnings per share</b>			
Basic earnings per share (pence)	11	11.78	(28.66)
Adjusted basic earnings per share (pence)	11	15.39	19.15
<b>Diluted earnings per share</b>			
Diluted earnings per share (pence)	11	11.42	(28.10)
Adjusted diluted earnings per share (pence)	11	14.92	18.77
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss:			
Translation of foreign operations		35	-
<b>Other comprehensive income for the period</b>		<b>35</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>21,831</b>	<b>760</b>

As disclosed in note 11 adjusted profit before tax for the year is £8,015,000 (2019: £5,921,000).

There is no tax on any component of other comprehensive income or expense.

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

## Statements of Financial Position

The Ince Group plc (Registered number: 03744673)

	Note	Restated			
		Group 31-Mar-20 £'000	Group 31-Mar-19 £'000	Company 31-Mar-20 £'000	Company 31-Mar-19 £'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	3,761	1,182	90	-
Right-of-use assets	14	17,441	-	696	-
Intangible assets	15	80,825	74,443	-	-
Investments	16	470	379	47,607	47,191
		<b>102,497</b>	<b>76,004</b>	<b>48,393</b>	<b>47,191</b>
<b>Current assets</b>					
Trade and other receivables	17	44,412	31,960	38,886	30,223
Corporation tax		-	-	-	168
Cash and cash equivalents	18	5,250	4,759	3	987
		<b>49,662</b>	<b>36,719</b>	<b>38,889</b>	<b>31,378</b>
<b>Total assets</b>		<b>152,159</b>	<b>112,723</b>	<b>87,282</b>	<b>78,569</b>
<b>EQUITY</b>					
<b>Capital and reserves attributable the Company's equity holders</b>					
Share capital	19	686	370	686	370
Share premium	20	24,126	11,192	24,126	11,192
Reverse acquisition reserve	20	(24,724)	(24,724)	-	-
Foreign exchange translation reserve	20	35	-	-	-
Other reserves	20	634	48	3,460	2,874
Distributable reserves	20	41,527	38,787	18,894	30,543
		<b>42,284</b>	<b>25,673</b>	<b>47,166</b>	<b>44,979</b>
Non-controlling interest		9,064	5,807	-	-
<b>Total equity</b>		<b>51,348</b>	<b>31,480</b>	<b>47,166</b>	<b>44,979</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Trade and other payables	21	22,453	35,431	-	-
Borrowings	22	10,400	5,240	10,400	5,100
Provisions	23	2,189	2,050	-	-
Lease liabilities	14	13,284	-	370	-
		<b>48,326</b>	<b>42,721</b>	<b>10,770</b>	<b>5,100</b>
<b>Current liabilities</b>					
Trade and other payables	21	39,325	27,822	27,756	27,590
Corporation tax		1,372	245	-	-
Borrowings	22	3,829	2,370	1,200	900
Provisions	23	2,407	8,085	-	-
Lease liabilities	14	5,552	-	390	-
		<b>52,485</b>	<b>38,522</b>	<b>29,346</b>	<b>28,490</b>
<b>Total liabilities</b>		<b>100,811</b>	<b>81,243</b>	<b>40,116</b>	<b>33,590</b>
<b>Total equity and liabilities</b>		<b>152,159</b>	<b>112,723</b>	<b>87,282</b>	<b>78,569</b>

The Company has taken advantage of the exemption contained in S408 Companies Act 2006 and has not presented a separate income statement for the Company. The Company recorded a loss of £9,437,000 for the 12 month period ending 31 March 2020.

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 31 July 2020 by S. Oakes - Director.

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

## Consolidated Statement of Cash Flows

	Group 12 months to 31-Mar-20 £'000	Group 12 months to 31-Mar-19 £'000	Company 12 months to 31-Mar-20 £'000	Company 12 months to 31-Mar-19 £'000
<b>Cash flows from operating activities</b>				
Profit before tax from continuing operations	23,202	966	(9,269)	(886)
Profit before tax from discontinued operations	137	-	-	-
<b>Adjustments for:</b>				
Finance income	(352)	(218)	-	-
Finance expense	1,571	251	-	50
Non-recurring costs	1,657	14,267	391	-
Depreciation, amortisation and impairment	8,279	1,665	294	48
Share options expense	172	-	172	-
Gain on sale of discontinued operations	(51)	-	-	-
Share of loss of associates	140	(19)	-	-
Net exchange differences	(323)	-	-	-
<b>Changes in operating assets and liabilities (net of acquisitions):</b>				
Decrease/(increase) in trade and other receivables	(9,616)	(15,589)	(731)	(63)
(Decrease)/increase in trade and other payables	(1,787)	(1,388)	292	99
(Decrease)/increase in provisions	(6,380)	6,571	-	-
<b>Cash generated by operations</b>	<b>16,649</b>	<b>6,506</b>	<b>(8,851)</b>	<b>(752)</b>
Interest and other financial costs paid	(1,054)	(92)	(370)	(50)
Tax paid	(896)	(554)	-	-
<b>Net cash generated by operating activities</b>	<b>14,699</b>	<b>5,860</b>	<b>(9,221)</b>	<b>(802)</b>
<b>Cash flows from investing activities</b>				
Cash paid on acquisitions (net of cash acquired)	2,078	(6,388)	-	-
Payment of contingent and deferred consideration	(10,126)	(4,762)	-	-
Payment of acquisition related costs	(1,657)	(7,525)	-	-
Purchase of PPE	(1,436)	-	(116)	-
Proceeds from disposal of PPE	2	-	-	-
Purchase of intangible assets	(1,627)	(795)	-	-
Disposal of subsidiary, net of cash disposed of	(191)	-	-	-
Interest received	352	218	-	-
<b>Net cash absorbed by investing activities</b>	<b>(12,605)</b>	<b>(19,252)</b>	<b>(116)</b>	<b>-</b>
<b>Cash flows from financing activities</b>				
Movement in borrowings (including finance leases)	6,133	6,969	5,600	6,000
(Advances to)/repayments by subsidiaries	-	-	(8,073)	(14,157)
Proceeds from issues of shares	14,046	11,504	14,048	11,504
Transaction costs relating to issue of shares	(800)	(460)	(800)	(460)
Dividends paid	(2,197)	(1,150)	(2,197)	(1,150)
Transactions with non-controlling interests	(15,513)	(7,699)	-	-
Direct cost of leases	(24)	-	(17)	-
Payment of lease liability	(3,268)	-	(208)	-
<b>Net cash absorbed from financing activities</b>	<b>(1,623)</b>	<b>9,164</b>	<b>8,353</b>	<b>1,737</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>471</b>	<b>(4,228)</b>	<b>(984)</b>	<b>935</b>
Cash and cash equivalents at beginning of period	4,720	8,948	987	52
Effects of exchange rate changes on cash	-	-	-	-
<b>Cash and cash equivalents at end of period</b>	<b>5,191</b>	<b>4,720</b>	<b>3</b>	<b>987</b>

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

## Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Reverse acquisition reserve £'000	Foreign exchange translation reserve £'000	Other reserves £'000	Distributable 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	-	-	-	-	-	(8,552)	9,313	761
Dividend paid	-	-	-	-	-	(1,150)	-	(1,150)
Shares issued in period	82	11,422	-	-	-	-	-	11,504
Share options acquired	-	-	-	-	48	-	-	48
Share issue transactions costs	-	(460)	-	-	-	-	-	(460)
Transferred to members	-	-	-	-	-	-	(8,018)	(8,018)
<b>Balance at 31 March 2019</b>	<b>370</b>	<b>11,192</b>	<b>(24,724)</b>	<b>-</b>	<b>48</b>	<b>38,787</b>	<b>5,807</b>	<b>31,480</b>
Balance at 1 April 2019	370	11,192	(24,724)	-	48	38,787	5,807	31,480
Profit for the period	-	-	-	-	-	4,952	16,844	21,796
Other comprehensive income	-	-	-	35	-	-	-	35
Dividend paid	-	-	-	-	-	(2,212)	-	(2,212)
Shares issued in period	316	13,734	-	-	414	-	-	14,464
Share options acquired	-	-	-	-	172	-	-	172
Share issue transaction costs	-	(800)	-	-	-	-	-	(800)
Transferred to members	-	-	-	-	-	-	(13,587)	(13,587)
<b>Balance at 31 March 2020</b>	<b>686</b>	<b>24,126</b>	<b>(24,724)</b>	<b>35</b>	<b>634</b>	<b>41,527</b>	<b>9,064</b>	<b>51,348</b>

As both the capital redemption reserve and retained earnings are by nature distributable these items have been presented on a combined basis in the above.

