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

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The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

21 July 2021

Full-year results for the period ended 30 April 2021
A transformational year – revenue and adjusted profit growth, and strong cash generation

DWF, the global legal business, today announces its full-year results for the year ended 30 April 2021. The Board is delighted with the Group's performance in FY2020/21 reflecting a more focussed delivery of the strategy, greater operating discipline, a significant adjusted profit improvement and a robust balance sheet.

GROUP FINANCIAL SUMMARY

£m (unless otherwise stated)	FY2020/21	FY2019/20	Change
Revenue	400.9	356.6	12%
Net revenue[1]	338.1	297.2	14%
Gross profit	171.8	142.2	21%
Gross profit margin[2]	50.8%	47.9%	2.9ppts
Cost to income ratio[3]	39.2%	41.4%	(2.2)ppts
Adjusted EBITDA[4]	58.1	36.9	57%
Operating (loss) / profit	(25.6)	22.2	(47.8)
Adjusted profit before tax ('Adjusted PBT')[5]	34.2	15.2	125%
(Loss) / profit before tax ('PBT')	(30.6)	18.2	(48.8)
Adjusted diluted EPS (pence)[6]	7.4	3.0	4.4
Diluted EPS (pence)	(11.9)	3.7	(15.6)
Gross lock-up days[7]	186	206	20
Free cash flow[8]	32.1	(6.6)	38.7
Net debt[9]	60.2	64.9	(4.7)

FY2020/21 HIGHLIGHTS

- Group net revenue growth of 14% (8% organic)[10] to £338.1m at a gross margin of 50.8%.
    - 3% growth in Commercial Services, with 10% year on year growth in H2
    - 3% growth in Insurance Services division
    - 33% growth in International, including full-year net revenue of £33.5m from the RCD acquisition in Spain
    - 22% growth in Connected Services, all organic
    - Managed Services (Mindcrest) division contributes £13m of net revenue.
- Adjusted PBT up 125% to £34.2m, reflecting top line growth, gross margin improvement and operating leverage coming through with an improvement in the cost to income ratio as the Group implemented cost reduction initiatives announced during the year.
- Reported PBT is a loss of £30.6m, which differs to Adjusted PBT due to significant, largely non-cash, acquisition and closure/scale back related expenses treated as non-underlying items.

- £32.1m free cash flow generated in FY2020/21 versus an outflow of £6.6m in the prior year.
- Net debt of £60.2m is £4.7m lower than FY2019/20, despite deferred consideration and acquisition-related outflows of £17m, and assisted by c.£11m of COVID-19 related Vat deferrals.
- A 20-day (10%) reduction in lock-up days versus FY2019/20 position reflecting Group-wide initiatives to improve working capital efficiency.
- Cost to income ratio improved by 2.2ppts versus FY2019/20 to 39.2%, continuing the downward trend and demonstrating the impact of cost control measures.
- Net revenue per partner[11] increased by 18% to £924k.

STRATEGIC HIGHLIGHTS

- Decisive action taken in FY2020/21 and new operating structure from FY22 provides a platform for sustainable, profitable growth.
- New three division operating model, effective 1 May 2021, and the Group's focus on a one-team culture and global mind-set already leading to a greater sharing of clients across practice areas and borders.
- An increasing number of our clients now receive services from two or more of Legal Advisory, Connected and Mindcrest, representing a significant growth opportunity.
- Investment in new Pune, India office to increase headcount capacity to c.1,000 from c.500 to support Mindcrest (Managed Services) build.
- Recent key blue-chip wins include Allianz and LV=

OUTLOOK AND CURRENT TRADING

- Trading performance throughout FY2020/21 has been resilient, with minimal impact from ongoing COVID-19 restrictions.
- The first two months of trading for FY22 have been strong, showing continued organic net revenue growth and gross margin development.
- As restrictions continue to ease, we expect a favourable trading environment for FY22 and for our approach to integrated legal management to continue to expand existing client relationships and secure new client wins.
- Whilst there is upward cost pressure due to competition for talent in a buoyant legal sector, the removal of material drag factors (i.e. closures and scale-backs in FY21) is expected to support continued growth in net profitability.
- For FY2020/21, as previously announced, the Board has declared a final dividend of 3.0p per share, taking the total dividend for the year to 4.5p, reflecting a pay-out ratio of 61% of adjusted profit after tax. This pay-out ratio is viewed as a meaningful step towards the target of up to 70%.
- Guidance has been reinstated with the following targets being set:
    - For the medium term:
        - Net revenue growth CAGR of between 6% and 7%
        - Gross margin increase to between 53% and 54%
        - Cost to income ratio (including depreciation) target of 38%
        - Lock-up days of 170
        - Leverage of 0.5 to 1 times pre-IFRS 16 EBITDA
    - For FY22 specifically:
        - Capex of up to £8m
        - Interest expense of c.£5.0m (including c.£2.5m of interest on leases under IFRS 16)
        - Depreciation c.£20m (including c.£12m of depreciation for right-of-use asset under IFRS 16)

Sir Nigel Knowles, Chief Executive Officer, commented:
"FY2020/21 was a transformational year for DWF and I am delighted that the tremendous resilience, dedication and excellence of our colleagues has been rewarded with these strong results. The results reflect a return to pre-COVID-19 activity levels, but they also evidence the importance of the decisive actions we took throughout the year as we focused on driving greater operational efficiency, profitability and strategic alignment.

"I am especially pleased to see revenue and gross profit margin growth in every division of the Group. This demonstrates the strengths we have right across the business, the broad appeal of our offerings in their own right, and how these can be even more powerful when combined through our differentiated Integrated Legal Management approach.

"We have now implemented our new global operating structure to streamline the Group into three global divisions of Legal Advisory, Mindcrest and Connected Services. We believe this is an important step forward in our strategy and will help us to fulfil our vision of becoming the leading global provider of integrated legal and business services. "

The person responsible for making this announcement on behalf of the Company is Chris Stefani, Group Chief Financial Officer.

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About DWF
DWF is a global provider of integrated legal and business services provided through its three offerings of Legal Advisory, Mindcrest and Connected Services. It has offices and associations located across the globe. The Company became the first Main Market Premium Listed legal business on the London Stock Exchange in March 2019. DWF recorded Net Revenue of £338.1 million in the year ended 30 April 2021. For more information visit: dwfgroup.com

Effective from 1 May 2021, the Group transitioned to a new internal operating structure which it believes will support its aim of becoming the leading global provider of integrated legal and business services. DWF has moved from its previous five divisions (Commercial Services, Insurance Services, International, Connected Services and Managed Services) into three more streamlined and efficient global divisions of Legal Advisory, Mindcrest and Connected Services.

Together, the three divisions support DWF's single Integrated Legal Management approach through which the Group can seamlessly combine any number of these services to deliver bespoke solutions to its clients with greater efficiency, price certainty and transparency. This approach enables DWF to offer clients solutions that combine traditional law firm services with new, modern legal and business services relevant to today's companies and the challenges and opportunities they face.

Forward looking statements
This announcement contains certain forward-looking statements with respect to the Company's current targets, expectations and projections about future performance, anticipated events or trends and other matters that are not historical facts. These forward-looking statements, which sometimes

use words such as "aim", "anticipate", "believe", "intend", "plan", "estimate", "expect" and words of similar meaning, include all matters that are not historical facts and reflect the directors' beliefs and expectations and involve a number of risks, uncertainties and assumptions that could cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statement.

[1] Net revenue is defined in note 2.
[2] Gross profit margin is calculated based on Net revenue.
[3] Cost to income ratio is defined in note 2.
[4] Adjusted EBITDA is defined in note 2.
[5] Adjusted PBT is defined in note 2.
[6] Adjusted diluted EPS is defined in note 8.
[7] Gross lock-up days is defined in note 23.
[8] Free cash flow is defined in note 23.
[9] Net debt is defined in note 23.
[10] Organic revenue growth removes the impact of acquisitions and rationalised operations.
[11] Net revenue divided by average partner.

CHAIR'S STATEMENT

Dear Shareholder,

This has been an extraordinary year, a period during which we have all continued to adapt and respond to the challenges posed by COVID-19, but where the Group has been able to deliver a strong financial performance.

I would like to start by offering my thanks, and the thanks of all Board members, to all of our colleagues across the business who have shown incredible commitment, dedication and excellence throughout the year.

Group performance

We are delighted with our results for FY2020/21 which show a significant improvement on the prior year. Organic revenue growth has been strong, we have significantly improved our adjusted profitability[12] and we have made progress in improving our operational efficiency, not least with a good reduction in our gross lock-up days.

These positive financial results reflect the success of DWF's differentiated offering which is resonating with clients and is therefore benefitting many of our stakeholders. The results are also testament to the decisive actions taken at the start of this financial year, following the appointment of a new management team led by Sir Nigel Knowles as Chief Executive Officer.

The difficult decisions made at that time, which included closing offices and reducing our presence in certain locations, have been a contributory factor in the improved gross profit this year, but also provide the Group with a platform to deliver further sustainable profitable growth in the future.

Leadership and Board changes

I would like to thank all members of the Board for the leadership displayed through a very important and successful year for DWF. I would also like to welcome Seema Bains and Michele Ciccheti, who

[12] The statutory loss before tax is £30.6m (2019/20: £18.2m profit) – see the Financial Review for more details. Adjusted profit before tax is £34.2m (2019/20: £15.2m) a 125% improvement on prior year.

joined the Board in October as Partner Directors, introducing a broader set of skills, experience, knowledge and diversity of thought, all of which are key to a resilient board.

