The Ince Group plc

("Ince" or the **"Group" or the "Company")**

Interim unaudited results for the six months to 30 September 2020

- **Robust financial performance despite Covid-19**
- **Recruitment of individuals and teams continues to drive growth**
- **Net debt continues to reduce**

The Ince Group PLC (AIM: INCE), the international legal and professional services company, is pleased to announce its unaudited results for the six months ended 30 September 2020.

For the six months ended 30 September (£m)	2020	2019 (restated*)	% Growth
Revenue	48.2	45.3	+6%
Adjusted profit before tax**	2.52	0.15	+1580%
Adjusted diluted earnings/(loss) per share (p)**	3.1p	(3.9)p	N/A
Basic diluted earnings/(loss) per share (p)	2.1p	(5.2)p	N/A
Dividend per share (p)	-	2.0p	-100%
Net debt	(8.3)	(10.3)	

** The restatement, as detailed in the audited financial statements to 31 March 2020, reflects recognition of additional pre-acquisition liabilities associated with the Ince acquisition and of the valuation of the Ince brand as well as a detailed review of certain contractual terms in the prior period.*

*** Adjusted profit before tax is calculated, as shown in note 5 to the financial statements, as the profit before tax after adding back non-recurring items of £0.7m in 2020 (2019: £0.5m) and Adjusted diluted earnings per share is computed from Adjusted profit before tax after deducting taxation. Partner remuneration is now shown as an expense in the statutory format and no longer needs an adjustment for clear presentation.*

Financial highlights

- Revenue up 6% to £48.2m, a strong performance given the impact of Covid-19
- Adjusted profit before tax of £2.52m, up from £0.15m
- Organic growth over last year approximately 3%
- Adjusted earnings per share increased to 3.1p (2019 loss of 3.9p)
- Net debt at the period end of £8.3 m (31 March 2020 - £9.0 m) - reduced on schedule and after paying deferred consideration of £4.9 m
- Further cost savings implemented throughout the period with over £1m to recur

Operational highlights

- International offices' revenues all increased reflecting re-invigoration with new partners and continued expansion of services
- UK legal practice has rebounded well from the initial Covid-19 downturn with recent months' revenues close to last year's
- Further geographical expansion:
  - New office established in Cyprus staffed by team from an established business
  - New regulated consultancy opened in Abu Dhabi
- Lateral and team hires who have joined are increasing their revenues
- Law firm management strengthened with new Global Senior Partner and new Managing Partner – UK and Managing Partner – International
- Remote working ability readily enhanced and extended to all staff, allowing flexibility for future operation
- New practice management system developed and owned by the Group rolled out in the UK and ready to be rolled out in other locations when travel for training allows

Adrian Biles, Group Chief Executive, commented:

"A huge thank you to all partners and colleagues for continuing to deliver the high quality service our clients expect. In the context of the global disruptions of the pandemic, these are exceptional results.

"Lateral recruitment has taken time to expand the service lines offered in the overseas offices, but the results are beginning to be felt and I am particularly pleased with the performance of the international offices in this period.

"Our net debt continues to reduce even as we continue to pay deferred consideration for acquisitions.

"These results demonstrate that we are in a position to deliver future growth and, if that continues over coming months, we should be able to declare a dividend with the final results."

Presentations

A presentation for analysts and institutional investors will be held today, 1 December 2020, at 11am. All participants must pre-register with Portland Communications to attend the event via: ince@portland-communications.com.

An open presentation and Q&A for all investors will also be held via the Investor Meet Company platform on 1 December 2020 at 5.15pm. Investors can register for the event via: https://www.investormeetcompany.com/ince-group-plc-the/register-investor

FOR FURTHER INFORMATION, PLEASE CONTACT:

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About The Ince Group plc

The Ince Group is an international legal and professional services business with 21 offices in nine countries across Europe, the Middle East and Asia. With over 700 people, including some 100 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, Ince 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 for more information.

Operating review

Clear growth drivers: The Group's strategy continues to be to grow income profitably by adding fee earning partners to a single efficient administrative operation. Implementation of this strategy should increase the intellectual capital of the business and the quality of its client and matter base. The delivery of this strategy includes recruiting high quality personnel, developing new business streams, acquiring complementary businesses and forging strategic alliances where appropriate.

Robust central infrastructure: To support the delivery of the strategy, the Group has a well-established platform and infrastructure.

We own our practice management system which, on an integrated basis, manages our paperwork, records time and enables billing and collection of fees. We believe that this is unique as it enables us to tailor the system to our needs when we need a refinement and removes the need to rely on external software providers. The back office for the Group is based in South Wales which is a relatively low-cost environment with an abundant pool of suitable talent.