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

## Company Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Distributable reserves £'000	Total equity £'000
Balance at 1 April 2018	288	230	2,826	32,411	35,755
Profit/(loss) and total comprehensive income/(expense) for the period	-	-	-	(718)	(718)
Dividend paid	-	-	-	(1,150)	(1,150)
Shares issued in period	82	11,422	-	-	11,504
Share options acquired	-	-	48	-	48
Share issue transactions costs	-	(460)	-	-	(460)
<b>Balance at 31 March 2019</b>	<b>370</b>	<b>11,192</b>	<b>2,874</b>	<b>30,543</b>	<b>44,979</b>
Balance at 1 April 2019	370	11,192	2,874	30,543	44,979
Profit/(loss) and total comprehensive income/(expense) for the period	-	-	-	(9,437)	(9,437)
Dividend paid	-	-	-	(2,212)	(2,212)
Shares issued in period	316	13,734	414	-	14,464
Share options acquired	-	-	172	-	172
Share issue transactions costs	-	(800)	-	-	(800)
<b>Balance at 31 March 2020</b>	<b>686</b>	<b>24,126</b>	<b>3,460</b>	<b>18,894</b>	<b>47,166</b>

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

## Notes to the Financial Statements

### 1. GENERAL INFORMATION

The Ince Group plc (the Company) and its subsidiaries (together 'The Ince Group' or 'the Group') provide legal & professional services and independent financial advisory services to businesses and high net worth individuals in the UK.

The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is Aldgate Tower, 2 Leaman Street, London E1 8QN.

These consolidated financial statements have been approved for issue by the Board of Directors on 31 July 2020.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

These consolidated financial statements of The Ince Group plc are for the 12 month period to 31 March 2020. The financial statements have been prepared in accordance with IFRS as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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. At the date of this report, the Group is taking the Covid-19 threat to its clients, vendors, staff and overall business very seriously. The Group is taking proactive action and has activated business continuity plans, where required across the jurisdictions in which the Group operates, to minimise the risk of disruption to business operations. In doing this, the Group has taken account of government advice in the jurisdictions in which it operates and the need to safeguard the health of our clients. At this stage, the impact on our business and results is limited. We will continue to follow the various locations' national policies and advice and in parallel will do our utmost to continue our operations in the best and safest way possible without jeopardising anyone's health.

As a result of Covid-19, the Directors revised the original forecasts for the financial year ending 31 March 2021 to sensitise for the potential impact on profitability and cash flow over the next 12 months. This revised forecast indicates the Group has sufficient cash to trade for at least the next 12 months and will meet its covenant requirements under its external debt facilities in this period.

Consequently, the Board of Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the next 12 months.

The financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements. The policies set out below have been consistently applied to all the periods presented.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board ("IASB") that are relevant to its operations and are currently effective. 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 34. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

#### 2.2 EU adopted IFRS not yet applied

The Group has not adopted any standards or interpretations in advance of the required implementation dates.

## **Notes to the Financial Statements (continued)**

### **2.3 Consolidation**

Subsidiaries are entities controlled by the Company. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed in the period. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The Company's accounting period date 31 March is in line with its subsidiaries, except in the instance of the subsidiary Herring Parry Khan Law Office (Ince & Co Greece). This entity's results as at 31 December are consolidated, as it is considered impractical to consolidate the results at 31 March. The impact of this is not considered material and any transactions in this entity, which are considered to be material and have occurred in the period between January and March, are included in the consolidated accounts.

### **2.4 Investments in subsidiaries**

Investments in subsidiaries are included at cost less provision for impairment in value.

### **2.5 Investments in associates**

Associates are those entities over which the Group has significant influence, but neither control nor joint control over the financial and operating policies. Associates are accounted for using the equity method and are initially recognised at cost. The financial statements include the Group's share of total comprehensive income and equity movements of associates from the date when significant influence commences to the date the significant influence ceases.

### **2.6 Segment reporting**

A business segment is a group of assets and operation engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The group's two business segments are described in the strategic report, being legal & professional services and independent financial advisory services. No segment reporting disclosures are required for these due to the fact that the smaller segment, financial services advisory, falls beneath the quantitative thresholds set out by IFRS 8 paragraph 13.

The group provides a segmental analysis to enhance the understanding of the financial statements.

### **2.7 Business combinations**

The Group applies the acquisition method of accounting to account for business combinations in accordance with IFRS 3 (R), '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 IFRS 9 in the income statement.

## Notes to the Financial Statements (continued)

### 2.8 Intangible assets

Intangible assets include the cost of acquiring client portfolios and the Ince brand.

Client portfolios are carried at cost less accumulated amortisation losses and impairment losses. Amortisation of the cost is being provided for in line with the fees billed and cash collections being generated by the client portfolio acquired.

The Ince brand is carried based on an independent external valuation which applied a discounted cash flow model under the relief from royalty method. The brand has existed for 150 years and it has been confirmed as part of the independent valuation that it has an indefinite useful economic life.

Intangible assets also include internally generated software and intellectual property, which are held at cost less subsequent amortisation and impairment. These intangible assets are amortised at rates in order to write off the assets on a straight line basis over their estimated useful lives of between 3 and 10 years. Internally generated software are amortised at the point from which the software is considered fully functional.

The remaining amortisation period of these assets varies from 1 year - 6.5 years.

### 2.9 Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is initially measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

The company tests annually whether goodwill has suffered any impairment. The carrying value of the goodwill is dependent on the future income stream from that asset.

Goodwill recognised in a business combination does not generate cash flows independently of other assets or groups of assets. As a result, the recoverable amount, being the value in use, is determined at a cash generating unit (CGU) level.

The determination of a CGU is judgemental. The identification of CGU's involves an assessment of whether the asset or group of assets generate independent cash flows.

For impairment purposes goodwill is tested annually at the CGU level. This was carried out at 31 March 2020. The carrying value of goodwill and the key assumptions used in performing the annual impairment assessment are disclosed in note 15.

### 2.10 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised where the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

#### *Critical estimates and assumptions made*

In assessing the value in use of each CGU, our calculations required estimates in relation to uncertain items, including management's expectations of future growth, operating costs, profit margins, operating cash flow and the discount rate for each CGU.

Future cash flows used in the value in use calculations, are based on the latest approved financial plans extrapolated for future periods expected to benefit from the goodwill for each CGU. The future cash flows are discounted using a post-tax discount that reflects current market assessments of the time value of money.

## Notes to the Financial Statements (continued)

### 2.11 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 statement of financial position as trade and other receivables and cash and cash equivalents.

Financial liabilities are included on the statement of financial position as trade and other payables and borrowings.

#### (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.

### 2.12 Foreign currency translation

#### (a) Functional and presentation currency

The consolidated financial statements are presented in pounds sterling, which is the Company's functional and presentation currency.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

#### (c) Subsidiary accounts denominated in foreign currency

On consolidation, assets and liabilities of non-sterling entities are translated to sterling at year-end rates of exchange, while their statements of income, other comprehensive income and cash flows are translated at monthly average rates. The resulting translation differences are recognised as currency translation differences within other comprehensive income.

### 2.13 Property, plant and equipment

Property, plant and equipment ("PPE") is shown at cost less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

## Notes to the Financial Statements (continued)

Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset less its residual value over its estimated useful life, as follows:

Computers, plant and machinery	3-10 years
Equipment	3-5 years
Leasehold improvements	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. Write downs and gains and losses on disposals are included in the statement of comprehensive income.

### 2.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

### 2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

### 2.16 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated and company financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit/loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future employee benefits.

### 2.17 Pension obligations

The Group operates a pension scheme which is a defined contribution plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### 2.18 Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to that part of the Group for which the employee is profit responsible. The

Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

## **2.19 Provisions**

Provisions for clawback of indemnity commission, pensions review, unpaid salaries and other claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the statement of financial position date.

## **2.20 Revenue Recognition**

Revenue comprises the fair value of the sale of services, net of value-added tax, rebates and discounts and after eliminating sales within the Group.

Revenue from the sale of professional services is recognised as follows:

### **(a) Legal & professional services**

Revenue from the provision of legal and professional services is recognised over time in the accounting period in which services are rendered. Contracts for the provision of legal and professional services may include fixed fee arrangements, variable fee arrangements based on time and materials or contingent fee arrangements. For fixed fee arrangements, revenue is recognised based on the actual services provided to the end of the reporting period as a proportion of the total services to be provided. For variable fee contracts based on time and materials, revenue is recognised at the amount of fees that the Group has a right to invoice for services provided, based on the fee rates agreed with the client. For conditional fee arrangements, fees are billed on completion depending on the outcome of the matter (e.g. Personal Injury or Clinical Negligence cases on a 'no win, no fee' basis). Revenue in respect of contingent fee assignments, over and above any agreed minimum fee, is included in revenue only to the extent that it is highly probable that the amount will not be subject to significant reversal when the uncertainty is resolved. This is generally when the matter is resolved and the outcome is known.

A receivable is recognised when a bill has been invoiced as this is the point in time that the consideration is considered unconditional because only the passage of time is required before payment is due. Where income has not been billed at the reporting date, it is included in Accrued Income.

No element of financing is deemed to exist as payment is typically due within one year of the service being performed.

### **(b) Employee benefits and financial advisory**

Revenue relating to the employee benefits and financial advisory business represents fees and life and pension commission and is recognised at a point in time. Fees are recognised when invoiced and commissions are recognised when confirmation is received from the underwriters that payment is being made to the Group. A provision is made for clawback of commission which is deducted from turnover.