Our response to COVID-19

In broad terms, we saw the headwinds from COVID-19 substantially ease through the course of the year, with activity levels returning to those seen prior to the pandemic. There were, of course, differences by location as restrictions were imposed or removed in different parts of the world. Our Executive team worked closely with our office and country Managing Partners to ensure each location was supported – with the emphasis being on prioritising the physical and mental health of our colleagues and clients.

COVID-19 has been one of the key areas of engagement with our colleagues over the past year. This has led to the establishment of a Wellbeing Committee to develop a programme of activities and resources to support colleagues in coping with the mental health challenges created by COVID-19. The DWF Foundation, an independent charity, was also able to donate funds to support organisations most in need – including a number of food banks in the UK and around the world and to the India Red Cross.

In recent months, attention has turned to how we enable colleagues to return to the office in greater numbers. We have conducted a global survey to better understand colleagues' preferences of where and how they will work – and we are now following up with a series of forums to ensure those preferences are reflected in our future plans. We know that almost all of our colleagues want to work in the office some of the time, but relatively few want to be in an office five days a week. Whilst there will be some variation by location, or by team, we anticipate most people having greater flexibility to choose how often they work in the office in the future.

Environment, Social and Governance

ESG has been a growing influence in the legal services sector for a number of years and a number of its central themes are aligned to our Purpose, values and culture. DWF already has a well-established programme of ESG-related activities, especially in areas such as Diversity & Inclusion and Social Mobility, but there has clearly been a marked increase in the focus given to ESG as an issue from all of our stakeholders over the past year.

I am delighted that Kirsty Rogers is DWF's first Group Head of ESG and I can confirm that this autumn we will be sharing more detail with shareholders on our global ESG strategy. We are already well-progressed in a number of areas, including having published Diversity & Inclusion targets for our PLC and Executive Boards and for BAME and female representation in other senior leadership positions. We have also extended our gender pay gap reporting to incorporate ethnicity pay reporting and we have communicated our new five-year Diversity & Inclusion strategy. We have also made a commitment to set climate targets in line with limiting global temperature rise to 1.5°C.

Dividend

The Group's capital allocation policy is to prioritise having sufficient capital to fund ongoing operating requirements, and to invest in the Group's long-term growth. Taking this into account the Board targets a pay-out ratio of up to 70% of adjusted profit after tax[13]. For FY2019/20, a higher pay-out ratio of 90% was applied as a one-off given the exceptional trading conditions due to COVID-19. For FY2020/21, the Board has proposed a final dividend of 3p per share, taking the total dividend for the year to 4.5p, reflecting a pay-out ratio of 61% of adjusted profit after tax. This pay-

[13] Adjusted profit after tax is defined in the glossary.

out ratio reflects our capital allocation policy and is viewed as a meaningful step towards the target of up to 70%.

Annual General Meeting 2021
The Annual General Meeting will be held on Tuesday 28 September 2021.

Section 172(1)
The Directors have had regard to matters set out in section 172 (1)(a)-(f) of the Companies Act 2006 when performing their duties under section 172. They consider they have acted in good faith, in the way that would be most likely to promote the success of the Company for the benefit of its members as a whole, while also considering the broad range of stakeholders who interact with, and are affected by, our business.

Jonathan Bloomer
Chairman
21 July 2021

CHIEF EXECUTIVE OFFICER'S Q&A

How did the Group perform through the year?

We are delighted with our performance throughout this financial year. It has been especially pleasing to see revenue and gross profit margin growth across every division of the Group. This reflects strong activity levels and pipeline conversion and is also reflective of operational improvements that we are driving across the Group.

Our litigation practice saw sustained client demand throughout FY2020/21 and was a key driver of revenue growth in our Commercial Services division. We have also seen good growth in our Insurance division with the COVID-19 related business interruption litigation driving activity in our professional indemnity practice – and with our Claims Management, Adjusting and Forensic Accountancy teams in Connected Services. Connected Services had a very strong year with 21.5% of organic growth as we believe awareness of our breadth of services continues to grow with our clients.

It was a year of consolidation for our International division which saw the closure or scaling back of our presence in a small number of locations. We also moved operations in Belfast and Dublin out of our International division to improve efficiencies and integration with our wider UK & Ireland teams. Nevertheless, International grew by 33% in the year and we saw strong performances in Italy, Poland and Spain, where our DWF-RCD team generated revenue of £33.5m in its first full year with the Group. The performance of Dubai was pleasing, where following action taken earlier in the financial year, the scaled-back team went on to deliver one of the strongest gross profit performances across the International division.

You made some difficult decisions on office closures at the start of FY2019/20. Why did you do that?

When I was appointed as Chief Executive Officer last May, part of my 100-day plan was to conduct a review of the business to ensure that all constituent parts were making a contribution to the profitable growth of the Group and were aligned with our global strategy. We determined that this wasn't the case in a small number of locations and in order to ensure we have the right platform to drive sustainable, profitable growth, we made the difficult decision to close or scale back our presence in certain locations.

Decisions such as these are always very difficult and inevitably they come with the consequence of some colleagues leaving our business. The decisions were taken in the interests of the long-term success of the business and with consideration to all stakeholders. We discussed these decisions with colleagues and explained our rationale through written communication and 'Town Hall' style presentations and Question and Answer sessions.

The collective effect of these actions is to remove annualised EBITDA losses of c.£7m from the Group and ensures that the shape of the business coming into FY22 is strategically aligned, right-sized and provides the platform that we need.

How important is Purpose and Culture in relation to the Group's performance?

It is hugely important – and in my view, more so now than ever before. In a period where all of our colleagues will have been personally challenged in one way or another by COVID-19, finding a collective Purpose and shared Culture at work is essential.

I have emphasised the importance of our 'one team' culture, where we work together, for and with each other, to deliver positive outcomes for all of our stakeholders including our colleagues, clients and communities. In more than 40 years in the legal profession, I have never before worked in a business where people are so committed to operating as one team. This is one of our greatest achievements in the past 12 months – we are breaking down barriers to work more effectively – within and across practice area, division and jurisdiction.

Coupled with our integrated offering and more streamlined operating model, this commitment to work together and share in our collective success is helping us to win with clients for the benefit of the business as a whole.

Why did you decide to introduce a new operating structure from 1 May?

We launched our new operating structure to streamline the Group into three global divisions of Legal Advisory, Mindcrest and Connected Services. We believe this new structure is an important step forward in our strategy and will help us to fulfil our vision of becoming the leading global provider of integrated legal and business services.

Together, the three divisions will support our Integrated Legal Management approach through which we can seamlessly combine any number of these services to deliver bespoke solutions to our clients with greater efficiency, price certainty and transparency. We see it as the next natural step in the development of our modern, global business and it is a cornerstone of the three-year business plan we have developed since my appointment.

How important will Mergers & Acquisitions be in enabling you to fulfil your ambitions?

When I became CEO, I said that we would be putting M&A on hold for the foreseeable future. This was to allow the business time to focus on consolidating investments already made, deal with under-performing or misaligned businesses and also to focus on our response to COVID-19. We drove a lot of improvements to improve the business in FY2020/21 and now, as we see the external market start to stabilise, I'm pleased to say that we have resumed M&A and in May 2021 we announced the acquisition of two businesses to complement our Connected Services offering.

M&A will remain an important element of our growth strategy and I am confident that we will be an active participant, in a market that we believe will continue to consolidate, as we look for opportunities to further build our global presence where it is needed and to strengthen our capabilities.

M&A isn't the only way in which we will grow the business. We already have association relationships with several excellent law firms and in April 2021 we announced two new associations in Singapore and South Africa. We will also continue to strengthen through new partner recruitment and I am delighted that we are currently seeing very strong interest from high quality candidates in joining DWF.

What is the outlook for the year ahead?

The first two months of trading for FY22 have been strong, showing continued organic revenue growth and gross margin development, with our new operating model already leading to a greater sharing of clients across practice areas and borders. As restrictions continue to ease slowly, we expect a favourable trading environment for FY22 and for our approach to integrated legal management to continue to expand existing client relationships and secure new client wins. Whilst there is competitive pressure for talent across what is proving to be a buoyant legal sector, which may lead to upwards cost pressure, the removal of material drag factors (i.e. closures and scale-backs in FY21) is expected to support continued growth in net profitability.

Sir Nigel Knowles
Group Chief Executive Officer
21 July 2021

FINANCIAL REVIEW

A transformational year

Revenue and adjusted profit growth, and cash generation

The FY2020/21 financial performance is much improved compared to the results in FY2019/20, which were particularly impacted by COVID-19. Under new leadership, the Group has underpinned the strategy with a focus on profitable growth, cost control and cash generation. Trading performance throughout FY2020/21 has been resilient with minimal impact from ongoing COVID-19 restrictions, with the Group delivering net revenue growth of 14%, 8% of which was organic (FY2019/20: 11%, 2% of which was organic).