Remuneration model key to growth: The Group has a well-developed basic remuneration structure for partners with which to reward them for delivering the behaviours management wants to see. These focus on our KPIs by growing revenues, achieving a gross margin of over 45%, billing the work done and collecting the fees. While the basic structure is well-defined, it is continually reviewed to improve its focus on achieving the right behaviours.

The efficient practice management system and the remuneration structure, allied to the strength of the Ince brand, are powerful tools in attracting the additional talent the Group seeks.

<u>Review of the half year</u>

The half year has been overshadowed by the global pandemic which has impacted each of our offices to differing degrees. Through the dedication and commitment of our partners and colleagues the overall result is ahead of last year and revenue in the half year has exceeded last year's. Covid-19 restricted business development and face-to-face client contact. However, all of our colleagues have adapted to the changed circumstances and ways of working and our technology platform has coped well with the entire firm at times working remotely.

We strengthened our international footprint during the first half of the year:

- In June, after lengthy negotiations with the local regulator, the Singapore office's international law practice was consolidated with the Singapore law practice of former alliance partner Incisive Law LLC, an integral member of the global Ince network.
- In July, we started a Middle East consultancy business as a specialist asset finance provider. The business is offering our clients expert consulting services, working closely with our ship finance teams in the UK, Germany, Dubai and Asia. It will initially focus on the shipping and aviation sectors. It is regulated by the Abu Dhabi Global Market's Financial Services Regulation Authority (FSRA).

- In late September, the Group opened a new office in Cyprus, another important international shipping hub, and welcomed six new colleagues who have worked together for many years. The office has a specific focus on the maritime sector but is well positioned to advise on private wealth, immigration, financial litigation and energy-related matters. Alongside the law firm, we will operate a consultancy business providing a full range of corporate support services.

We are building complementary businesses around the core strength of Ince in shipping and maritime law:

These changes are built around the core strength of the law firm in shipping and maritime law to which the Group continues its successful commitment. At the beginning of this year, we were joined by 10 partners and fee earners from Bentleys, Stokes and Lowless, a long established specialist shipping partnership in London. They have integrated smoothly with our existing team and are generating revenue as well as deepening the vast experience of the shipping team.

Lateral hires drive growth:

All of the overseas offices have increased turnover and are contributing to the Group result confirming our view that with the addition of suitable partners, close management and an emphasis on collaboration with other offices, the businesses are sound. In the UK, which represented 57% of revenues in the period, the trends noted earlier in the year are represented in the first half. In corporate and real estate there was some encouragement from increases in revenue towards the end of the half year as transactions started again. Shipping and dispute resolution, the largest practice areas in the UK, have performed solidly in the half year. Overall in the UK, the business is recovering to previous levels of revenue after a noted decline after the first lockdown.

Senior management team strengthened:

- Julian Clark has been appointed Global Senior Partner with the primary responsibility for building the market profile of the Group internationally and breaking down silos between offices and service lines. He is establishing a small number of groups focussed on the further deepening of collaboration between offices and service lines to leverage our client and talent bases which should increase revenues.

- Mark Tantam has been appointed to the new position of Managing Partner – UK and his vast experience of managing large teams of professionals at Deloitte is already benefitting the Group. Mark will retain his role as head of global consulting and, in that role, continue to develop integrated legal solutions based on a combination of legal and non-legal capabilities and identify new types of business to explore.

- Alex Janes has been appointed Managing Partner – International.

- Mark and Alex will work with the Heads of Offices and Service lines to drive growth by identifying new propositions and new team hires and increase profitability by improving leverage and cash generation in the international network.

- These three will constitute the single points of contact for their areas and work closely together with the CEO and CFO to shorten reporting lines and reduce inefficiency (and cost) across the organisation.

Improving efficiency of administrative function:

The half year has also seen the business make rapid adjustments as the impact of the pandemic has been felt.

We have, selectively, reduced the number of fee earners and support staff where the medium term prospects of business sectors or support needs would not justify their retention.

The introduction of the Group's new practice management system has given fee earners and management real-time visibility of individual KPIs (including chargeable hours, WIP, billings, debtors and cash collected) which has improved efficiency. This is to be rolled out to overseas offices as soon as possible when travel for training is practicable.

Disposal of White & Black Ltd

Our aspirations for White & Black to be integrated into the wider group as its FinTech offering were not met due to the fall off of its transactional business during the first half and, subsequent to the first half, we therefore have disposed of the whole of the share capital to part of its management team for £0.5 million.

Financial review

The Group's consolidated results for the six months ended 30 September 2020 are ahead of last year, reflecting continued development of the business following the settling in of the Ince acquisition. The results show total revenue of £48.2 million (2019: £45.3 million) and Adjusted profit before tax of £2.52 million (2019: £0.15 million).