### **(c) Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

## **2.20 Leases**

As explained in note 34, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described in note 34.2 and the impact of the change in note 34.1.

Until 31 March 2019, leases of property, plant and equipment where the Group had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases, were capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment was allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, were included in other borrowings. The interest element of the finance cost was charged to the income statement over the lease period so

## Notes to the Financial Statements (continued)

as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases were depreciated over the shorter of the asset's useful life and the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

### 2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

### 2.22 Share-based payments

The fair value at the date of grant of the equity instrument is recognised as an expense, spread over the vesting period of the instrument. The total amount to be expensed is determined by reference to the fair value of the awards, excluding the impact of any non-market vesting conditions. At each statement of financial position date, the group revises its estimate of the number of equity instruments which are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income and a corresponding adjustment is made to equity. On vesting or exercise, the difference between the expense charged to the statement of comprehensive income and the actual cost to the group is transferred to retained earnings. Where new shares are issued, the proceeds received are credited to share capital and share premium.

## 3. FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk, cash flow risk and fair value interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Further details are set out in note 31.

Risk management is carried out by the Board of Directors. The Board identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of Convertible loan stock and non-Convertible loan stock, and investing excess liquidity.

#### (a) Credit risk

Because the Group has a wide range of clients, in different market sectors, it has no significant concentrations of credit risk. It has policies in place to ensure that if customers do not settle their accounts within the agreed terms then the transaction is cancelled minimising the credit exposure.

#### (b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

#### (c) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The interest rates of finance leases to which the Group is lessee are fixed at inception of the lease. These leases expose the Group to fair value interest rate risk.

The Group's cash flow interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain approximately 33 per cent of its borrowings in fixed rate instruments. At March 2020, 100 per cent of borrowings were at fixed rates.

## Notes to the Financial Statements (continued)

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (a) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate.

#### (b) Other receivables

Other receivables represent unbilled amounts for client work and are measured initially at fair value and held at amortised cost less provisions for foreseeable losses based upon current observable data and historical trend.

#### (c) Impairment of receivables

Receivables are held at cost less provisions for impairment. Provisions for impairment represent an allowance for doubtful debts that is estimated, based upon current observable data and historical trend.

#### (d) Valuation of intangible assets

Business combinations are accounted for at fair value. The valuation of goodwill and acquired intangibles is calculated separately on each individual acquisition. In attributing value to intangible assets arising on acquisition, management has made certain assumptions in relation to expected growth rates, profitability, length of key customer relationships and the appropriate discount rate. The value of intangible assets at 31 March 2020 was £80,825,000 (2019:£74,443,000 restated).

#### (e) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured using management's best estimate of the expenditure required to settle the obligation at the reporting date and are discontinued to present value where the effect is material. The value of provisions at 31 March 2020 was £4,596,000 (2019: £10,135,000 restated).

#### (f) Amortisation of intangible assets other than goodwill

The useful life used to amortise intangible assets relates to the expected future performance of the assets acquired and management's judgement of the period over which economic benefit will be derived from the asset.

## Notes to the Financial Statements (continued)

### 5. SEGMENT INFORMATION

#### Group

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
<b>Year ended 31 March 2020</b>			
UK	61,740	2,120	63,860
Europe, Middle East & Africa	13,328	-	13,328
Asia	21,290	-	21,290
<b>Total Revenue</b>	<b>96,358</b>	<b>2,120</b>	<b>98,478</b>
<b>Year ended 31 March 2019</b>			
UK	49,835	1,944	51,779
Asia	797	-	797
<b>Total Revenue</b>	<b>50,632</b>	<b>1,944</b>	<b>52,576</b>

Non-current assets other than financial instruments and deferred tax assets by geographical areas are not presented, as this information is not provided to the chief operating decision maker of the group.

### 6. STAFF COSTS

#### Group

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

	No. of employees	
	2020	2019
Fee earners	342	194
Direct support staff	134	69
Support staff	258	133
<b>Total</b>	<b>734</b>	<b>396</b>

The aggregate employment costs of these persons were as follows:

	2020 £'000	2019 £'000
Wages and salaries	38,304	15,473
Social security costs	3,495	1,740
Employee benefits costs	2,088	569
Pension costs	1,266	514
<b>Total Staff Costs</b>	<b>45,153</b>	<b>18,296</b>

#### Company

The Company has no employees (excluding directors) (2019: none); all personnel are employed by subsidiary entities.

Details of the remuneration of and transactions with directors are included in the Directors' Remuneration Report accompanying these financial statements. The directors are considered to be key management personnel.

## Notes to the Financial Statements (continued)

### 7. OPERATING PROFIT

Operating profit is stated after charging/ (crediting):

	Group 2020 £'000	Group 2019 £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	70	54
Fees payable to the company's auditor and its associates for other services:		
- audit of the accounts of subsidiaries	241	190
- audit-related assurance services	47	69
- other assurance services	33	73
- corporate finance services	-	141
Depreciation of tangible fixed assets		
- owned assets	1,487	81
- hire purchase	-	17
Depreciation of right-of-use assets	4,663	-
Amortisation / impairment of intangible assets:		
- turnover related	2,046	362
- other	83	1,205
Bad debt expense	2,041	1,764
Hire of plant and equipment	94	336
Share based payment expense	172	48

## Notes to the Financial Statements (continued)

### 8. FINANCE INCOME AND EXPENSE

	Group 2020 £'000	Group 2019 £'000
<b>Finance income</b>		
Bank interest receivable	347	213
Other income	5	5
	<u>352</u>	<u>218</u>
<b>Finance expense</b>		
Bank interest payable	(11)	(95)
Hire purchase	(3)	(5)
Finance charge on leases	(514)	-
Other loans	(519)	(84)
Other interest	(8)	(3)
Financial assets at fair value through profit or loss	(516)	(64)
	<u>(1,571)</u>	<u>(251)</u>
<b>Net finance income/(expense)</b>	<b>(1,219)</b>	<b>(33)</b>

### 9. NON RECURRING COSTS

Non recurring costs include acquisition related costs of £588,000 (2019: £5,823,000) and other material items related to the acquisition which will not recur of £1,069,000 (2019: £8,444,000).

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

Other material items represent costs incurred specifically as a result of the integration activities associated with the Ince & Co acquisition. These costs include restructuring and merging of administrative functions (such as redundancy costs, the necessary hardware and software costs to enable the merging of systems and re-branding costs) and the equity fund raising. In addition, the group had certain onerous contractual costs including the costs of premises no longer being used and had to make a number of non-contractual payments to former suppliers of the Ince entities in respect of the liabilities of those entities to ensure access to continuing services.

Non recurring costs include non-audit fees payable to the Company's auditors of £54,000 (2019: £336,000).

## Notes to the Financial Statements (continued)

### 10. TAXATION

#### i. Analysis of charge in the period

	Group 2020 £'000	Group 2019 £'000
The charge for taxation comprises:		
Taxation charge for the current period	1,375	206
Adjustment in respect of prior periods	168	-
	<u>1,543</u>	<u>206</u>

#### ii. Factors affecting the tax charge for the period:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19.0 per cent (2019:19.0 per cent). The differences are explained below:

	Group 2020 £'000	Group 2019 £'000
Profit on ordinary activities before taxation	23,202	966
Less profit arising in partnerships, on which tax is payable by the members personally	<u>(15,148)</u>	<u>(1,009)</u>
Profit on ordinary activities of corporate entities before taxation	8,054	(43)
Profit on ordinary activities multiplied by the standard rate of corporation tax of 19% (2019: 19%)	1,530	(8)
Effects of:		
Impact of tax exempt items	(279)	237
Losses (utilised) / carried forward	-	(23)
Difference in overseas tax rates	124	-
Total taxation charge for the current period	<u>1,375</u>	<u>206</u>

## Notes to the Financial Statements (continued)

### 11. EARNINGS PER SHARE

Earnings per share 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 2017	12,509,623	
15 June 2017	13,417,143	Being the shares issued by the Company as consideration for the acquisition of all of the shares in issue by Culver Holdings Limited at the date of the reverse acquisition
4 August 2017	28,597,310	Being the Company's issued shares on re-admission to the AIM market of the London Stock Exchange
19 January 2018	28,759,711	Being the Company's issued shares following new shares issued to Culver Ventures Limited loan stock holders
12 February 2019	36,976,730	Being the Company's issued shares following new shares issued as part of an equity placing exercise
27 November 2020	37,326,730	Being the Company's issued shares following new shares issued as consideration on acquisition of Ince Compliance Solutions Limited
3 February 2020	68,540,912	Being the Company's issued shares following new shares issued as part of an equity placing exercise

Basic earnings per share, shown on the statement of comprehensive income, is based on profit after tax £4,952,000 divided by 42,043,732 being the weighted average total number of ordinary shares in issue during the period.

Adjusted basic earnings per share, shown on the statement of comprehensive income, is based on adjusted profit before tax £8,015,000 after deducting tax of £1,543,000 divided by 42,043,732, being the weighted average total number of ordinary shares in issue during the period.