In addition to a strong revenue performance, a number of decisions have been taken to remove loss-making and non-strategically aligned elements of the Group. This led to the closure of Cologne in FY2019/20, closure of Singapore and Brussels operations in FY2020/21 together with the scaling back of Dubai and Australia operations. The associated one-off restructuring costs in the year of £15m have been recognised as non-underlying administrative expenses in the income statement. The collective impact of this restructuring removes annualised EBITDA losses of c.£7m from the Group and ensures that the shape of the business coming into the current year is strategically aligned, right-sized and represents an improved platform from which to drive future profitable growth.

The Group has produced a statutory loss before tax of £31m (FY2019/20: £18m profit before tax). This statutory loss before tax is driven by £64.8m of adjusting items the majority of which are non-cash with just over 50% of this amount relating to the recognition of an expense that forms part of the purchase price of historical acquisitions. The acquisition expense represents the element of the purchase price not treated as consideration and is driven by the accelerated release of the prepayment related to ongoing service obligations as a result of the RCD deal term modification. This acquisition cost is recognised as an adjusting item along with the costs of office closures and scale backs and a small amount of other costs. [14] The adjusted metrics show a material improvement in profitability despite absorbing the trading losses from the aforementioned closures and scale backs, with the Group achieving record adjusted profit before tax performance of £34m (FY2019/20: £15m).

The profitable growth performance has been delivered alongside a strengthening of the balance sheet. Net debt has reduced to £60m (FY2019/20: £65m) despite the fact that the Group has settled £17m of acquisition related expenses. This reflects record free-cash-flow generation for the Group of £32m inflow (FY2019/20: £7m outflow) which was supported by a reduction in gross lock-up days of 20 days, from 206 as at April 20 to 186 as at April 21.

The Board is delighted with an FY2020/21 financial performance that reflects a more focussed delivery of the strategy, greater operating discipline, a significant adjusted profit improvement and a robust balance sheet. These factors, alongside the implementation of a new global operating model, set the Group up well to meet medium term aspirations to further enhance net profit margins whilst deleveraging the balance sheet.

Revenue

Revenue is £401m (FY2019/20: £357m) representing growth of 12%. However, the Group focusses revenue measurement on net revenue as revenue is distorted by the level of recoverable expenses incurred on delivery of client matters where such expenses do not necessarily reflect the activity levels of the projects or the business.

Net revenue for the Group was £338m (FY2019/20: £297m) representing growth of 14% (8% organic). Inorganic growth was driven by the acquisitions of RCD and Mindcrest in FY2019/20, reflecting a full year in FY2020/21.

Divisional performance

The divisional performance is set out to reflect the five divisions reported to the PLC Board throughout FY2020/21. Effective from 1 May 2021 and for the whole of FY22 the divisional performance will be reported to the PLC Board under the new global operating structure that comprises three divisions (Legal Advisory, Connected Services and Mindcrest).

Highlights of the performance by division are set out below:

Commercial Services (33% of Group Net revenue / 38% of Group Gross profit)

£m	FY2020/21	FY2019/20	Change (%)
Revenue	*128.1*	*124.4*	*+ 2.9%*
Net revenue	**110.7**	**107.5**	**+ 2.9%**
Direct costs	(46.2)	(48.2)	
Gross profit	**64.4**	**59.3**	**+ 8.7%**
Gross margin (%) / ppts	*58.2%*	*55.1%*	*+ 3.1 ppts*

COVID-19 caused a material adverse impact to the financial performance of Commercial Services in Q4 of FY2019/20. In this context, the division has had a particularly strong year in FY2020/21,

[14] See "Administrative expenses" section of the Financial Review

delivering net revenue growth of 3% (3% organic) which reflects 10% growth in H2 as activity levels picked up.

Contentious and regulatory work remained buoyant against a dynamic economic backdrop. As such, the Litigation practice group has seen sustained client demand and has been a key driver of the division's positive net revenue results, as well as delivering an improved gross margin.

Likewise, transactional activity in the Corporate Services and Real Estate practice groups also held up well in spite of the macroeconomic uncertainty, with net revenues on an upward trajectory through the year, and H2 net revenues for both markedly higher than those in H1.

As anticipated at the end of H1, actions taken through the course of FY2020/21 to right-size the division's direct costs have reduced excess capacity and improved utilisation. As a result, the profile of divisional teams is now better structured to match the requirements of client delivery. This, coupled with the progress made in relation to connectivity with the Mindcrest division, has led to year-on-year gross margin improvement for Commercial Services of 3.1ppts, to 58.2%.

With its continued focus on integrated legal management, the Commercial Services division, working alongside the Mindcrest and Connected Services divisions, has continued to attract and deliver more complex legal work in FY2020/21. It has been able to develop broader institutional client relationships and has seen increased fees from a greater number of clients spending >£1m with the division versus FY2019/20.

Key partner lateral hires that joined at or just prior to the start of this financial year, for example in our newly launched data protection team, have also contributed to the divisional results in FY2020/21. The investment made in the prior year has laid a positive foundation for success; significant client wins and panel appointments secured throughout FY2020/21 have both added to performance and will continue to enhance results in future periods. The pipeline for the division remained strong at the close of FY2020/21, and a number of additional lateral partner hires have since joined across each of the core practice groups, supporting what is a positive outlook for FY22.

Insurance (31% of Group Net revenue / 30% of Group Gross profit)

£m	FY2020/21	FY2019/20	Change (%)
Revenue	*141.7*	*137.2*	*+ 3.3%*
Net revenue	**103.9**	**100.6**	**+ 3.3%**
Direct costs	(51.6)	(52.3)	
Gross profit	**52.3**	**48.2**	**+ 8.5%**
Gross margin (%) / ppts	*50.4%*	*48.0%*	*+ 2.4 ppts*

The group's Insurance division delivered net revenue growth of 3% percent (3% organic). The gross margin improved by 2.4 ppts to 50.4% reflective of tight cost control.

The Professional Indemnity practice group has performed particularly well with year-on-year growth of over 30% assisted by the additional work generated by the FCA business interruption litigation, in which we advised some of the group's largest insurance clients. Although the litigation has concluded, the emphasis has now switched to resolving the business interruption claims which are generating additional work not just for Insurance but also for the Connected Services division.

The Catastrophic Injury (Cat PI) and Casualty practice group was impacted by the decline in casualty (workplace) and public liability (predominantly local authority) claims during the height of COVID-19 with that impact being felt more in the second half of the year due to the usual claims cycle where there is a time lag between date of accident and date of instruction. The Cat PI practice area performed particularly strongly to offset the declines elsewhere which helped the practice group to maintain the same level of profitability year-over-year.

As expected, the Motor and Fraud practice group which relies very heavily upon motor claims was the most impacted by the lockdown. The division carefully mitigated the reduction in claims with reduced hours working and a small number of redundancies. Instruction levels have since recovered to a large extent and the division is confident that once remaining lockdown restrictions are released the practice group will enjoy strong growth aided by client wins during the course of the year.

The division has enjoyed a strong pipeline of new work wins during the course of the year with new work streams from existing clients such as Aviva and RSA and panel wins including the appointment to the Allianz and LV= panel following a competitive tender. Those wins combined with some key lateral hires including the new Southampton team are expected to drive a further increase in demand for Insurance services in FY22.

International (25% of Group Net revenue / 21% of Group Gross profit)

£m	FY2020/21	FY2019/20	Change (%)
Revenue	*92.5*	*69.9*	*+ 32.3%*
Net revenue	**85.3**	**64.3**	**+ 32.5%**
Direct costs	(49.0)	(38.6)	
Gross profit	**36.2**	**25.7**	**+ 41.1%**
Gross margin (%) / ppts	*42.5%*	*39.9%*	*+ 2.6 ppts*

The International division grew net revenue by 33% and delivered significantly more gross profit in FY2020/21 compared to FY2019/20, supported by inorganic growth from the full year inclusion of RCD in Spain and offset by closures of Cologne (Q4 FY2019/20), Singapore and Brussels (Q1 FY2020/21) and the scale back of Dubai and Australia in Q1 and Q4 respectively.

The scale back of the Australian business was made to better focus our offering on core strengths in insurance, which complements the existing Connected Services businesses in the same territory. This decision led to the closure of the operations in Melbourne, Sydney and Newcastle, whilst retaining the Brisbane office and the Group's Connected services operations in Sydney, Melbourne and Brisbane. Despite some one-off non-underlying closure costs, the changes are anticipated to be earnings enhancing for the group in FY22.

Organic growth (excluding the impact of acquisitions, closures and scale backs in both years) was 13%, reflecting mixed results across different geographies. We are particularly pleased with the progress made on the like-for-like gross margin percentage for the division which increased by 6.2 ppts to 43%. Cost savings implemented in the course of FY2020/21 assisted in protecting the gross margin from the challenges faced by locations which were restructured during the year.

Whilst some operations have been closed or scaled back, the International business remains a key growth focus for the Group. Both Italy and Poland showed strong organic net revenue growth because of investments in new partner hires. RCD in Spain completed its first full financial year as part of the Group and performed strongly achieving revenue of £33.5m. The recently rationalised Dubai office is performing well and has delivered one of the strongest gross profit contributions in the division.