Alternative Performance Measures

In the past, the Group has presented two Alternative Performance Measures ("APMs") which included adjustments for specific items to provide a balanced view of the underlying performance of the Group's operations. We have added back non-recurring items and deducted partners' remuneration and other non-controlling interests from profits before striking the Adjusted profit before tax.

After further discussions with the auditors, it has been agreed that the partners' remuneration and other non-controlling interests should be treated as an expense of the business in the statutory presentation of the profits of the Group. This gives the same result in profitability as had previously been reported in the Adjusted profit before tax. In these results, therefore, the only adjustment between the statutory profits and the Adjusted profits is the adding back of non-recurring items.

A consequence of this changed treatment is that the balance sheet liability for non-controlling interests is now shown as a current liability.

The Board believes that this presentation is far clearer to investors.

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

Revenue

Revenue for the six months has grown by 6% despite the impact of Covid-19 on the business and can be analysed by geography as follows:

For the six months ended 30 September	2020 £m	2019 (restated) £m	Growth
UK	27.26	28.49	-4%
Greater China	10.76	9.33	+15%
Singapore	2.16	1.09	+99%
Dubai	2.78	2.37	+18%
Greece	2.22	1.73	+28%
Germany	2.08	1.82	+14%
Gibraltar	0.94	0.51	+82%

The Group has benefitted, during the half year, from its spread of service lines as well as its geographies.

Strong performance from overseas offices

All the overseas offices have performed well through the period, increasing revenue and now contributing to Group profitability. This reflects the arrival of lateral hires in the last year and considerable local and central management attention, with an emphasis on collaboration between offices.

UK performance recovering

In the UK, which represents 57% of Group revenues, revenues declined by 4% in the period with most of the decline happening in the earlier part of the period when restrictions were more severe. Covid-19 has hit the UK harder than our international offices for a number of reasons including particularly in London, the ability and willingness of colleagues to travel into central London by public transport and restrictions on access to our main office imposed by the landlord. This has restricted the ability of partners and colleagues to meet clients.

The UK business is also more transactional than the international business and sectors such as real estate and corporate (and in particular White & Black as noted above) have been quieter. Other sectors which have been quieter include aviation, employment and private clients which are mostly undertaken in the UK practice. The comparative period also included the results of GDFM, the financial compliance consultancy business, which we withdrew from in the second half of last year.

Gross margin

Gross margin for the half year was 44.5% (2019: 41.6%) which was a very good result in the conditions against a comparative period which was early in the integration of the Ince acquisition. The Group has focussed many of the actions in response to Covid-19 on achieving a good gross margin. Typically, we have also found that gross margin improves in the second half of the year with the higher turnover against fixed salary costs.

One of the costs charged against gross margin is the provision we make against debtors in the period. This is made on a formulaic basis with all debts over six months old provided for in full, unless the debt has been collected after the period end before reporting or we have effective certainty that the debt will be collected (for example, where the debtor is a solvent estate or the Group has formal legal security). The charge is 3.0% of revenue for the period (H1 2019: 2.3%) which reflects a general slow-down in settlement of debtors which we have observed. We continue to collect these debts to a substantial extent despite having provided against them.

Lock-up

Lock-up, which represents debtors (excluding VAT and disbursements) compared with revenue, was 116 days at the half year end which is greater than last year and our target of 100 days. This has been extended particularly by Greater China's lock-up which is higher than for the rest of the Group. This is a focus for management in the short and medium term to educate both partners and clients to understand that the Group should not be a significant source of credit for the client. There are, however, cultural differences which suggest that it will take time to achieve a more satisfactory level.

Overheads

Overheads as a proportion of revenue were 39% of revenue. This is a result of overheads having been set at a time when greater growth in revenue was anticipated. Much focus has been paid to reducing overheads since Covid-19 impacted the business, but this reduction will inevitably lag the decisions to make the reductions. Management has reduced overheads in a sensible way so as to enable the business still to grow as more normal business conditions return. This measure should reduce in the full year, but progress towards the Group's target of 30% has been slowed.

Cash and borrowings

As reported earlier this year, the Group expects that net borrowings will continue to reduce, with the low point of cash occurring this month. From now to the end of the financial year, we expect that net borrowings will reduce although the extent of the reduction will depend on the extent of future business disruption as a result of the pandemic. Cash at 27 November 2020 was £4.5 million, approximately the same as at 30 September 2020.

Our principal borrowings are the term facility and revolving credit drawn down on 31 December 2018 when the first stage of the Ince acquisition completed. The Group has made the repayments under these facilities on schedule and has met all the covenants to which the facilities are subject. The Group continues to review opportunities to obtain new facilities which take account of the development of the Group with completion of the overseas acquisitions of Ince and the other developments of the Group over the last two years.