If the 2,178,562 share options issued on 31 December 2018 (described in note 12) were included the weighted average total number of shares for the period would be 43,379,204 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:

	Group 2020 £'000	Group 2019 £'000
Profit before tax from statement of comprehensive income	23,202	966
Deduct: Partners profit shares shown as non-controlling interests	(16,844)	(9,312)
Add: Non-recurring expenses:		
- Acquisition related expenditure	588	5,823
- Material-related costs	1,069	8,444
Adjusted profit before tax	8,015	5,921
Deduct: Income tax	(1,543)	(206)
Adjusted profit after tax	6,472	5,715

## Notes to the Financial Statements (continued)

### 12. SHARE-BASED PAYMENT ARRANGEMENTS

The Group has established the Ince Group Share Option Plan 2017 (“Plan”) for the grant of share options to certain eligible employees to acquire shares in the capital of the Company in order to reward such eligible employees for their contribution to the Company’s success and to provide an incentive going forward.

As part of the consideration for the acquisition of the members’ interests of Ince & Co LLP, the members of Ince & Co LLP were collectively granted 2,392,846 ordinary shares of 1p each in the Group as part of the Plan on 31 December 2018. The options have a vesting period of 3 years from issue and a contractual life of 10 years.

The fair value of the employee share options has been measured using the Black-Scholes formula. Service and non-market conditions attached to the arrangements were not taken in to account measuring fair value.

At 1 April 2019 the brought forward number of ordinary shares of 1p at an exercise price of 140p was 2,392,846.

During the year, 214,284 ordinary shares of 1p at an exercise price of 140p were forfeited by resigning members of Ince & Co LLP.

At 31 March 2020 the carried forward number of ordinary shares of 1p at an exercise price of 140p was 2,178,562.

The inputs used in measurement of the fair values at grant date of the shares were as follows:

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Fair value	0.24
Share price	1.79
Exercise price	1.40
Risk-free interest rate (based on government bonds)	0.59%
Expected volatility (weighted average)	1.14%
Dividend yield	3.35%
Expected life (weighted average)	3 years

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## Notes to the Financial Statements (continued)

### 13. PROPERTY, PLANT AND EQUIPMENT (“PPE”)

#### Group

	Land and buildings £'000	Furniture fittings and equipment £'000	Leasehold Improvements £'000	Total £'000
<b>Cost</b>				
Balance at 1 April 2019	230	1,137	-	1,367
Acquisition of subsidiary (note 16.1)	-	2,960	2,488	5,448
Additions	-	572	865	1,437
Disposals	-	(57)	-	(57)
Exchange differences	-	159	86	245
Balance at 31 March 2020	230	4,771	3,439	8,440
<b>Depreciation</b>				
Balance at 1 April 2019	-	185	-	185
Acquisition of subsidiary (note 16.1)	-	2,007	947	2,954
Disposals	-	(55)	-	(55)
Exchange differences	-	64	44	108
Charge for the period	-	933	554	1,487
Balance at 31 March 2020	-	3,134	1,545	4,679
<b>Carrying value</b>				
At 31 March 2019	230	952	-	1,182
At 31 March 2020	230	1,637	1,894	3,761

Included in the carrying value of PPE is £Nil (2019: £Nil) of assets held by the Group under hire purchase or finance leases. The depreciation charge for the period for these assets was £Nil (2019: £17,000).

The figures for the previous period are as follows:-

	Land and buildings £'000	Furniture fittings and equipment £'000	Total £'000
<b>Cost</b>			
Balance at 1 April 2018	230	223	453
Acquisition of subsidiary (note 15)	-	914	914
Additions	-	-	-
Balance at 31 March 2019	230	1,137	1,367
<b>Depreciation</b>			
Balance at 1 April 2018	-	86	86
Charge for the period	-	99	99
Balance at 31 March 2019	-	185	185
<b>Carrying value</b>			
At 31 March 2018	230	137	367
At 31 March 2019	230	952	1,182

## Notes to the Financial Statements (continued)

### Company

	Furniture fittings and equipment £'000	Leasehold Improvements £'000	Total £'000
<b>Cost</b>			
Balance at 1 April 2019	-	-	-
Additions	2	114	116
Balance at 31 March 2020	2	114	116
<b>Depreciation</b>			
Balance at 1 April 2019	-	-	-
Charge for the period	1	25	26
Balance at 31 March 2020	1	25	26
<b>Carrying value</b>			
At 31 March 2019	-	-	-
At 31 March 2020	1	89	90

## 14. LEASES

### 14.1 Right-of-use assets

#### Group

	Land and buildings £'000	Furniture fittings and equipment £'000	Total £'000
Balance at 1 April 2019	9,958	283	10,241
Additions	5,734	292	6,026
Acquisition of subsidiaries	5,945	-	5,945
Disposals	(297)	-	(297)
Exchange differences	189	-	189
Depreciation charge for the year	(4,563)	(100)	(4,663)
Balance at 31 March 2020	16,966	475	17,441

#### Company

	Land and Buildings £'000	Furniture fittings and equipment £'000	Total £'000
Balance at 1 April 2019	-	-	-
Additions	964	-	964
Depreciation charge for the year	(268)	-	(268)
Balance at 31 March 2020	696	-	696

## Notes to the Financial Statements (continued)

### 14.2 Lease Liabilities

	2020
	£'000
<i>Maturity analysis - contractual undiscounted cash flows</i>	
Less than one year	5,968
One to five years	9,918
More than five years	2,050
<b>Total undiscounted lease liabilities at 31 March</b>	<b>17,936</b>

#### *Lease liabilities included in the statement of financial position*

Current	5,552
Non-current	13,284
	<b>18,836</b>

### 14.3 Amounts recognised in profit or loss

	2020
	£'000
Interest on lease liabilities	514
Expenses relating to short-term leases	336
Expenses relating to leases of low-value assets	94

Total cash outflow for leases in the year was £3,292,000.

Termination options are included in a number of property leases across the Group. As at 31 March 2020, potential future cash outflows of £24,072,000 (undiscounted) have not been included in the lease liability because it is not reasonably certain that the lease will not be terminated.

## 15. INTANGIBLE ASSETS

### Group

	Goodwill	Client Portfolio	Brand & trademarks	Internally generated software	Intellectual Property	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>						
At 1 April 2019 (as restated)	50,820	12,219	17,000	1,248	189	81,476
Acquisition of subsidiary	4,227	3,248	-	-	-	7,475
Additions	-	-	-	1,036	-	1,036
<b>At 31 March 2020</b>	<b>55,047</b>	<b>15,467</b>	<b>17,000</b>	<b>2,284</b>	<b>189</b>	<b>89,987</b>
<b>Amortisation and impairment</b>						
At 1 April 2019	-	6,818	-	168	47	7,033
Charge for period	-	2,046	-	64	19	2,129
<b>At 31 March 2020</b>	<b>-</b>	<b>8,864</b>	<b>-</b>	<b>232</b>	<b>66</b>	<b>9,162</b>
<b>Carrying value</b>						
At 31 March 2019	50,820	5,401	17,000	1,080	142	74,443
<b>At 31 March 2020</b>	<b>55,047</b>	<b>6,603</b>	<b>17,000</b>	<b>2,052</b>	<b>123</b>	<b>80,825</b>

## Notes to the Financial Statements (continued)

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.

Brands and trademarks £17,000,000 (2019: £17,000,000) relates to the value attributed to the Ince brand that the Group acquired on 1 January 2019. This has been determined based on an external valuation report, as detailed in note 2.8.

Internally generated software includes £2,284,000 (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 £2,052,000 (2019: £1,080,000) as appropriate as it is expected to create future economic benefit.

Intellectual property carrying amount includes £123,000 (2019: £142,000) of intellectual property acquired on the acquisition of certain assets and liabilities of Prolegal Limited from its administrator.

Details of the restatement of balances at 31 March 2019 are set out in note 35.

The intangible assets of the group for the prior year (restated) were as follows:-

	Goodwill £'000	Client portfolio £'000	Brand & Trademarks £'000	Internally generated software £'000	Intellectual Property £'000	Total £'000
<b>Cost</b>						
Balance at 1 April 2018	24,150	7,719	-	453	189	32,511
Acquisition of subsidiary	26,387	4,500	17,000	-	-	47,887
Additions	279	-	-	795	-	1,074
Reassessment of fair value	4	-	-	-	-	4
Eliminated on disposal	-	-	-	-	-	-
Balance at 31 March 2019	50,820	12,219	17,000	1,248	189	81,476
<b>Amortisation and impairment</b>						
Balance at 1 April 2018	-	5,336	-	103	28	5,467
Charge for the period	-	1,482	-	65	19	1,566
Eliminated on disposal	-	-	-	-	-	-
Balance at 31 March 2019	-	6,818	-	168	47	7,033
<b>Carrying value</b>						
At 31 March 2018	24,150	2,383	-	350	161	27,044
At 31 March 2019	50,820	5,401	17,000	1,080	142	74,443

## Notes to the Financial Statements (continued)

### Goodwill

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.