Connected Services (7% of Group Net revenue / 6% of Group Gross profit)

£m	FY2020/21	FY2019/20	Change (%)
Revenue	*25.6*	*21.1*	*+ 21.5%*
Net revenue	**25.3**	**20.9**	**+ 21.5%**
Direct costs	(14.4)	(14.1)	
Gross profit	**10.9**	**6.7**	**+ 62.2%**
Gross margin (%) / ppts	*43.1%*	*32.3%*	*+ 10.8 ppts*

The Group's Connected Services division has had a strong year delivering net revenue growth of 22% in FY2020/21, all of which was organic. This growth reflects the continued development of Connected Services capabilities and greater synergies and connections with other divisions and with the Group's clients.

There has also been a marked improvement in profitability in FY2020/21 with gross profit margin increasing to 43%, almost 11 percentage points ahead of the prior year.

Our unified approach to COVID-19 related business interruption claims has resulted in our Claims Management and Adjusting colleagues working closely with our Forensic Accountancy team (and legal colleagues) to support the quantification and challenge of business interruption losses in the UK. As a result, the UK Claims Management and Adjusting service, and the Forensic Accounting team, have had particularly strong revenue performances. Despite the reduction in Casualty claims due to geographically specific lockdowns, the Claims Management and Adjusting services (with presence in Australia, Canada, France, Ireland, Italy, UK and USA) have grown slightly ahead of the overall divisional performance.

Although initially instruction levels declined as the UK was in lockdown, one of the most mature services, Costs, has grown by 9% and this area is expected to continue to grow by supporting new insurance client wins. The rebuild of Advocacy (DWF's alternative solution to the external Bar and traditional chambers) following a change in personnel has been successful and, despite the disruption, the team performed well. The upgraded team is expected to grow strongly, with improved profitability due to more effective structuring and management of the team. The demand for services within the 360 software development business has improved (following a number of large projects being put on hold at the start of COVID-19) with new client wins supporting further growth.

The outlook for FY22 remains positive as new services gain traction, existing services grow from the foundations laid this year and global expansion continues through M&A activity, the launch of the new Global Entity Management proposition and the integration of Spain's Connected Service (Ges-start – Accounting, Tax and Labour consultants) as a result of DWF's new global operating structure.

Connected Services also played a significant role in providing integrated solutions for clients and provided fee referrals to Legal Advisory in excess of £5m.

Managed Services (4% of Group Net revenue / 5% of Group Gross profit)

£m	FY2020/21	FY2019/20	Change (%)
Revenue	*13.0*	*4.0*	*+ 228.2%*
Net revenue	**13.0**	**4.0**	**+ 228.2%**
Direct costs	(5.1)	(1.6)	
Gross profit	**7.9**	**2.3**	**+ 239.5%**

Gross margin (%) / ppts	*60.5%*	*58.5%*	*+ 2.0 ppts*

As a newly formed division, strong momentum on divisional objectives continued, with primary focus on the Operating Model, Pricing Framework and Transformation of Service Delivery. The growth of 228% reflects the full year impact of the acquisition of Mindcrest, transfers of work from other divisions and 163% organic growth. Macro-economic headwinds restricted FY2020/21 external sales as the uncertainty of COVID-19 continued, impacting the pipeline conversion rate on large strategic bids. However, concentration in Analytics and Contracts, through annuity client relationships, has been supported by expansion into Litigation and eDiscovery services to widen the offering and strengthen margin conversion.

Economic recovery and regulatory easing provide cautious optimism for FY22, further buoyed by improved Q4 activity levels, success in institutional panel appointments and returning pipeline traction. Furthermore, the capital investment into a 1,000 seat facility in Pune, India, provides the strategic infrastructure to scale, as well as accelerate synergies through further Group integration, transition of Legal Advisory activity and best-shoring of back-office functions.

Direct costs

Direct costs, which reflect the salary costs of fee-earning partners and staff, have increased by £11.4m, or 7%, to £166.3m. The acquisitions of RCD and Mindcrest accounted for £14.8m of year-on-year cost increases, so the underlying trend on direct costs was a reduction of £3.4m. This reflects a combination of headcount reductions from rationalisations and tight control of costs and capacity levels due to the uncertain trading environment particularly in the first half of the year.

Gross profit

The combination of strong net revenue growth and strict control of costs has delivered a gross profit of £171.8m, representing a £29.5m, or 21%, increase vs. FY2019/20. This reflects a gross margin % of net revenue of 50.8% (FY2019/20: 47.9%). The 2.9 percentage point improvement reflects uplifts across all divisions and is despite the dilutive impact of some of the businesses that were rationalised during the year.

Administrative expenses

Reported administrative expenses has increased compared to the previous year, from £120.1m in FY2019/20 to £197.4m in FY2020/21. On an underlying basis, excluding adjusting items, administrative expenses for FY2020/21 are £132.6m (FY2019/20: £123.1m), an increase of £9.5m or 8%. Previously acquired Mindcrest and RCD businesses contributed a full year's worth of expense totalling £11m compared to £3m in FY2019/20, an increase of £8m.

Group administrative expenses, excluding the acquisition increases, are therefore broadly flat. This includes a reduction in expenditure in specific areas such as support headcount combined with COVID-19 related savings, offset by an increase in bonus expenditure to reflect the improved performance of the Group during FY2020/21. The COVID-19 related restrictions have led to savings in office consumables, recruitment, travel and business development expenditure. Whilst some of these expenditure lines will increase as restrictions ease, it is expected that continued agile working, having proved the model during FY2020/21, will avoid spend returning to pre-COVID-19 levels.

The cost-to-income ratio has fallen from 41.4% in FY2019/20 to 39.2% in FY2020/21 as a result of good cost control and improved net revenue performance.

Adjusting items have increased to £64.8m in FY2020/21 from a £3.0m gain in FY2019/20. The table below provides more details with full analysis contained in note 4 to the financial statements:

	2021 £'000	2020 £'000
Office closures and scale-backs	14,898	-
Acquisition-related expenses	20,743	12,274
Acquisition-related gain on bargain purchase	-	(25,084)
DWF RCD modification impact	13,796	-
Change of CEO*	1,011	-
Impact of Covid-19*	1,011	230
Other share-based payment expenses	13,333	9,590
Adjusting items	**64,792**	**(2,990)**

*Costs relating to Covid-19 and the change of CEO were incurred wholly in H1.

Whilst the FY2020/21 figures feature a high value of adjusting items, the overall assessment of administrative expenses can be summarised as:

1. an underlying administrative expenses position that increased by 8% compared to net revenue growth of 14%;
2. The impact of the modification to the RCD acquisition agreement in February 2021 which accelerated the remaining income statement expense which formed a significant proportion of the purchase price on acquisition. This, in part, offsets the gain on bargain purchase recognised, also as an adjusting item, in FY2019/20;
3. Share based payment expenses reflecting grants from the Employee Benefit Trust; and,
4. Non-recurring material costs relating to office rationalisations, and some one-off expenses relating to COVID-19 and the change of CEO.

Net finance expense & interest payable on leases

Net finance expenses relating to bank charges and borrowings were £2.7m (FY2019/20 £1.9m). The increase is a result of lower interest receivable on cash balances with interest receivable of £0.1m compared to £0.5m in FY2019/20, due to reduced rates of interest. The balance of the increase is due to a higher average net debt figure in FY2020/21 compared to FY2019/20.

Interest payable on leases of £2.3m (FY2019/20: £2.0m) reflects the notional interest cost relating to lease borrowings.

(Loss)/profit before tax

The Group reported a loss before tax of £31m (FY2019/20: £18m profit before tax). The reported loss before tax is a result of adjusting items totalling £65m (FY2019/20: £3m gain) referenced under the administrative expenses section above. Only £13m of these items represent cash outflows in FY2020/21 (FY2019/20: £11m).

Adjusted PBT is £34.2m (FY2019/20: £15.2m) which represents a 125% increase on the prior year. This improvement in profitability is a result of strong revenue growth, cost control and actions taken in loss-making locations, and delivery efficiency leading to an improvement in gross profit margins.

In addition, good control of administrative expenses delivering an improved cost to income ratio. These factors together have generated an adjusted PBT margin (using net revenue) for FY2020/21 of 10.1% (FY2019/20: 5.1%).

Tax

The reported tax charge for the year is £4.6m despite a reported loss before tax of £35m. The reported loss before tax includes significant non-underlying expenses and share-based payments expense. Non-underlying expenses consist of costs relating to the acquisition of RCD in Spain, as well as the Mindcrest business, and the cost of office closures and scale-backs. Furthermore, £18.8m of the share-based payments expense relates to share-based consideration for the acquisition of RCD. Tax relief is not available for these expenses due to either non-deductibility under local tax laws or the lack of taxable profits against which deductions can be utilised. Total non-deductible expenses increase the tax charge by £7.6m, whilst total tax losses not recognised as assets increase the tax charge by a further £2.6m.

Deferred tax liabilities of £7.6m have been recognised as at 30 April 2021 in respect of intangible assets recognised on consolidation. Deferred tax assets of £4.6m have been recognised in respect of tax depreciation timing differences (£1.2m), expected tax deductions for share-based payments (£2.4m), tax losses in the UK, USA, Spain and Poland (£0.8m) and other temporary differences (£0.8m).

The Group's current tax expense of £7.0m (FY2019/20: £6.2m) mainly relates to its entities in the UK (£5.6m), Spain (£1.4m) and India (£0.2m).