Deferred consideration

Deferred consideration arises from previous acquisitions where further consideration is payable to the vendors. Many commentators regard the deferred consideration on the balance sheet as a fixed amount which the Group will pay. It is important, however, to note that the amount stated in the balance sheet is management's estimate at the date of the acquisition of the liability over a number of years. It is a contingent liability. The actual amount which will be paid depends, in nearly all cases, on the level of revenue achieved by the businesses acquired. So if revenue drops, so will the deferred consideration (and in any event payments will only be made when the revenue has been collected not just been billed). Thus there is some protection against underperformance of the acquired businesses and cash is only paid out to the extent that cash has been received.

Outlook

The Board considers that the business is performing well in the circumstances and expects in the absence of further adverse events, to continue to grow profitably.

We typically observe an increase in revenues and profit in the second half of the year over the first. Although recent trading trends are encouraging, and so far in this half year are ahead of prior year trading, market uncertainties persist across our territories (in particular in the UK, linked in part to recent lockdowns). The extent to which these uncertainties may affect this seasonal trend is difficult to estimate and may impact the extent of the normal second half weighting.

We continue to look for suitable opportunities to expand the teams in all of our offices largely through lateral and team hires. In doing so, we look to expand either the client base of the Group or the service offering of particular offices or the Group as a whole.

The Board believes that working practices are likely to change rendering the Group's current office space too large or unsuitable. In this context, investors should note that the Group's material, long-term property commitments all have an opportunity for a tenant's break within the next three years. This allows the Group flexibility to meet such changed working practices and, in the medium term, the potential to achieve significant further operational cost savings.

At the current time, the Board do not consider it prudent to declare a dividend. If the current progress of the business continues and there are no more significant disruptions from the pandemic or any other unforeseen events, the Board will review the position at the time of announcing the results for the year ending 31 March 2021 with a view to recommending a final dividend for the year.

We look forward to the return to a more normal way of business and the opportunities which can be seized then.

Unaudited Consolidated Statement of Comprehensive Income

	Note	6 months to 30 September 2020 £'000	Restated 6 months to 30 September 2019 £'000	Restated 12 months to 31 March 2020 £'000
Continuing operations				
Fees and commissions	2	48,200	45,339	98,478
Production staff costs	3	(24,447)	(24,899)	(50,426)
Other production costs		(2,315)	(1,945)	(4,180)
Gross profit		21,438	18,495	43,872
Administrative staff costs	3	(6,637)	(6,746)	(13,617)
Other operating expenses		(9,129)	(8,596)	(15,002)
Depreciation of property, plant and equipment		(764)	(697)	(1,487)
Depreciation of right-of-use asset		(2,559)	(2,161)	(4,663)
Amortisation		(79)	(42)	(83)
Other operating income		732	253	354
Operating profit		3,002	506	9,374
Finance income		24	147	352
Finance expense – right-of-use asset		(306)	(246)	(514)
Finance expense - other		(221)	(167)	(1,057)
Non recurring costs	4	(685)	(461)	(1,657)
Share of profit of associates		18	(91)	(140)
Profit/(loss) before income tax		1,832	(312)	6,358
Income tax expense		(358)	(1,604)	(1,543)
Profit/(loss) from continuing operations		1,474	(1,916)	4,815
Discontinued operations				
Profit from discontinued operations		-	-	137
Profit/(loss) for the period		1,474	(1,916)	4,952
Underlying profitability:-				
Profit before income tax		1,832	(312)	6,358
Add back: non-recurring costs		685	461	1,657
Adjusted profit before income tax		2,517	149	8,015
Earnings per share				
Basic earnings per share (pence)	5	2.15	(5.18)	11.78
Adjusted basic earnings per share (pence)	5	3.15	(3.93)	15.39
Diluted earnings per share				
Diluted earnings per share (pence)	5	2.08	(5.18)	11.42
Adjusted diluted earnings per share (pence)	5	3.05	(3.93)	14.92
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Translation of foreign operations		31	35	35
Other comprehensive income for the period		31	35	35
Total comprehensive income for the period		1,505	(1,881)	4,987