	Investments £'000	Culver Financial Services £'000	White & Black £'000	Regions £'000
<b>Cost</b>				
At 1 April 2019 (restated)	8,494	4,185	2,005	8,722
Acquisition of subsidiary	417	-	-	-
Balance at 31 March 2020	8,911	4,185	2,005	8,722
<b>Impairment</b>				
At 1 April 2019 and 31 March 2020	-	-	-	-
<b>Carrying value</b>				
At 31 March 2019	8,494	4,185	2,005	8,722
At 31 March 2020	8,911	4,185	2,005	8,722

	Platt, PLI & Ince £'000	Overseas £'000	Total Goodwill £'000
<b>Cost</b>			
At 1 April 2019 (restated)	26,316	1,098	50,820
Acquisition of subsidiary	-	3,810	4,227
Balance at 31 March 2020	26,316	4,908	55,047
<b>Impairment</b>			
At 1 April 2019 and 31 March 2020	-	-	-
<b>Carrying value</b>			
At 31 March 2019	26,316	1,098	50,820
At 31 March 2020	26,316	4,908	55,047

## Notes to the Financial Statements (continued)

An annual goodwill impairment review was performed. The CGU's represent the smallest identifiable groups of assets that generate cash flows, and to which goodwill is allocated.

The value in use of each CGU is determined using cash flow projections derived from financial plans. This reflects management's expectations of future revenue growth, operating costs and cost reductions due to synergies, profit margins, operating cash flows based on past performance and future expectations of business performance. The cash flows have then been extended for a minimum of five years. Estimated taxation has been deducted calculated at the estimated applicable corporation tax rate, of 19% for the next two years and 17% for the years thereafter, in line with current HMRC guidance.

In respect of the above, income budgets are based on historic results adjusted for experience and capacity level of fee earning staff and known changes in circumstances. These are reviewed with the heads of department for each fee earning area. Average annual growth rate of 6.06% is based on past performance and management expectations.

Costs are largely fixed staff and establishment costs and are forecast based on the current structure of the business, adjusting for inflationary increases but not reflecting any future restructurings or cost saving measures.

The future cash flows have been discounted using a post-tax discount rate of 7.9%.

The two year financial plans include growth rates for each CGU based on the individual market assessment for each CGU.

### Company

There are no intangible assets held by the company (2019: None).

## 16. INVESTMENTS

The carrying value of investments held by the group and company were as follows:

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Investments in group undertakings	-	-	47,607	47,191
Interests in associates	470	379	-	-
	470	379	47,607	47,191

### 16.1 Investments in group undertakings

#### Company

	Investments in group undertakings £'000
<b>Cost</b>	
Balance at 1 April 2019	50,709
Additions	416
Balance at 31 March 2020	51,125
<b>Impairment and provisions</b>	
Balance at 1 April 2019	3,518
Impairment	-
Balance at 31 March 2020	3,518
<b>Carrying value</b>	
At 31 March 2019	47,191
At 31 March 2020	47,607

## Notes to the Financial Statements (continued)

On 31 March 2020, The Ince Group plc had control for the purposes of IFRS 10 of the following subsidiary undertakings which are included in the consolidated financial statements.

<b>UK Companies</b>	<b>Principal activity</b>	<b>Interest held</b>	<b>Registered office</b>	
Culver Holdings Limited	Intermediate holding company	Note 1	(b)	
Ince Gordon Dadds Corporate Finance Limited	Intermediate holding company	Note 1	(b)	
Culver Financial Management Limited	Independent financial advisor	Note 1	(b)	
Hanover Financial Management Limited	Independent financial advisor	Note 1	(b)	
Hanover Employee Benefits Limited	Independent financial advisor	Note 1	(b)	
Ince Gordon Dadds Services Limited	Management services	Note 1	(b)	
Hanover Pensions Limited	Professional services	Note 1	(b)	
Ince Gordon Dadds MAP Limited	Legal services	Note 1	(b)	
GDGS (Alen-Buckley) Limited	Legal services	Note 1	(b)	
GDGS (Metcalfes) Limited	Legal services	Note 1	(b)	
White & Black Limited	Legal services	Note 1	(c)	
e.Legal Technology Solutions Limited	IT services	Note 2	(b)	
Ince Gordon Dadds Professional Services Limited	Professional services	Note 1	(b)	
Gordon Dadds Corporate Services Limited	Corporate services	Note 1	(a)	
Ince Gordon Dadds Talent Services Limited	Professional services	Note 1	(b)	
Ince Process Agents Limited	Legal services	Note 1	(a)	
Culver Finance Limited	Intermediate holding company	Note 1	(b)	
IGD (Cardiff) Limited	Legal services	Note 1	(b)	
Gordon Dadds Private Office Limited	Legal services	Note 1	(d)	
Ince Compliance Solutions Limited	Professional services	Note 1	(b)	
<b>UK Limited Liability Partnerships</b>	<b>Principal activity</b>	<b>Interest held</b>	<b>Registered office</b>	
Ince Gordon Dadds Holdings LLP	Intermediate holding LLP	Note 3	(b)	
Ince Gordon Dadds LLP	Legal services	Note 3	(a)	
White & Black Legal LLP	Legal services	Note 3	(c)	
Ince Gordon Dadds AP LLP	Professional services	Note 5	(b)	
Ince Gordon Dadds CP LLP	Professional services	Note 5	(b)	
CW Energy LLP	Professional services	Note 3	(b)	
IGD International LLP	Professional services	Note 3	(b)	
Ince Consultancy LLP	Professional services	Note 5	(b)	
<b>Overseas Companies</b>	<b>Location</b>	<b>Principal activity</b>	<b>Interest held</b>	<b>Registered office</b>
Ramparts Corporate Advisors Limited	Gibraltar	Legal services	Note 1	(e)
Penlee Legal Investments Limited	Guernsey	Professional services	Note 1	(f)
Ramparts Corporate Services Limited	Gibraltar	Professional services	Note 1	(e)
Ince Consulting Hong Kong Limited	Hong Kong	Professional services	Note 1	(g)
Incisive Limited	Hong Kong	Management services	Note 1	(g)
<b>UK Limited Liability Partnerships operating overseas</b>	<b>Location</b>	<b>Principal activity</b>	<b>Interest held</b>	<b>Registered office</b>
Ince & Co Middle East LLP	Dubai	Legal services	Note 4	(a)
Ince & Co Germany LLP	Germany	Legal services	Note 4	(a)
<b>Overseas LLPs and Partnerships</b>	<b>Location</b>	<b>Principal activity</b>	<b>Interest held</b>	<b>Registered office</b>
Ince & Co Singapore LLP	Singapore	Legal services	Note 4	(h)
Ince & Co (Hong Kong)	Hong Kong	Legal services	Note 4	(g)
Herring Parry Khan Law Office	Greece	Legal services	Note 4	(i)
Ince & Co Monaco SARL (Monaco)	Monaco	Legal services	Note 4	(j)

## Notes to the Financial Statements (continued)

- Note 1. The Group holds 100% of ordinary share capital.  
Note 2. The Group holds 60% of ordinary share capital.  
Note 3. The Group has 100% interest as the sole economic member.  
Note 4. Profit sharing and voting control of these entities is held by the local members. The entities are subject to regulation by the regulator in the jurisdictions in which they operate.  
Note 5. The Group indirectly controls the entities by virtue of contractual agreements.

Registered offices of all subsidiaries:

- (a) Aldgate Tower, 2 Leaman Street, London, United Kingdom, E1 8QN
- (b) Llanmaes, Michaelston Road, St Fagans, Cardiff, United Kingdom, CF5 6DU
- (c) Home Park, Grove Road, Bladon, Oxfordshire, England, OX20 1FX
- (d) Leconfield House, Curzon Street, London, United Kingdom, W1J 5JA
- (e) 6.20 World Trade Center, 6 Bayside Road, Gibraltar
- (f) P.O. Box 661, St. Peter Port, Guernsey, GY1 3PW
- (g) Suites 4404-10, 44/F, One Island East, 18 Westlands Road, Taikoo Place, Hong Kong
- (h) 5 Shenton Way #19-01, V on Shenton, Singapore (068808)
- (i) The Livanos Building, 47-49 Akti Miaouli, Piraeus 18536, Greece
- (j) Gildo Pastor Center, 7 Rue du Gabian, 98000 Monaco

### 16.2 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 year ended 31 March 2020.

The total amount of revenue and associated profit derived from acquired entities in the year was £29,749,000 and £29,000. An estimate of the annualised revenue and associated profit/(loss) (based on pro-rated figures) had the acquisitions occurred at the start of the year is £29,885,000 and (£42,000).

#### Ince & Co Overseas

With effect from 1 April 2019 the Group gained control for the purposes of IFRS 10 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 for the purposes of IFRS 10 as shown above.

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 £3,248,000 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.

Initial consideration was £500,000, contingent consideration of £6,446,000 and goodwill of £3,710,000 was recognised in accounting for the acquisition.