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

EPS

Diluted EPS from continuing operations has decreased from 5.3p in FY2019/20 to (11.9p) in FY2020/21 predominantly reflective of the statutory profit after tax change, driven by mostly one-off adjusting items, between the two years. Adjusted Diluted EPS has increased in line with the increase in adjusted PBT from 3.0p in FY2019/20 to 7.4p in FY2020/21, a 147% improvement.

Dividend

The Group's capital allocation policy is to prioritise having sufficient capital to fund ongoing operating requirements, and to invest in the Group's long-term growth. Taking this into account the Board targets a pay-out ratio of up to 70% of adjusted profit after tax. For FY2019/20, a higher pay-out ratio of 90% was applied as a one-off given the exceptional trading conditions due to COVID-19. For FY2020/21, the Board has declared a final dividend of 3.0p per share, taking the total dividend for the year to 4.5p, reflecting a pay-out ratio of 61% of adjusted profit after tax. This pay-out ratio reflects our capital allocation policy and is viewed as a meaningful step towards the target of up to 70%. This final dividend is subject to approval at the AGM on 28 September 2021 and, if approved, will be paid on 8 October 2021 to all Shareholders on the register of members at the close of business on 10 September 2021.

Working capital, cash flow & net debt

The group measures working capital efficiency using "Gross lock-up days". Gross lock-up days are comprised of 2 elements: Work-in-progress ('WIP days'), representing the amount of time between performing work and invoicing clients; and Debtor days, representing the length of time between invoicing and cash collection.

Driving working capital efficiency has continued to be a key focus for the Group in FY2020/21 with a number of initiatives deployed in order to achieve a permanent reduction in the lock-up day cycle. Closing lock-up days at the end of April were 186 (FY2019/20: 206) which is a 20 day, or 10%, reduction. The 20 day reduction reflects an increase in WIP days of 1 combined with a reduction in Debtor days of 21. The WIP day increase is simply a reflection of growth in the business, whilst the Debtor day reduction reflects an increase in cash collection efficiency.

The lock-up improvements have supported a strong performance on free cash flow, with FY2020/21 delivering £32.1m free cash inflow whilst FY2019/20 had an outflow of £6.6m (re-presented from an outflow of £4.4m to include a reclassification of outflows associated with the supplier payment facility). The Group has also benefitted from some COVID-19 related deferrals, with the VAT deferral of £10.7m from March 20 being paid in monthly instalments in FY22. The Group expects the vast majority of the deferred liabilities, including deferred consideration for acquisitions, to be settled in FY22.

The gross lock-up and cash flow performance, and deferrals, have helped to reduce net debt to £60.2m (FY2019/20: £64.9m). This reduction is despite FY2020/21 deferred consideration and acquisition related outflows of £17m. These are non-recurring outflows with only £7m of acquisition related expense from these past acquisitions remaining to be paid in FY22. The Group's strategy continues to be to manage borrowings such that the leverage ratio (borrowings as a multiple of adjusted EBITDA) reduces. This is expected to be achieved through a combination of profitable growth and net debt gradually reducing over time through working capital efficiencies.

The Group has an £80m RCF, a £15m contingency facility and various other ancillary working capital facilities. The Group expects to continue to operate well within its available facilities and for all covenants to be compliant for the remaining tenure. A refinancing exercise for our main RCF of £80m that is due to mature in January 2023 is expected to start shortly after the finalisation of the FY2020/21 results with a target completion date of December 2021.

Balance sheet & capex

Balance sheet

Key balance sheet movements during the year are set out below:

- A decrease in trade and other receivables of £3.7m (excluding a decrease of £20.5m due to the impact of the RCD modification) reflective of a decrease in lock up days from 206 in FY2019/20 to 186 in FY2020/21;
- an increase in net tax liabilities of £1.5m largely reflective of the increase in taxable profits of the business;
- an increase in trade and other payables, lease liabilities and provisions of £6.2m (excluding an increase of £3.2m due to the impact of the RCD modification) due to tighter working capital management;
- a decrease in deferred consideration of £7.3m primarily reflects the settlement of the purchase price due to the Sellers of RCD, Mindcrest and Poland;
- a decrease in net debt of £4.7m as a function of the improved profitability and cash generation; and,

- a decrease in trade and other receivables and an increase in liabilities amounting to £23.7m in connection with the modification of the RCD-DWF acquisition agreement finalised in January 2021 and an impairment of intangible assets of £1.4m in connection with the decision taken in Q4 to scale-back the Australian business.

Capital expenditure (Capex)

Whilst the Group’s operating structure is not capital intensive, we continue to invest in the Mindcrest business (including the build of this division's platform and the fit out of new offices in Pune). Overall capex (excluding right-of-use asset additions under IFRS 16) in FY2020/21 was £10.6m compared to £6.0m in FY2019/20.

Conclusion

The Group has delivered on its business plan targets for FY2020/21 to drive adjusted profitable growth, control costs and improve cash generation. As well as effecting cost reduction programmes after the first COVID-19 lockdown, decisions have been made to rationalise various sub-scale and/or underperforming businesses and whilst some of these actions have benefitted the FY2020/21 income statement, the full impact of these actions is expected to be reflected in FY22 performance and beyond. The decision taken in January 2021 (effective from 1 May 2021) to change the operating model to a 3-division structure, focussing on delivering the integrated legal management offering more efficiently, is also expected to deliver further progress on the aforementioned business plan objectives. The FY2020/21 performance has allowed the Group to return to M&A, with the acquisition of Zing365 and Barnescraig & Associates announced in May 21. The Group enters FY22 with a strong balance sheet and an improving level of profitability, allowing the Board to propose the largest dividend that the Group has delivered since listing in 2019.

Chris Stefani
Group Chief Financial Officer
21 July 2021

FINANCIAL STATEMENTS

Consolidated Income Statement

Year ended 30 April 2021

	Notes	2021 £'000	2020 £'000
Revenue	**3**	**400,948**	**356,612**
Recoverable expenses	3	(62,818)	(59,381)
Net revenue	**3**	**338,130**	**297,231**
Direct costs		(166,349)	(154,997)
Gross profit		**171,781**	**142,234**
Administrative expenses		(187,471)	(116,407)
Trade receivables impairment		(5,349)	(3,295)
Other impairment		(4,595)	(382)
Operating (loss) / profit	**4**	**(25,634)**	**22,150**
Net finance expense	5	(2,682)	(1,905)
Interest payable on leases	5	(2,284)	(2,047)
(Loss) / profit before tax		**(30,600)**	**18,198**
Adjusted profit before tax		**34,192**	**15,208**
Non-underlying items, share-based payment expense, gain on bargain purchase, amortisation of acquired intangibles, impairment and fair value gains on investments and disposal of leases	4	(64,792)	2,990
Taxation	6	(4,567)	(3,629)
(Loss) / profit from continuing operations		**(35,167)**	**14,569**
Loss from discontinued operations	10	**-**	(4,301)
(Loss) / profit for the year		**(35,167)**	**10,268**
(Losses) / earnings from continuing operations per share attributable to the owners of the parent:			
Basic (p)	8	(11.9)	5.4p
Diluted (p)	8	(11.9)	5.3p
(Losses) / earnings from all operations per share attributable to the owners of the parent:			
Basic (p)	8	(11.9)	3.8p
Diluted (p)	8	(11.9)	3.7p

Consolidated Statement of Comprehensive Income

Year ended 30 April 2021

	2021	2020
	£'000	£'000
(Loss) / profit for the year	**(35,167)**	**10,268**
Items that are or may be reclassified subsequently to the income statement:		
Foreign currency translation differences – foreign operations	(2,855)	(1,435)
Total other comprehensive expense for the year, net of income tax	**(2,855)**	**(1,435)**
Total comprehensive (expense) / income for the year	**(38,022)**	**8,833**

Consolidated Statement of Financial Position

As at 30 April 2021

	Notes	**2021** **£'000**	*Re-presented (Note 1.4)* 2020 £'000
Non-current assets			
Intangible assets and goodwill	11	49,173	50,654
Property, plant and equipment	12	81,781	83,775
Investments		227	254
Trade and other receivables	13	-	11,329
Deferred tax asset	19	4,649	3,522
Total non-current assets		**135,830**	**149,306**
Current assets			
Trade and other receivables	13	183,506	207,707
Cash at bank and in hand	14	34,711	31,212
Total current assets		**218,217**	**239,147**
Total assets		**354,047**	**388,453**
Current liabilities			
Trade and other payables	15	85,381	76,750
Current tax liabilities		6,030	2,139
Deferred consideration		1,699	8,982
Lease liabilities	16	13,104	12,981
Other interest-bearing loans and borrowings	17	19,434	7,259
Provisions	18	3,764	4,335
Amounts due to members of partnerships in the Group		31,492	35,852
Total current liabilities		**160,904**	**148,298**
Non-current liabilities			
Deferred tax liability	19	7,584	8,884
Lease liabilities	16	70,898	71,697
Other interest-bearing loans and borrowings	17	75,444	88,815
Provisions	18	1,837	1,562
Total non-current liabilities		**155,763**	**170,958**
Total liabilities		**316,667**	**319,256**
Net assets		**37,380**	**69,197**
Equity			
Share capital	20	3,246	3,246
Share premium	20	88,610	88,610
Treasury shares	20	(129)	(20)
Other reserves		6,219	5,861
Accumulated losses		(60,566)	(28,500)
Total equity		**37,380**	**69,197**