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

Unaudited Consolidated Statement of Financial Position

	Note	30 September 2020 £'000	Restated 30 September 2019 £'000	Restated 31 March 2020 £'000
ASSETS				
Non-current assets				
Property, plant and equipment		3,417	3,768	3,761
Right-of-use assets		14,953	14,285	17,441
Intangible assets	6	80,787	79,995	80,825
Investments		545	358	470
		99,702	98,406	102,497
Current assets				
Trade and other receivables	7	46,167	40,233	44,412
Cash and cash equivalents	8	4,461	2,669	5,250
		50,628	42,902	49,662
Total assets		150,330	141,308	152,159
EQUITY				
Capital and reserves attributable to equity holders				
Share capital	9	686	370	686
Share premium	10	24,126	11,192	24,126
Reverse acquisition reserve	10	(24,724)	(24,724)	(24,724)
Foreign exchange translation reserve	10	66	35	35
Other reserves	10	717	145	634
Retained earnings	10	43,001	36,134	41,527
Total equity		43,872	23,152	42,284
LIABILITIES				
Non-current liabilities				
Trade and other payables	11	15,639	28,019	22,453
Borrowings	12	9,800	11,299	10,400
Provisions		2,258	2,454	2,189
Lease liabilities		8,746	12,976	13,284
		36,443	54,748	48,326
Current liabilities				
Trade and other payables	11	44,299	40,541	39,325
Corporation tax		1,532	1,827	1,372
Borrowings	12	2,912	1,713	3,829
Provisions		1,579	7,623	2,407
Lease liabilities		7,327	2,255	5,552
Amounts due to partners		12,366	9,449	9,064
		70,015	63,408	61,549
Total liabilities		106,458	118,156	109,875
Total equity and liabilities		150,330	141,308	152,159

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

Unaudited Consolidated Statement of Cash Flows

	Note	6 months to 30 September 2020 £'000	Restated 6 months to 30 September 2019 £'000	Restated 6 months to 31 March 2020 £'000
Cash flows from operating activities				
Profit/(loss) before income tax		1,832	(312)	6,358
Profit before tax from discontinued activities		-	-	137
Adjustments for:				
Partner remuneration		8,507	7,098	16,844
Finance income		(24)	(147)	(352)
Finance expense		527	413	1,571
Acquisition related costs		685	461	1,657
Depreciation, amortisation and impairment		4,861	4,865	8,279
Share options expense		83	97	172
Gain on sale of discontinued operations		-	-	(51)
Share of (profit)/loss of associates		(18)	91	140
Net exchange differences		88	-	(323)
Changes in operating assets and liabilities (net of acquisitions):				
Decrease/(Increase) in trade and other receivables		(20)	545	(9,616)
(Decrease)/Increase in trade and other payables		448	(6,900)	(1,787)
(Decrease)/Increase in provisions		(818)	(232)	(6,380)
Cash generated by operations		16,151	5,979	16,649
Interest and other financial costs paid		(527)	(413)	(1,054)
Tax paid		(198)	(33)	(896)
Net cash generated by operating activities		15,426	5,533	14,699
Cash flows from investing activities				
Cash paid on acquisitions (net of cash acquired)		49	2,250	2,078
Payment of contingent and deferred consideration on acquisitions		(4,944)	(4,304)	(10,126)
Payment of acquisition related costs		(685)	(461)	(1,657)
Purchase of property, plant and equipment		(511)	(708)	(1,436)
Proceeds from disposal of property, plant and equipment		-	-	2
Purchase of intangible assets		(458)	(503)	(1,627)
Disposal of subsidiary, net of cash disposed of		-	-	(191)
Interest received		25	147	352
Net cash absorbed by investing activities		(6,524)	(3,579)	(12,605)
Cash flows from financing activities				
Movement in borrowings		(1,714)	4,663	6,133
Proceeds from issuance of shares		-	-	14,046
Transactions costs relating to issue of shares		-	-	(800)
Dividends paid		-	(737)	(2,197)
Partner remuneration payments		(5,282)	(6,844)	(15,513)
Direct cost of leases		-	-	(24)
Payment of lease liabilities		(2,845)	(1,274)	(3,268)
Net cash (absorbed)/generated from financing activities		(9,841)	(4,192)	(1,623)
Net (decrease) / increase in cash and cash equivalents		(939)	(2,238)	471
Effect of exchange rate changes on cash		(43)	(103)	-
Cash and cash equivalents at beginning of period		5,191	4,720	4,720
Cash and cash equivalents at end of period	8	4,209	2,379	5,191