#### Ramparts Corporate Services Limited

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 £100,000 was recognised in accounting for the acquisition.

## Notes to the Financial Statements (continued)

### Ince & Co Monaco SARL

Ince Monaco was formally consolidated into the Group on 1 November 2019. Its acquisition represents a further expansion of the global network through which the Group now operates, with the associated future benefits that is expected to bring. Accordingly, negative goodwill of £591,000 was recognised in accounting for the acquisition.

### Ince Compliance Solutions Limited

On 27<sup>th</sup> November 2019, the Group acquired 100% of the issued share capital of Ince Compliance Solutions Limited (formerly Mahtcorp1 Limited), a UK based company which has the benefit of a service contract with Mark Tantam who was appointed as the Group's Global Head of Consulting.

350,000 new ordinary shares in The Ince Group plc were issued as consideration and goodwill of £417,000 was recognised in accounting for the acquisition.

#### 16.2.1 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 £'000	Ramparts Corporate Services Limited £'000	Ince & Co Monaco £'000	Ince Compliance Solutions Limited £'000	Total Acquisitions £'000
Property, plant and equipment	2,460	8	26	-	2,494
Right-of-use assets	5,823	-	122	-	5,945
Intangible asset	3,248	-	-	-	3,248
Investments	-	-	-	-	-
Trade and other receivables	10,048	132	1,128	-	11,308
Cash and cash equivalents	2,538	42	256	-	2,836
Trade and other payables	(12,846)	(24)	(759)	-	(13,629)
Borrowings	(494)	-	-	-	(494)
Provisions	(769)	-	(60)	-	(829)
Lease liabilities	(5,902)	-	(122)	-	(6,024)
<b>Net identifiable assets and liabilities</b>	<b>4,106</b>	<b>158</b>	<b>591</b>	<b>-</b>	<b>4,855</b>
Goodwill	3,710	100	-	417	4,227
Negative goodwill	-	-	(591)	-	(591)
Non-controlling interest in the recognised amounts of identifiable assets and liabilities	(870)	-	-	-	(870)
<b>Total consideration</b>	<b>6,946</b>	<b>258</b>	<b>-</b>	<b>417</b>	<b>7,621</b>
Satisfied by:					
Cash	500	258	-	-	758
Equity instruments	-	-	-	417	417
Contingent consideration	6,446	-	-	-	6,446
<b>Total consideration transferred</b>	<b>6,946</b>	<b>258</b>	<b>-</b>	<b>417</b>	<b>7,621</b>
<b>Net cash outflow arising on acquisition:</b>					
Cash consideration	500	258	-	-	758
Less: cash and cash equivalent balances acquired	(2,538)	(42)	(256)	-	(2,836)
<b>Net cash outflow/(inflow)</b>	<b>(2,038)</b>	<b>216</b>	<b>(256)</b>	<b>-</b>	<b>(2,078)</b>

## Notes to the Financial Statements (continued)

### 16.3 Discontinued operations

On 25<sup>th</sup> June 2019, the Group sold 100% of its shareholding in Allium Law Limited (formerly Thomas Simon Limited) for consideration of £59,000.

On 30<sup>th</sup> January 2020, the Group disposed of its interest and retired as a member of GD Financial Markets LLP for consideration of £258,000.

Financial information relating to discontinued operations for the period to the date of disposal is set out below:

	Allium Law Limited £'000	GD Financial Markets LLP £'000	Total Discontinued Operations £'000
Results of discontinued operation:			
Revenue	-	1,366	1,366
Elimination of internal revenue	-	(314)	(314)
External revenue	-	1,052	1,052
External expenses	-	(966)	(966)
Profit before tax	-	86	86
Income tax expense	-	-	-
Profit after tax of discontinued operation	-	86	86
Gain/(loss) on disposal of the subsidiary after income tax	84	(33)	51
<b>Profit/(loss) from discontinued operation</b>	<b>84</b>	<b>53</b>	<b>137</b>
Consideration received or receivable:			
Cash	59	-	59
Deferred consideration	-	258	258
Total consideration	59	258	317
Less: carrying amount of net assets sold	25	(570)	(545)
Add back: non-controlling interest	-	279	279
<b>Gain/(loss) on disposal of the subsidiary after income tax</b>	<b>84</b>	<b>(33)</b>	<b>51</b>
Consideration received, satisfied in cash	59	-	59
Cash and cash equivalents disposed of	(1)	(249)	(250)
<b>Net cash inflow/(outflow)</b>	<b>58</b>	<b>(249)</b>	<b>(191)</b>

### 16.4 Interests in associates

#### Group

	2020 £'000	2019 £'000
Cost of investment in associate	621	390
Share of post-acquisition loss net of dividends received	(151)	(11)
Carrying value of interests in associates	470	379

The Group holds 100% of the New Series C Shares, representing 30% of the total share capital of James Stocks & Co (holdings) Limited, a professional services firm who specialise in corporate finance and strategic advice. James Stock & Co (holdings) Limited was incorporated and operates in Gibraltar.

Summarised financial information in respect of James Stocks & Co (holdings) Limited is set out below:

	2020 £'000	2019 £'000
Net profit/(loss)	(467)	77
Net assets	192	148

## Notes to the Financial Statements (continued)

### 17. TRADE AND OTHER RECEIVABLES

	Group	<i>Restated</i> Group	Company	Company
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Trade receivables	26,870	15,598	-	-
Accrued income	5,925	3,960	-	-
Other receivables	4,033	8,570	518	153
Amounts due from subsidiaries	-	-	37,977	30,045
Prepayments	7,584	3,832	391	25
	44,412	31,960	38,886	30,223

Trade receivables are stated including £3,481,000 of VAT and £3,412,000 of disbursements.

### 18. CASH AND CASH EQUIVALENTS

	Group	Group	Company	Company
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Cash in hand and at bank	5,250	4,759	3	987
Total	5,250	4,759	3	987

Cash and cash equivalents include the following:

Cash as above	5,250	4,759	3	987
Bank overdrafts	(59)	(39)	-	-
Total	5,191	4,720	3	987

### 19. SHARE CAPITAL

	%	2020 Number	2020 £'000	2019 £'000
<b>Authorised</b>				
Ordinary shares of 1p each	100	68,540,912	686	370
			686	370
	%	2020 Number	2020 £'000	2019 £'000
<b>Allotted, called up and fully paid</b>				
Ordinary shares of 1p each	100	68,540,912	686	370
			686	370

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

On 27<sup>th</sup> November 2019, 350,000 ordinary shares were issued at 1p per share, with a nominal value of 1p per share.

## Notes to the Financial Statements (continued)

On 3<sup>rd</sup> February 2020, 31,214,182 ordinary shares were issued at 45p per share, with a nominal value of 1p per share.

	2020 Number	2020 £'000
<i>Ordinary shares of 1p each</i>		
At 1 April	36,976,730	370
Shares issued during the year	31,564,182	316
At 31 March	68,540,912	686

Details of share options issued in the year are set out in note 12.

### 20. RESERVES

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

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

Other reserves represents the impact of the valuation of share options issued in the year, details of which are set out in note 12, and the difference between fair value and nominal value of shares issued in share-for-share exchanges.

Foreign exchange translation reserve includes gains or losses in translating overseas operations into GBP sterling.

### 21. TRADE AND OTHER PAYABLES

	Group 2020 £'000	<i>Restated</i> Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
<b>Current:</b>				
Trade payables	12,263	7,666	524	289
Amounts due to subsidiaries	-	-	26,621	27,187
Other taxes and social security	3,445	2,436	36	12
Other payables	3,133	6,008	-	1
Deferred consideration	14,608	7,436	-	-
Unpaid dividends	15	-	15	-
Accruals	5,861	4,276	135	101
	39,325	27,822	27,331	27,590
<b>Non-current:</b>				
Other payables	1,391	-	-	-
Deferred consideration	21,062	31,409	-	-
Accruals	-	4,022	-	-
	22,453	35,431	-	-
<b>Total</b>	<b>61,778</b>	<b>63,253</b>	<b>27,331</b>	<b>27,590</b>

Deferred consideration relates to business combinations and the purchase of client lists and relationships.

## Notes to the Financial Statements (continued)

### 22. BORROWINGS

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Bank overdrafts	59	39	-	-
Bank loans	11,651	6,000	11,600	6,000
Other loans	2,519	1,542	-	-
Obligations under hire purchase and lease contracts	-	29	-	-
<b>Total borrowings</b>	<b>14,229</b>	<b>7,610</b>	<b>11,600</b>	<b>6,000</b>
Current	3,829	2,370	1,200	900
Non-current	10,400	5,240	10,400	5,100
<b>Total</b>	<b>14,229</b>	<b>7,610</b>	<b>11,600</b>	<b>6,000</b>

The Group has a secured bank loan with Barclays Bank Plc with a carrying value of £5,100,000 at 31 March 2020 (2019: £6,000,000). The loan was entered into on 31 December 2018, has a term of three years (to be repaid in quarterly instalments which commenced from September 2019) and carries interest at LIBOR + 2.25% per annum. A £6,500,000 revolving credit facility was also entered into with Barclays Bank Plc at 31 December 2018, and was drawn down during the year. 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).