Consolidated Statement of Changes in Equity

Year ended 30 April 2021

	Share capital (Note 20) £'000	Share premium (Note 20) £'000	Treasury shares (Note 20) £'000	Merger reserve £'000	Share-based payments reserve £'000	Translation reserve £'000	Accumulated losses £'000	Total equity £'000
At 1 May 2020	**3,246**	**88,610**	**(20)**	**(2,385)**	**9,672**	**(1,426)**	**(28,500)**	**69,197**
Loss for the year	-	-	-	-	-	-	(35,167)	**(35,167)**
Exchange rate difference	-	-	-	-	-	(2,855)	-	**(2,855)**
Total comprehensive expense	**-**	**-**	**-**	**-**	**-**	**(2,855)**	**(35,167)**	**(38,022)**
Treasury shares	-	-	(109)	-	-	-	-	**(109)**
Dividends paid	-	-	-	-	-	-	(6,521)	**(6,521)**
Share-based payments (Note 21)	-	-	-	-	3,213	-	9,429	**12,642**
Tax on share-based payments	-	-	-	-	-	-	193	**193**
At 30 April 2021	**3,246**	**88,610**	**(129)**	**(2,385)**	**12,885**	**(4,281)**	**(60,566)**	**37,380**

	Share capital (Note 20) £'000	Share premium (Note 20) £'000	Treasury shares (Note 20) £'000	Merger reserve £'000	Share-based payments reserve £'000	Translation reserve £'000	Accumulated losses £'000	Total equity £'000
At 1 May 2019	**3,000**	**63,167**	**-**	**(2,385)**	**1,053**	**9**	**(23,046)**	**41,798**
Adjustment from the adoption of IFRS 16	-	-	-	-	-	-	(5,715)	**(5,715)**
Profit for the year	-	-	-	-	-	-	10,268	**10,268**
Exchange rate difference	-	-	-	-	-	(1,435)	-	**(1,435)**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(1,435)**	**10,268**	**8,833**
Treasury shares	-	-	(20)	-	-	-	-	**(20)**
Issue of share capital	246	25,443	-	-	-	-	-	**25,689**
Dividends paid	-	-	-	-	-	-	(9,811)	**(9,811)**
Share-based payments (Note 21)	-	-	-	-	8,619	-	-	**8,619**
Tax on share-based payments	-	-	-	-	-	-	(196)	**(196)**
At 30 April 2020	**3,246**	**88,610**	**(20)**	**(2,385)**	**9,672**	**(1,426)**	**(28,500)**	**69,197**

Consolidated Statement of Cash Flows

Year ended 30 April 2021

	Note	**2021** **£'000**	*Re-presented (Note 1.4)* 2020 £'000
Cash flows from operating activities			
Cash generated from operations before adjusting items	23	65,161	22,185
Cash used to settle non-underlying items		(13,167)	(10,501)
Cash generated from operations		**51,994**	**11,684**
Interest paid		(5,064)	(4,192)
Tax paid		(3,155)	(4,309)
Net cash generated from operating activities		**43,775**	**3,183**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		-	(3,853)
Acquisition of subsidiary, deferred consideration		(7,412)	(2,859)
Purchase of property, plant and equipment		(4,001)	(3,520)
Purchase of other intangible assets		(6,635)	(4,116)
Net cash flows used in investing activities		**(18,048)**	**(14,348)**
Cash flows from financing activities			
Issue of ordinary shares, net of issue costs		-	(57)
Purchase of treasury shares		(109)	-
Dividends paid		(6,521)	(9,811)
Loan arrangement fee		(551)	-
Proceeds from borrowings		19,173	73,535
Repayment of borrowings		(17,553)	(24,913)
Repayment of principal of lease liabilities		(14,191)	(12,654)
Interest received		98	456
Capital contributions by Members		4,276	5,938
Repayments to former Members		(4,113)	(3,386)
Net cash flows from financing activities		**(19,491)**	**29,108**
Net increase in cash and cash equivalents		**6,236**	**17,943**
Cash and cash equivalents at the beginning of year		28,727	10,822
Effects of foreign exchange rate changes on cash and cash equivalents		(383)	(38)
Cash and cash equivalents at the end of year	**14**	**34,580**	**28,727**

1 Accounting policies

1.1 Nature of these financial statements

The following financial information does not amount to full financial statements within the meaning of Section 434 of Companies Act 2006. The financial information has been extracted from the Group's Annual Report and Financial Statements for the year ended 30 April 2021 on which an unqualified report has been made by the Company's auditors. The 2021 statutory accounts will be delivered to Companies House in due course.

Copies of the Annual Report and Financial Statements will be posted to shareholders shortly and will be available from the Company's registered office at 20 Fenchurch Street, London, EC2M 3AG.

1.2 Statement of accounting policies

The preliminary announcement for the year ended 30 April 2021 has been produced based on the Group's annual financial statements which are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accounting policies applied in this preliminary announcement are consistent with those reported in the Group's annual financial statements for the year ended 30 April 2021 along with new standards and interpretations which became mandatory for the financial year.

1.3 Going concern

The Directors have assessed the going concern basis adopted by the Group in the preparation of the consolidated financial statements, taking into account the current financial position of the Group including its financing arrangements, the business model at the time of approving this report and the continuing, albeit reducing, macroeconomic uncertainty due to the impact of the global pandemic. The Directors' assessment was over the period to 31 July 2022 taking account of the potential impact of the principal risks documented in the Strategic report.

Banking facilities, which in addition to a contingency facility of £15m and various ancillary facilities, include a revolving credit facility of £80m that matures in January 2023 (following the trigger of a 1 year optional extension) are considered to be sufficient for the Group's purposes based on current projections, both under a base case and sensitised case. The sensitised case was determined by worsening levels of activity (revenue), cash collection and negligence expense offset by mitigation that includes discretionary cost reduction measures such as bonus, travel and marketing expense. As a prudent response to the extended impact of the pandemic the Board sought a further relaxation of the leverage covenant (net debt excluding lease liabilities vs. EBITDA pre-IFRS 16 lease accounting) with its banking syndicate as follows:

	Apr-21	Jul-21	Oct-21	Jan-22	Apr-22 onwards
Old leverage covenant	1.50	1.50	1.50	1.50	1.50
New leverage covenant	1.75	1.75	1.75	1.75	1.50
Actual / Forecast	1.38	Forecast to remain in compliance with progressively increasing headroom compared to each previous year			

The other covenants, being maximum net debt of 1 times equity, minimum 4 times interest cover, WIP and debtors being a minimum of 2 times net debt and the number of members in the group remaining above 180 were not amended and are all projected to be fully compliant with significant headroom throughout the period to 31 July 2022.

Compared with the last going concern review conducted in September 2020 the risk of the impact of pandemic, and the risk of future disruption, is considered by the Directors to be less significant. It is recognised that the macroeconomic environment continues to be volatile. In assessing the use of the going concern basis of accounting the Directors consider the following characteristics of the legal sector and the Group in forming their conclusions:

- The ongoing profitability of the business in FY21, generating £34m of Adjusted PBT;
- The reduction in Group lockup days from 206 to 186 in FY21, reflecting improved working capital efficiency and cash generation;
- The annuity and counter-cyclical nature of certain divisions and services such as Insurance and Litigation and the return to strong activity across the majority of the rest of the business;
- The restructuring of certain overseas territories which has removed some loss-making elements from the Group;
- Low exposure to sectors more severely impacted by Covid-19;
- The ability to flex the acquisition strategy;
- The availability of mitigating actions to control costs and cash outflows;
- A strong relationship with the Group's banking syndicate who continue to provide facilities which ensure ongoing liquidity with material headroom;
- Ongoing review of the Group's use of its real estate portfolio; and
- Continued operational initiatives to improve working capital performance, with the aim of further reducing lock-up and therefore leverage.

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

1.4 Re-presentation of comparative period

The cash flows relating to the Group's supplier payment facility are re-presented from borrowings to working capital following the IFRS Interpretations Committee's conclusions around supply chain financing arrangements published in December 2020. The re-presentation has no impact on basic or diluted EPS.

The liability for professional indemnity reflects the expected outflow for legal claims against the Group. This has been re-presented to better reflect the position of claims within the claims lifecycle. Where both timing and amount of outflows are well understood the Group recognises an accrual. Where there is less certainty over the timing and/or amount the estimated liability is classified as a provision. The re-presentation has no impact on basic or diluted EPS.

The following summarises the amount of the adjustment for each financial statement line item affected:

2020	As previously presented £'000	Supplier payment facility £'000	Professional indemnity £'000	**Re-presented £'000**
Consolidated Statement of Cash Flows				
Increase in trade and other payables	15,125	(1,973)	3,106	**16,258**
Movement in supplier payments facility	(1,973)	1,973	-	**-**
Net Debt – Supplier Payment Facility				
Cash flow	1,973	15,544	-	**17,517**
Non-cash movement	-	(15,544)	-	**(15,544)**
Consolidated Statement of Financial Position				
Other payables	15,133	**-**	(3,689)	**11,444**
Accruals	11,697	**-**	606	**12,303**
Provisions	2,814	**-**	3,083	**5,897**

2 Alternative performance measures

Alternative performance measures are not intended to supplant IFRS measures but are included in response to investor feedback or to provide readers of the financial statements with additional understanding of the trading performance of the Group.