Unaudited Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Reverse acquisition reserve £'000	Foreign Exchange translation reserve £'000	Other reserves £'000	Distributable reserves £'000	Total equity £'000
Balance at 1 April 2019	370	11,192	(24,724)	-	48	38,787	25,673
Profit/(loss) for the period	-	-	-	-	-	(1,916)	(1,916)
Other comprehensive income	-	-	-	35	-	-	35
Dividends paid	-	-	-	-	-	(737)	(737)
Share options acquired	-	-	-	-	97	-	97
Balance at 30 September 2019	**370**	**11,192**	**(24,724)**	**35**	**145**	**36,134**	**23,152**
Profit/(loss) for the period	-	-	-	-	-	6,868	6,868
Other comprehensive income	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	(1,475)	(1,475)
Shares issued in period	316	13,734	-	-	414	-	14,464
Share options acquired	-	-	-	-	75	-	75
Share issue transactions costs	-	(800)	-	-	-	-	(800)
Balance at 31 March 2020	**686**	**24,126**	**(24,724)**	**35**	**634**	**41,527**	**42,284**
Profit/(loss) for the period	-	-	-	-	-	1,474	1,474
Other comprehensive income	-	-	-	31	-	-	31
Dividends paid	-	-	-	-	-	-	-
Share options acquired	-	-	-	-	83	-	83
Balance at 30 September 2020	**686**	**24,126**	**(24,724)**	**66**	**717**	**43,001**	**43,872**

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

Notes to the Financial Statements

These interim consolidated financial statements have been approved for issue by the Board of Directors on 30 November 2020.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation and significant accounting policies

The financial information for the year ended 31 March 2020 set out in this half yearly report does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. The figures for the year ended 31 March 2020 have been extracted from the Group financial statements for that year. Those financial statements have been delivered to the Registrar of Companies and included an independent auditor's report, which was unqualified and did not contain a statement under section 493 of the Companies Act 2006.

The half yearly financial information has been prepared using the same accounting policies and estimation techniques as will be adopted in the Group financial statements for the year ending 31 March 2021. The Group financial statements for the year ended 31 March 2020 were prepared under International Financial Reporting Standards as adopted by the European Union. These half yearly financial statements have been prepared on a consistent basis and format with the Group financial statements for the year ended 31 March 2020. The interim condensed consolidated financial statements for the six months ended 30 September 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2020.

1.2 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 Group company 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 consolidated statement of comprehensive income.

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 consolidated statement of comprehensive income.

1.3 Financial instruments

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

Financial assets are included on the 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.3 Financial instruments (continued)

(c) Interest-bearing borrowings

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

1.4 Going concern

The financial statements have been prepared on the going concern basis. In deciding this, the directors have considered the detailed budgets for the current financial year and high level budgets for the succeeding year including in both cases cash flows.

They have also considered the impact of adverse changes resulting from the major risks and uncertainties they consider apply to the Group. 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 upmost 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.

1.5 Government grants

During the period, the Group has been reimbursed by the UK government for a proportion of the wages of furloughed employees under the Coronavirus Job Retention Scheme (CJRS). This is in line with the definitions of grant income in IAS 20 and, for presentational purposes, the reimbursement has been classified against the costs to which it relates.

2. REVENUE

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

	Legal & professional services £'000	Other £'000	Total £'000
6 months to 30 September 2020			
UK	26,603	655	27,258
Europe, Middle East and Africa	8,021	-	8,021
Asia	12,921	-	12,921
Total revenue	47,545	655	48,200
6 months to 30 September 2019			
UK	28,397	511	28,908
Europe, Middle East and Africa	5,915	-	5,915
Asia	10,516	-	10,516
Total revenue	44,828	511	45,339
Year ended 31 March 2020			
UK	61,740	2,120	63,860
Europe, Middle East and Africa	13,328	-	13,328
Asia	21,290	-	21,290
Total revenue	96,358	2,120	98,478

3. STAFF COSTS

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

	Number of employees		
	6 months to 30 September 2020	6 months to 30 September 2019	12 months to 31 March 2020
Fee earners	346	359	342
Direct production support	129	141	134
Administration	241	226	258
Total	716	726	734

The aggregate staff costs of the Group were as follows:

	6 months to 30 September 2020 £'000	6 months to 30 September 2019 £'000	12 months to 31 March 2020 £'000
Wages and salaries	17,425	19,198	38,304
Social security costs	1,692	1,816	3,495
Employee benefits costs	1,344	930	2,088
Pension costs	657	638	1,266
Partner remuneration*	8,507	7,098	16,844
Amortisation - relating to partner payments*	1,459	1,965	2,046
Total staff costs	31,084	31,645	64,043

*These items are classified in production staff costs in the consolidated statement of comprehensive Income

4. NON RECURRING COSTS

Non recurring costs include acquisition related costs of £420,000 (2019: £327,000) and other material items related to the acquisition which will not recur of £265,000 (2019: £134,000).

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 fees payable to the Company's auditors of £111,000 (2019: £nil).

5. EARNINGS PER SHARE

Earnings per share for the year ended 31 March 2020 and the periods ended 30 September 2020 and 30 September 2019 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 2019	36,976,730	Being the Company's issued shares at that date
27 November 2019	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 consolidated statement of comprehensive income, is based on profit after tax for the period ended 30 September 2020 of £1,474,000 attributable to equity holders, divided by 68,540,912, being the weighted average total number of ordinary shares in issue during the period.