The Group has a secured bank loan with Commerz Bank with a carrying value of £51,000 at 31 March 2020. The Group acquired the loan through the acquisition of Ince & Co Germany LLP during the year. The loan was entered into on 1 October 2016, has a term of 4 years (to be repaid in monthly instalments which commenced from June 2017) and carries interest at 3% per annum.

Other loans of £2,519,000 (2019: £1,542,000) 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 £Nil (2019: £126,000) which has a maturity of 1-3 years.

## Notes to the Financial Statements (continued)

### 23. PROVISIONS

#### Group

	Onerous Lease & employment contracts £'000	Other Provisions £'000	Total £'000
Balance at 31 March 2019 (restated)	2,280	7,855	10,135
Provisions made	-	562	562
Subsidiaries joining the group	-	829	829
Unwinding of discounting	12	-	12
Utilised during the year	(1,167)	(3,168)	(4,335)
Amounts released	-	(2,607)	(2,607)
Balance at 31 March 2020	1,125	3,471	4,596
Current	684	1,723	2,407
Non-current	441	1,748	2,189

Provisions categorised as current liabilities represent provisions for liabilities which have the possibility of being settled within one year.

Provisions for onerous property leases and employment contracts relate to rental costs for the Group's prior head office and agreed contractual employment arrangements for a former Ince & Co employee.

Other provisions include legacy liabilities inherited with the Ince & Co acquisition of £1,347,000 (2019: £5,731,000 restated), refurbishment costs for the Group's head office of £Nil (2019: £1,357,000), and uninsured excess on potential claims of £897,000 (2019: £723,000).

### 24. PENSIONS

The Group participates in a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in a fund administered by Options Corporate Pensions UK. Contributions from employers and employees totalling £176,000 (2019: £226,000) were payable to the fund at the year end and are included in payables.

### 25. ULTIMATE CONTROLLING PARTY

The Ince Group plc is owned by its shareholders and there is no ultimate controlling party.

### 26. RELATED PARTY TRANSACTIONS

#### Group

In addition to the transactions disclosed in the Directors' Remuneration Report the Group has entered into the following transactions with related parties:-

The Group occupies office accommodation at Llanmaes, St Fagans, Cardiff under arrangements with Juratone Limited, a company of which A J Biles is a director. Rent and service charges of £207,000 (2019: £202,000) were charged during the year under these arrangements and the Group charged Juratone amounts of £23,000 (2019: £13,000). At the balance sheet date an amount due to Juratone Limited of £Nil (2019: £Nil) is included in payables and an amount due from Juratone Limited of £104,000 (2019: £78,000) is included in receivables.

A J Biles is a designated LLP member of ACR Professional Services LLP. Professional services of £240,000 (2019: £131,940) were charged from ACR Professional Services LLP to the Group during the year. Fees and reimbursed expenses of £20,000 (2019: £Nil) were charged from the Group to ACR Professional Services LLP during the year. At the balance sheet date the Group was owed £291,000 (2019: £163,000) from ACR Professional Services LLP.

## Notes to the Financial Statements (continued)

The Group charged fees and reimbursed expenses of £322,000 (2019: £724,000) to e.Legal Technology Solutions Limited during the year. The Group were charged fees and reimbursed expenses of £907,000 (2019: £1,353,000) by e.Legal Technology Solutions Limited during the year. At the balance sheet date the Group owed £145,000 to e.Legal Technology Solutions Limited (2019: the Group was owed £27,000 from e.Legal Technology Solutions Limited). During the year, e.Legal Technology Solutions Limited transferred an intangible asset totalling £130,000 at nil gain/nil loss to the Group.

The Group charged Stann Marine Limited, a company in which a designated member of Ince Gordon Dadds AP LLP is a Director, fees under a management agreement totalling £211,000 (2019: £127,000).

The Group charged fees to associate company James Stocks & Co Limited of £49,000 (2019: £37,000) and were charged fees of £Nil (2019: £Nil) during the year. At the balance sheet date the Group was owed £119,000 (2019:£Nil) from James Stocks & Co Limited.

The Group charged fees of £1,150,000 (2019: £Nil) to Incisive Law LLC during the year. The Group was charged fees of £6,696,000 (2019: £Nil) to Incisive Law LLC. At the balance sheet date the Group was owed £1,999,000 (2019:£Nil) from Incisive Law LLC. Incisive Law LLC is Singapore-based a formal law alliance ("FLA") with Ince & Co Singapore LLP.

### Company

In addition to the transactions disclosed in the Directors' Remuneration Report the Company has entered into the following transactions with related parties:-

The Company charged reimbursed expenses of £692,000 (2019:£177,000) to subsidiary undertakings during the year. At the balance sheet date an amount due from subsidiary undertakings of £Nil (2019:£Nil) is included in trade receivables.

The Company was charged fees and reimbursed expenses of £910,000 (2019:£76,000) by subsidiary undertakings during the year. At the balance sheet date an amount due to subsidiary undertakings of £Nil (2019:£Nil) is included in trade payables.

## Notes to the Financial Statements (continued)

### 27. FINANCIAL RISK MANAGEMENT

The company's operations expose it to a number of financial risks. A risk management programme has been established to protect the Group and the Company against the potential adverse effects of these financial risks. There has been no significant change in these financial risks since the prior year.

#### Fair value of financial instruments

Financial instruments comprise cash and cash equivalents, trade and other receivables, including sums due from subsidiaries and Loan Stock, bank and other loans, obligations under hire purchase and lease contracts and trade and other payables. In the directors' opinion the carrying value of the financial instruments approximates their fair value.

		Group	<i>Restated</i> Group	Company	Company
	Note	2020	2019	2020	2019
		£'000	£'000	£'000	£'000
<b>Loans and receivables:</b>					
Trade receivables	17	26,870	15,598	-	-
Accrued income	17	5,925	3,960	-	-
Cash and cash equivalents	18	5,250	4,759	3	987
Other receivables	17	4,033	8,570	518	153
Amounts due from subsidiaries	17	-	-	37,552	30,045
<b>Total financial assets</b>		<b>42,078</b>	<b>32,887</b>	<b>38,073</b>	<b>31,185</b>
<b>Financial liabilities measured at amortised cost:</b>					
Borrowings	22	14,229	7,610	11,600	6,000
Lease liabilities	14	18,836	-	760	-
Trade payables	21	12,263	7,666	524	289
Other payables	21	3,133	6,008	-	1
Deferred consideration	21	35,670	38,845	-	-
Amounts due to subsidiaries	21	-	-	26,621	27,187
<b>Total financial liabilities</b>		<b>84,131</b>	<b>60,129</b>	<b>39,505</b>	<b>33,477</b>
<b>Total financial instruments</b>		<b>(42,053)</b>	<b>(27,242)</b>	<b>(1,432)</b>	<b>(2,292)</b>

## Notes to the Financial Statements (continued)

### 28. CREDIT RISK

Customers are assessed for credit worthiness and credit limits are also imposed on customers and reviewed regularly. The maximum exposure to credit risk is the carrying value of its financial receivables, trade and other receivables and cash and cash equivalents as disclosed in the notes.

The Group holds no collateral or other credit enhancements. The receivables' age analysis is also evaluated on a regular basis for potential doubtful debts. It is management's opinion that no further provision for doubtful debts is required.

Cash and cash equivalents are invested with banks with a credit rating of no less than A-1.4

Analysis of trade receivables:

	30 days or less £'000	31-60 days £'000	61-90 days £'000	90-180 days £'000	>180 days £'000	Total Gross £'000	Bad debt provision £'000	Total Carrying Amount £'000
2020	15,105	5,544	2,836	3,385	15,944	42,814	(15,944)	26,870
2019	10,435	2,889	1,606	668	5,351	20,949	(5,351)	15,598

The Group allows an average trade receivables payment period of 30 days after invoice date. It is the group's policy to assess receivables for recoverability on an individual basis and to make provision where it is considered necessary. In assessing recoverability the group takes into account any indicators of impairment up until the reporting date. The application of this policy generally results in debts between 31 and 180 days not being provided for unless individual circumstances indicate that a debt is impaired. Receivables over 180 days are provided for, except in circumstances where the group has security in respect of the debt or has other arrangements which satisfy the group that the debtor is in a position to pay and is intending to pay but is stopped until an event occurs (such as the grant of probate).

The directors have considered whether there is an overall change in the economic environment which changes the expected lifetime credit loss on its trade debtors and consider that the existing policy does not need varying at this yearend.

Trade receivables that are neither impaired nor past due are made up of 2,832 receivables' balances (2019: 1,429). The largest individual debtor corresponds to 3.8% (2019: 0.7%) of the total balance. Historically these receivables have always paid balances when due. The average age of these receivables is 100 days (2019: 121 days). No receivables' balances have been renegotiated during the year or in the prior year.

The group individually impaired no net balances (2019: £Nil). The group does not hold any collateral over any balances.