Within these financial statements, the following alternative performance measures are provided either in this note or cross-referenced to other areas of the report:

- Net revenue;
- Adjusted earnings before interest, tax, depreciation and amortisation ('adjusted EBITDA');
- Adjusted profit before tax ('adjusted PBT');
- Cost to income ratio;
- Net debt (note 23);
- Lock-up days (note 23); and
- Adjusted EPS & adjusted DEPS (note 8).

Adjusted profit before tax and adjusted EBITDA reconcile to loss / profit before tax as follows:

	2021	2020
	£'000	£'000
(Loss) / profit before tax ('PBT')	**(30,600)**	**18,198**
Amortisation of intangible assets - acquired	4,609	1,510
Impairment	4,595	382
Gain on bargain purchase	-	(25,084)
Non-underlying items	27,101	7,632
Share-based payments expense	28,510	12,570
Gain on investment	(23)	-
Adjusted PBT	**34,192**	**15,208**
Depreciation of right-of-use asset	11,977	11,580
Other depreciation and amortisation	6,989	6,175
Interest payable on leases	2,284	2,047
Net finance expense	2,682	1,905
Adjusted EBITDA	**58,124**	**36,915**

Adjusted PBT reconciles to loss / profit before tax with reconciling items by nature as follows:

	2021	2020
	£'000	£'000
(Loss) / profit before tax ('PBT')	**(30,600)**	**18,198**
Office closures and scale-backs	14,898	-
Acquisition-related expenses	20,743	12,274
Acquisition-related gain on bargain purchase	-	(25,084)
DWF RCD modification impact	13,796	-
Change of CEO	1,011	-
Impact of Covid-19	1,011	230
Other share-based payment expenses	13,333	9,590
Adjusted PBT	**34,192**	**15,208**

The cost to income ratio is used to assess the levels of operational gearing in the Group.

The cost to income ratio is calculated as follows:

	2021 **£'000**	2020 £'000
Net revenue	**338,130**	**297,231**
Administrative expenses	**197,415**	**120,084**
Amortisation of intangible assets - acquired	(4,609)	(1,510)
Impairment	(4,595)	(382)
Gain on bargain purchase	-	25,084
Non-underlying items	(27,101)	(7,632)
Share-based payment expenses	(28,510)	(12,570)
Gain on investments	23	-
Adjusted administrative expenses	**132,623**	**123,074**
Cost to income ratio	**39.2%**	**41.4%**
Impact of transition to IFRS 16		*3,492*
Previously reported adjusted administrative expenses		***126,566***
Previously reported cost to income ratio		***42.6%***

The prior year cost to income ratio has been re-presented for comparability to current year.

3 Operating segments

Reporting segments

In accordance with IFRS 8: *Operating Segments* ('IFRS 8'), the Group's operating segments are based on the operating results reviewed by the Board, who represent the chief operating decision maker ('CODM'). For the year ended 30 April 2021, the Group has the following five strategic divisions, which are its reportable segments. These divisions offer different services and are reported separately because of different specialisms from the teams in the business Group.

As announced on 14 January 2021, the Group is launching its global operating structure from 1 May 2021. This structure was not that which was reported to the CODM in the year ended 30 April 2021.

The following summary describes the operations of each reportable segment as reported throughout the year ended 30 April 2021:

Reportable segment	***Operations***
Commercial Services	Provides commercial legal services, encompassing the Corporate Services, Litigation and Real Estate practice groups.
Insurance Services	Provides insurance legal services, encompassing the Professional Indemnity & Commercial, Catastrophic Personal Injury & Occupational Health, and Motor, Fraud & Claimant practice groups.
International*	A division focused on supporting clients on a global scale, with a sector-focused approach to grow a client-orientated practice.
Connected Services	Encompasses various independent businesses that work alongside, support and deliver products and services to our legal teams and clients.
Managed Services**	Delivers outsourcing and process led transformation of legal portfolios providing a fully integrated, end-to-end outsourced solution.

* During May 2020, the Northern Ireland and Republic of Ireland practice groups were transferred from International to Commercial Services and Insurance Services. The prior-period comparators have been represented to reflect this.

** The term 'Managed Services' was, in past reports, used interchangeably to describe both a practice group ('Managed Services practice group') within the Commercial division that comprised of (i) the UK based Managed Services team and (ii) the Group's February 2020 acquisition of Mindcrest Inc. and, more generically, to cover an approach to delivering volume legal work.

From 1 May 2020 the Group reports the Managed Services practice group as a separate division to the CODM. Furthermore, and following the operational restructure announced on 14 January 2021, the Managed Services division has been renamed to Mindcrest from 1 May 2021.

The revenue, net revenue and gross profit are attributable to the principal activities of the Group. Only net revenue is reported to the CODM. Information relating to each reportable segment is set out below:

For year ended 30 April 2021

	Commercial Services	Insurance Services	International	Connected Services	Managed Services	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Segment revenue	128,105	141,698	92,502	25,628	13,015	400,948
Recoverable expenses	(17,438)	(37,814)	(7,247)	(290)	(29)	(62,818)
Segment net revenue	**110,667**	**103,884**	**85,255**	**25,338**	**12,986**	**338,130**
Direct costs	(46,245)	(51,560)	(49,012)	(14,406)	(5,126)	(166,349)
Reported gross profit	**64,422**	**52,324**	**36,243**	**10,932**	**7,860**	**171,781**
					Administrative expenses	(197,415)
					Operating loss	**(25,634)**
					Net finance expense	(2,682)
					Interest payable on leases	(2,284)
					Loss before tax	**(30,600)**
					Taxation	(4,567)
					Loss from continuing operations	**(35,167)**

For year ended 30 April 2020 – Re-presented

	Commercial Services	Insurance Services	International	Connected Services	Managed Services	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Segment revenue	124,455	137,185	69,906	21,100	3,966	356,612
Recoverable expenses	(16,940)	(36,610)	(5,583)	(239)	(9)	(59,381)
Segment net revenue	107,515	100,575	64,323	20,861	3,957	297,231
Direct costs	(48,246)	(52,345)	(38,641)	(14,123)	(1,642)	(154,997)
Reported gross profit	**59,269**	**48,230**	**25,682**	**6,738**	**2,315**	**142,234**
					Administrative expenses	(120,084)
					Operating profit	**22,150**
					Net finance expense	(1,905)
					Interest payable on leases	(2,047)
					Profit before tax	**18,198**
					Taxation	(3,629)
					Profit from continuing operations	**14,569**

There are no intra-segmental revenues which are material for disclosure. Administrative expenses represent indirect costs that are not specifically allocated to segments.

Non-current assets, net revenue and revenue by region

The UK is the Group's country of domicile and the Group generates the majority of its revenue from external clients in the UK. The geographical analysis of net revenue is on the basis of the country of origin in which the client is invoiced.

The Group's non-current assets, net revenue and revenue by geographical region are as follows:

	Non-Current Assets		Net Revenue		Revenue	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
UK	71,758	55,883	242,455	225,022	298,598	278,562
Spain	26,087	49,244	33,530	14,602	33,530	14,602
Asia	15,701	3,209	6	4,824	6	4,824
Rest of World	17,408	37,422	62,139	52,783	68,814	58,624
Total allocated to geographical regions	**130,954**	**145,758**	**338,130**	**297,231**	**400,948**	**356,612**

Deferred tax assets	4,649	3,294
Investments	227	254
Total	**135,830**	**149,306**

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

4 Operating profit and auditor's remuneration

	2021 £'000	2020 £'000
Recognised in the income statement		
Members' remuneration charged as an expense	41,361	38,808
Net foreign exchange (gain) / loss	(55)	517
Impairment of intangible assets – continuing operations	1,411	382
Impairment of intangible assets – discontinued operations	-	654
Amortisation of intangible assets - acquired	4,609	1,510
Amortisation of intangible assets – software and capitalised development costs	2,244	1,504
Impairment of tangible assets	3,134	-
Depreciation of tangible assets	4,745	4,671
Depreciation of right-of-use asset	11,977	11,580
Impairment of investment	50	-
Gain on disposal of leases and investments	(798)	-
Gain on bargain purchase	-	(25,084)
Non-underlying items	27,101	7,632
Share-based payments expense (Note 21)	28,510	12,570

Auditor's remuneration		
Audit of the Group financial statements	369	340
Audit fees in respect of prior periods	99	-
Total audit fees	**468**	**340**
Amounts payable to the Company's auditor and its associates in respect of:		
Audit of financial information of subsidiaries, subsidiary undertakings and partnerships of the DWF Group plc	158	144
Other assurance services	44	43
Other services pursuant to legislation or regulation	107	161
Total fees	**777**	**688**

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

	2021 £'000	2020 £'000
Acquisition-related advisory fees - successful	31	2,639
Acquisition-related advisory fees - aborted	(544)	1,542
Acquisition-related expense	15,222	2,876
Covid-19-related costs	1,011	230
Closure and scale-back of operations	10,370	-
Costs associated with the change of CEO	1,011	-
IPO-related advisory fees	-	345
Non-underlying items	**27,101**	**7,632**

Covid-19 related costs were incurred between March 2020 and October 2020 and relate to one-off additional expenses for IT support and sanitisation of offices that covers the period of the first UK national lockdown. As the Group was not making use of its UK offices during this period and was already supporting agile working across its workforce, these costs are one-off and specifically as a result of Covid-19.