Adjusted basic earnings per share, shown on the consolidated statement of comprehensive income, is based on adjusted profit before tax for the period ended 30 September 2020 of £2,517,000 after deducting income tax of £358,000 divided by 68,540,912, 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 were included the weighted average total number of shares for the period would be 70,719,474, which is applied in the calculation of diluted earnings per share, also shown on the consolidated statement of comprehensive income.

Adjusted profit before tax is calculated as follows:

	6 months to 30 September 2020 £'000	6 months to 30 September 2019 £'000	12 months to 31 March 2020 £'000
Profit before tax from statement of comprehensive income	1,832	(312)	6,358
Add: Non-recurring expenses:			
- Acquisition related expenditure	420	327	588
- Other material items	265	134	1,069
Adjusted profit before tax	2,517	149	8,015
Deduct: Income tax	(358)	(1,604)	(1,543)
Adjusted profit after tax	2,159	(1,455)	6,472

6. INTANGIBLE ASSETS

	Goodwill £'000	Client portfolio £'000	Brand & trademarks £'000	Internally generated software £'000	Intellectual property £'000	Total £'000
Cost						
Balance at 1 April 2020	55,047	15,467	17,000	2,284	189	89,987
Acquisition of subsidiary	1,042	-	-	-	-	1,042
Additions	-	-	-	458	-	458
Reassessment of fair value	-	-	-	-	-	-
Balance at 30 September 2020	56,089	15,467	17,000	2,742	189	91,487
Amortisation and impairment						
Balance at 1 April 2020	-	8,864	-	232	66	9,162
Charge for the period	-	1,459	-	70	9	1,538
Balance at 30 September 2020	-	10,323	-	302	75	10,700
Carrying value						
At 31 March 2020	55,047	6,603	17,000	2,052	123	80,825
At 30 September 2020	56,089	5,144	17,000	2,440	114	80,787

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.

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 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.

Internally generated software includes £2,742,000 of development costs relating to development of software applications. The directors have considered the carrying value of internally generated software of £2,440,000 as appropriate as it is expected to create future economic benefit.

Intellectual property carrying amount includes £114,000 of intellectual property acquired on the acquisition of certain assets and liabilities of Prolegal Limited from its administrator.

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

	Goodwill £'000	Client Portfolio £'000	Brand & trademarks £'000	Internally generated software £'000	Intellectual Property £'000	Total £'000
Cost						
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
At 31 March 2020	55,047	15,467	17,000	2,284	189	89,987
Amortisation and impairment						
At 1 April 2019	-	6,818	-	168	47	7,033
Charge for period	-	2,046	-	64	19	2,129
At 31 March 2020	-	8,864	-	232	66	9,162
Carrying value						
At 31 March 2019	50,820	5,401	17,000	1,080	142	74,443
At 31 March 2020	55,047	6,603	17,000	2,052	123	80,825

6. INTANGIBLE ASSETS (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	Culver Financial Services	White & Black	Regions
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2020	8,911	4,185	2,005	8,722
Acquisition of subsidiary	-	-	-	-
Balance at 30 September 2020	8,911	4,185	2,005	8,722
Impairment				
At 1 April 2020 and 30 September 2020	-	-	-	-
Carrying value				
At 31 March 2020	8,911	4,185	2,005	8,722
At 30 September 2020	8,911	4,185	2,005	8,722

	Platt, PLI & Ince	Overseas	Total Goodwill
	£'000	£'000	£'000
Cost			
At 1 April 2020	26,316	4,908	55,047
Acquisition of subsidiary	-	1,042	1,042
Balance at 30 September 2020	26,316	5,950	56,089
Impairment			
At 1 April 2020 and 30 September 2020	-	-	-
Carrying value			
At 31 March 2020	26,316	4,098	55,047
At 30 September 2020	26,316	5,950	56,089

6.1 Business combinations and acquisitions

The details set out below provide the information required under IFRS 3 'Business Combinations' for the acquisitions that occurred during the period to 30 September 2020.

On 1 June 2020, Incisive Law LLC, a law firm based in Singapore, became a Group company for the purposes of IFRS 10. Debt intruments consideration of £1,043,000 and goodwill of £1,042,000 was recognised.

6.1.2 Identifiable assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Incisive Law LLC were as follows:

	£'000
Trade and other receivables	1,887
Cash and cash equivalents	49
Trade and other payables	(1,878)
Provisions	(57)
Net identifiable assets and liabilities	1
Goodwill	1,042
Total consideration	1,043
Satisfied by:	
Cash	-
Debt instruments	1,043
Contingent consideration	-
Total consideration transferred	1,043
Net cash outflow arising on acquisition:	
Cash consideration	-
Less: cash and cash equivalent balances acquired	(49)
	(49)

6.2 Discontinued operations

There were no discontinued operations during the period to 30 September 2020.