## Notes to the Financial Statements (continued)

### 29. INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that we use. Interest bearing assets including cash and cash equivalents are considered to be short-term liquid assets. Our interest rate liability risk arises primarily from borrowings issued at floating interest rates which exposes the group to cash flow interest rate risk. It is the group's policy to settle trade payables within the credit terms allowed and the group does therefore not incur interest on overdue balances. Borrowings are sourced from local financial markets, covering short and long-term funding. The group manages interest rate risk on borrowings by ensuring access to diverse sources of funding and reducing risks of refinancing by establishing and managing borrowings in accordance with target maturity profiles.

Interest rate exposure and sensitivity analysis:

Given the short term nature of the group and company's financial assets and liabilities no sensitivity analysis has been prepared as the impact on the financial statements would not be significant.

### 30. FOREIGN CURRENCY RISK

Foreign currency risk refers to the risk that the value of a financial commitment or recognised asset or liability will fluctuate due to changes in foreign currency rates. Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency.

The Group has overseas operations in Europe, Middle East and Asia and is therefore exposed to changes in the respective currencies in these territories. The Group maintains bank balances in each of the entities local currency and in other currencies as required. Cash positions are monitored and are converted to local currency at appropriate times minimising the exposure to exchange fluctuations.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts show are those reported to key management translated into GBP at the closing rate:

	Functional currency of individual entity					
	GBP		EUR		HKD	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Net foreign currency financial assets/(liabilities)						
GBP	-	-	(44)	-	(76)	-
EUR	434	328	-	-	(2)	-
HKD	(115)	(12)	-	-	-	-
RMB	574	531	-	-	(0)	-
USD	1,901	1,088	129	-	3,254	-
Other	11	(324)	(1)	-	-	-
	2,804	1,612	84	-	3,176	-

	RMB		AED		SGD	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
	Net foreign currency financial assets/(liabilities)					
GBP	(1)	(1)	(23)	-	187	-
EUR	18	-	(5)	-	-	-
HKD	399	-	-	-	-	-
RMB	-	-	-	-	-	-
USD	647	117	325	-	287	-
Other	18	-	(4)	-	(9)	-
	1,081	117	293	-	465	-

## Notes to the Financial Statements (continued)

The following table illustrates the sensitivity of profit and equity in relating to the Group's financial assets and financial liabilities to a reasonably possible change in exchange rates, with all other variables held constant and no further foreign exchange risk management actions taken.

	Change in rate	Increase/(decrease) in income before taxation		Increase/(decrease) in net assets	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Appreciation against GBP of:					
EUR	6%	30	21	75	-
HKD	8%	(4)	(1)	137	-
RMB	7%	41	38	(92)	(20)
USD	8%	151	86	-	-

The above sensitivity information was calculated by reference to carrying amounts of assets and liabilities at 31 March only. The effect on income before taxation arises in connection with monetary balances denominated in currencies other than an entity's functional currency, the effect on net assets arises principally from the translation of assets and liabilities that are not sterling functional.

The higher foreign currency exchange rate sensitivity in profit in 2020 compared to 2019 is attributable to an increase in foreign currency denominated balances following the acquisition of overseas entities into the Group.

### 31. LIQUIDITY RISK

The group seeks to maintain sufficient cash balances.

Management reviews cash flow forecasts on a regular basis to determine whether the group has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities. The average creditor payment period is 113 days (2019: 104 days restated).

Trade and other payables and amounts due to subsidiaries are due within 12 months, the maturity of financial liabilities is set out below.

The following table sets out the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Less than 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Total contractual cash flows £'000
<b>31 March 2020</b>					
Variable interest bearing	300	951	1,200	9,200	11,651
Fixed interest rate instruments	1,061	1,458	-	-	2,519
Finance leases	1,381	4,140	5,508	7,807	18,836
	2,742	6,659	6,708	17,007	33,006
<b>31 March 2019</b>					
Variable interest bearing	-	900	1,200	3,900	6,000
Fixed interest rate instruments	516	901	63	63	1,543
Finance leases	4	13	12	-	29
	520	1,814	1,275	3,963	7,572

Interest bearing financial liabilities carry interest at between 3.0 per cent and 10 per cent per annum.

The group has also access to financing facilities of £250,000 (2019: £6,750,000) as described below.

## Notes to the Financial Statements (continued)

Unsecured bank overdraft facility (£250,000 of which £Nil was drawn down at 31 March 2020), reviewed annually and payable at call, and a revolving credit facility (£6,500,000 which was fully drawn down at 31 March 2020), described in note 22:

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Amount used	-	38	-	-
Amount unused	250	6,712	-	6,500
	250	6,750	-	6,500

### 32. CAPITAL MANAGEMENT

The company's objectives when managing capital are:

- to safeguard the company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The company sets the amount of capital in proportion to risk. The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The company monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt ÷ adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Adjusted capital comprises all components of equity.

#### Debt-to-adjusted capital ratios

The debt adjusted capital ratios at 31 March 2020 were as follows:

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Total debt	14,229	7,610	11,600	6,000
Less: cash and cash equivalents	(5,250)	(4,759)	(3)	(987)
Net debt	8,979	2,851	11,597	5,013
Total equity	51,348	31,480	47,166	44,979
Add: subordinated debt instruments	-	-	-	-
Adjusted capital	51,348	31,480	47,166	44,979
Debt-to-adjusted capital	1:5.7	1:11.0	1:4.1	1:9.0

### 33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Group 2019 £'000	Adoption of IFRS16 £'000	Cash flows £'000	non-cash changes		Group 2020 £'000
				Acquisitions £'000	Other £'000	
Borrowings	7,581	-	6,154	494	-	14,229
Lease liabilities	29	10,212	(3,268)	11,895	(32)	18,836
	7,610	10,212	2,886	12,389	(32)	33,065

## Notes to the Financial Statements (continued)

### 34. CHANGES IN ACCOUNTING POLICIES

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 year to 31 March 2020:

	IAS 17	IFRS 16	
	Rental Expense £'000	Depreciation £'000	Interest £'000
Property	3,705	4,563	503
Other equipment	103	100	11
<b>Total</b>	<b>3,808</b>	<b>4,663</b>	<b>514</b>

#### 34.1 Adjustments recognised on adoption of IFRS 16

The Group 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.

	2020 £'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	(972)
Add: finance lease liabilities recognised as at 31 March 2019	29
(Less): short-term leases recognised on a straight-line basis as expense	(344)
(Less): low-value leases recognised on a straight-line basis as expense	(16)
Add: adjustments as a result of a different treatment of extension and termination options	4,142
<b>Lease liability recognised as at 1 April 2019</b>	<b>10,241</b>
Of which are:	
Current lease liabilities	1,865
Non-current lease liabilities	8,376
	<b>10,241</b>

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	10,241
Sundry debtors	(101)
Lease liabilities	(10,212)
Accruals	72
Retained Earnings	-

## Notes to the Financial Statements (continued)

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*.

### 34.2 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. If a lease modification either increases the given lease's scope by adding the right to use of an asset then this modification is treated as a new lease.

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.

## Notes to the Financial Statements (continued)

### 35. RESTATEMENT OF PRIOR YEAR

During the year, additional pre-acquisition liabilities were identified resulting in restatement of the goodwill on acquisition of Ince & Co LLP. There was no impact on the 2018 results from these adjustments. In this financial year following the completion of the second stage of the Ince acquisition, a professional valuation of the branding and trademark was obtained and a detailed review of the contractual terms was undertaken which resulted in the reclassification of certain liabilities and the determination (as detailed in note 2.8) of a brand value attributable to Ince of £17,000,000. Data on recurring business suggested that the client portfolios were less valuable than the brand and deemed to be valued at £4,500,000.

The affected financial statement line items for the prior period have been restated as follows:

	Group 2019	Change	Restated Group 2019
<b>Statement of financial position extract</b>	£'000	£'000	£'000
Intangible assets	53,198	21,245	74,443
Trade and other receivables	35,222	(3,262)	31,960
Trade and other payables	(48,669)	(14,584)	(63,253)
Provisions	(6,736)	(3,399)	(10,135)
Net assets	33,015	-	33,015

The affected line items within the Notes to the Financial Statements for the prior period have been restated as follows:

	Group 2019	Change	Restated Group 2019
<b>Statement of financial position extract</b>	£'000	£'000	£'000
Intangible assets - Goodwill	42,075	8,745	50,820
Intangible assets - Client portfolio	9,901	(4,500)	5,401
Intangible assets - Brand & trademarks	-	17,000	17,000
Trade receivables	17,229	(1,631)	15,598
Accrued income	5,591	(1,631)	3,960
Other payables (current)	(1,344)	(4,664)	(5,208)
Accruals (current)	(4,158)	(118)	(4,276)
Deferred consideration (non-current)	(21,607)	(9,802)	(31,409)
Provisions (current)	(5,523)	(2,562)	(11,347)
Provisions (non-current)	(1,213)	(837)	(2,850)
Net assets	40,951	-	40,951