7. TRADE AND OTHER RECEIVABLES

	30 September 2020 £'000	Restated 30 September 2019 £'000	31 March 2020 £'000
Trade receivables	26,810	24,346	26,870
Accrued income	10,313	8,986	5,925
Other receivables	4,272	1,759	4,033
Prepayments	4,772	5,142	7,584
	46,167	40,233	44,412

Trade receivables are stated including £2,710,000 of VAT and £3,766,000 of disbursements.

8. CASH AND CASH EQUIVALENTS

	30 September 2020 £'000	30 September 2019 £'000	31 March 2020 £'000
Cash in hand and at banks	4,461	2,669	5,250
Total	4,461	2,669	5,250

Cash and cash equivalents include the following:-

Cash as above	4,461	2,669	5,250
Bank overdrafts	(252)	(290)	(59)
Total	4,209	2,379	5,191

9. SHARE CAPITAL

	30 September 2020 Number	30 September 2020 £'000	30 September 2019 £'000	31 March 2020 £'000
Allotted, called up and fully paid				
Ordinary shares of 1p each	68,540,912	686	370	686

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

10. 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 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.

11. TRADE AND OTHER PAYABLES

	30 September 2020 £'000	Restated 30 September 2019 £'000	31 March 2020 £'000
Current:			
Trade payables	12,400	9,944	12,263
Other taxes and social security	5,322	1,280	3,445
Other payables	2,863	2,296	3,133
Deferred consideration	15,136	15,026	14,608
Unpaid dividends	15	-	15
Accruals	8,563	11,995	5,861
	44,299	40,541	39,325
Non-current:			
Other payables	50	1,112	1,391
Deferred consideration	15,589	25,960	21,062
Accruals	-	947	-
	15,639	28,019	22,453
Total	59,938	68,560	61,778

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

12. BORROWINGS

	30 September 2020 £'000	30 September 2019 £'000	31 March 2020 £'000
Bank overdrafts	252	290	59
Bank loans	11,449	12,401	11,651
Other loans	1,011	321	2,519
Total borrowings	12,712	13,012	14,229
Current	2,912	1,713	3,829
Non-current	9,800	11,299	10,400
Total	12,712	13,012	14,229

13. FREE CASH FLOWS

	6 months to 30 September 2020 £'000	6 months to 30 September 2019 £'000	12 months to 31 March 2020 £'000
Cash generated by operations	16,151	5,979	16,649
Partner remuneration payments	(5,282)	(6,844)	(15,513)
Lease costs	(2,845)	(1,274)	(3,292)
Payment of contingent and deferred consideration	(4,944)	(4,304)	(10,126)
Purchase of property, plant and equipment and intangible assets	(969)	(1,211)	(3,063)
Net interest received/(paid)	(502)	(266)	(702)
Tax paid	(198)	(33)	(896)
Free cash flow	1,411	(7,953)	(16,943)

14. RESTATEMENT OF COMPARATIVES

As described in the financial statements for the year ended 31 March 2020, after publication of the results to 30 September 2019 additional pre-acquisition liabilities were identified resulting in restatement of the goodwill on acquisition of Ince & Co LLP at 31 March 2019. 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 of a brand value attributable to Ince of £17 million. Data on recurring business suggested that the client portfolios were less valuable than the brand and deemed to be valued at £4.5 million. The comparative results for the six months ended 30 September 2019 and the statement of financial position at 30 September 2019 have been restated in the same way.

The comparative results for the six months ended 30 September 2019 and the twelve months ended 31 March 2020 have been restated for the re-presentation of Partners' remuneration and non-controlling interests.

Partners' remuneration and other non-controlling interests are now treated as an expense of the business and are recognised in production staff costs in the consolidated statement of comprehensive income.

The non-controlling interest liability is now presented as a current liability on the statement of financial position as amounts due to partners.

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

Statement of financial position extract	Group 30 September 2019 £'000	Change £'000	Restated Group 30 September 2019 £'000
Intangible assets	59,255	20,740	79,995
Trade and other receivables	43,495	(3,262)	40,233
Distibutable reserves	(40,024)	3,890	(36,134)
Amounts due to partners	(5,312)	(4,137)	(9,449)
Trade and other payables	(54,765)	(13,795)	(68,560)
Borrowings	(13,033)	21	(13,012)
Provisions	(6,641)	(3,436)	(10,077)
Lease liabilities	(15,210)	(21)	(15,231)
Total	(32,235)	-	(32,235)

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