Closure and scale-back of operations relate to the Board decision in July 2020 to close the Singapore and Brussels offices and to scale-back the operations in Dubai and to the Board decision in March 2021 to scale-back the operations in Australia. These costs comprise people and supplier exit expenses and the impairment of assets that are deemed irrecoverable as a result of the decision taken.

Included within the acquisition-related expense are costs relating to the modification of the acquisition agreement for Spain (Note 9).

Legal advisory fees of £0.3m (2020: nil) are included in costs associated with the change of CEO.

Aborted acquisition-related advisory fees are releases of accruals for work done in the prior year that are no longer due following the decision to abort the transaction.

5 Net finance expense

	2021 £'000	2020 £'000
Finance income		
Interest receivable	98	456
	98	**456**
Finance expense		
Interest payable on bank borrowings	1,767	1,655
Other interest payable	47	165
Bank and other charges	966	541
	2,780	**2,361**
Net finance expense	**2,682**	**1,905**
Finance expense - leases		
Interest payable on leases	2,284	2,047
	2,284	**2,047**

6 Taxation

	2021 £'000	2020 £'000
UK corporation tax on profit	5,582	4,746
Foreign tax on profit	1,576	1,347
Adjustments in respect of prior periods	(129)	97
Current tax expense	**7,029**	**6,190**
Deferred tax credit	(2,468)	(2,587)
Adjustments in respect of prior periods	6	26
Deferred tax credit	**(2,462)**	**(2,561)**
Taxation	**4,567**	**3,629**

Factors affecting the tax charge for the year:

The effective tax rate is higher (2020: higher) than the average rate of corporate tax in the UK of 19% (2020: 19%). The difference is explained below:

	2021 £'000	2020 £'000
(Loss) / profit before taxation	(30,600)	**18,198**
Tax on Group profit at standard UK corporation tax rate of 19% (2020: 19%)	(5,814)	3,458
Foreign tax rate differences	(128)	917
Non-taxable income	-	(4,766)
Non-deductible expenses	7,621	3,326
Adjustments in respect of prior periods	(123)	123
Brought forward tax losses utilised	(84)	(28)
Tax losses not recognised as assets	2,622	706
Impact of share price on expected tax deduction	474	-
Effect on deferred tax of change in corporation tax rate	-	(107)
Group total tax charge for the year	**4,567**	**3,629**

On 18 November 2019, the UK Government cancelled plans to reduce the corporation tax rate from 19% to 17% from 1 April 2020. Deferred tax assets and liabilities are measured at the rates that are expected to apply in the periods of the reversal so UK deferred tax assets and liabilities previously measured at 17% are now measured at 19%. In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. The proposal to increase the rate to 25% was substantively enacted on 24 May 2021. As this was after the balance sheet date its effects are not included in these financial statements.

7 Dividends

Distributions to owners of the parent in the year:

	2021 pence per share	2020 pence per share
Final dividends recognised as distributions in the year	0.75	1.00
Interim dividends recognised as distributions in the year	1.50	1.25
Interim dividends recognised as distributions in the year	-	1.25
Total dividends paid in the year	**2.25**	**3.50**
Final dividend proposed	**3.00**	**0.75**

	2021 £'000	2020 £'000
Final dividends recognised as distributions in the year	2,162	2,746
Interim dividends recognised as distributions in the year	4,359	3,428
Interim dividends recognised as distributions in the year	-	3,637
Total dividends paid in the year	**6,521**	**9,811**
Final dividend proposed	**9,737**	**2,434**

On 7 September 2020, the Board recommended a final dividend for the year ended 30 April 2020 of 0.75 pence per share which was approved by shareholders at the Annual General Meeting on 21 October 2020. The dividend was paid on 5 November 2020 to all shareholders on the Register of Members on 25 September 2020. The payment of this dividend did not have any tax consequences for the Group. The difference between the amount proposed in September (£2,434,000) and the amount actually paid in November (£2,162,000) is due to dividends waived.

On 9 December 2020, the Board approved an interim dividend for the year ended 30 April 2021 of 1.50 pence per share. The dividend was paid on 5 March 2021 to all shareholders on the Register of Members on 29 January 2021. The payment of this dividend did not have any tax consequences for the Group.

The Board recommended a final dividend for the year ending 30 April 2021 of 3.00 pence per share on 21 July 2021 which is subject to shareholder approval at the Annual General Meeting on 28 September 2021. If approved by shareholders, the dividend will be paid on 8 October 2021 to all shareholders on the Register of Members on 10 September 2021.

8 Earnings per share

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

	2021	2020
	£'000	£'000
(Loss) / earnings from continuing operations for the purpose of basic earnings per share	**(35,167)**	14,569
Losses from discontinued operations for the purposes of basic and diluted earnings per share	**-**	(4,301)
(Loss) / earnings from all operations for the purpose of basic earnings per share	**(35,167)**	10,268

	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	294,392,422	271,406,294
Effect of dilutive potential ordinary shares:		
Future exercise of share awards and options	17,067,508	5,087,543
Weighted average number of ordinary shares for the purposes of diluted earnings per share	311,459,930	276,493,837
(Loss) / earnings from continuing operations per share attributable to the owners of the parent:		
Basic earnings per share - continuing (p)	(11.9)	5.4
Diluted earnings per share - continuing (p)	(11.9)	5.3
Loss from discontinued operations per share attributable to the owners of the parent:		
Basic earnings per share - discontinued (p)	-	(1.6)
Diluted earnings per share - discontinued (p)	-	(1.6)
(Loss) / earnings from all operations per share attributable to the owners of the parent:		
Basic earnings per share (p)	(11.9)	3.8
Diluted earnings per share (p)	(11.9)	3.7

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

- non-underlying items;
- share-based payments expense;
- gain on bargain purchase;
- amortisation of acquired intangible assets;
- impairment; and
- the tax effect of the above items.

The calculation of adjusted basic and adjusted diluted earnings per share is based on:

	2021 £'000	2020 £'000
(Loss) / earnings from continuing operations for the purpose of adjusted earnings per share	**(35,167)**	**14,569**
Add/(remove):		
Impairment	4,594	382
Amortisation of intangible assets – acquired	4,609	1,510
Gain on bargain purchase	-	(25,084)
Gain on investments	(23)	
Non-underlying items	27,101	7,632
Share-based payments expense	28,510	12,570
Tax effect of adjustments above	(5,503)	(2,394)
Adjusted earnings for the purposes of adjusted earnings per share	**24,121**	**9,185**

	Number	Number (*represented)
Weighted average number of ordinary shares for the purposes of adjusted basic earnings per share	294,392,422	271,406,294
Add:		
Additional shares held in trust	30,162,231	31,400,161
Weighted average number of ordinary shares for the purposes of adjusted diluted earnings per share	324,554,653	302,806,455
Adjusted basic earnings per share (p)	8.2	3.4
Adjusted diluted earnings per share (p)	7.4	3.0

Tax adjustments of £5,503,000 (2020: £2,394,000) have been made in arriving at the adjusted earnings per share. This is based on an estimated full year equivalent effective adjusted tax rate of 29%, which is largely driven by the UK corporation tax rate of 19% adjusted upwards to take into account the effect of non-deductible expenses and higher overseas tax rates in certain territories where profits are generated.

Shares held in trust are issued shares that are owned by the Group's employee benefit trusts for future issue to employees as part of share incentive schemes. These are recognised on consolidation as treasury shares. The future exercise of share awards and options is the dilutive effect of share awards granted to employees that have not yet vested.

Share held in trust are deducted from the weighted average number of ordinary shares for basic earnings per share. For its adjusted basic measure, the Group uses the weighted average number of ordinary shares.

The definitions of adjusted basic earnings per share and adjusted diluted earnings per share have been modified by management during the year, and the prior year comparative has been represented accordingly. Details of the change in definition can be found in the glossary to these financial statements.

9 Acquisitions of subsidiaries and transactions related to previous acquisitions

Acquisitions in the year to 30 April 2021
There were no acquisitions during the year.

On 22 January 2021 DWF Group plc and the original sellers of Rousaud Costas Duran S.L.P. ("RCD"), a Spanish subsidiary, mutually agreed to modify the acquisition agreement and related documents ("RCD Documents") entered into on 20 December 2019 to help facilitate the integration of DWF-RCD into the wider Group as part of moving to a new operating model effective from 1 May 2021. The key modifications made to the RCD Documents (applied on a retrospective basis so as to be effective from 20 December 2019) were:

- The service obligations as a condition linked to the settlement of certain items of the purchase price were removed;
- The targets for performance conditions linked to the settlement of the purchase price were reduced; and
- The payment of £2.0m of the purchase price was deferred from February 2021 to May 2021.

The removal of the service obligations results in the immediate recognition, in full, of the remaining acquisition related expense that was, prior to the modification, due to be recognised in the Income Statement over the period to December 2024. This acceleration has resulted in an additional £13.8m expense being recognised in the year to 30 April 2021 compared to that which would have been recognised in the same year without the modification. The expense is split between non-underlying items and share-based payment expense as follows:

- £5.2m – Non-underlying items (accelerated acquisition expense)
- £8.6m – Share-based payment expense

The reduction to the targets for performance conditions does not result in any change to the accounting since it is assumed that the targets will be met in full post the modification.

The deferral of payment of £2.0m of the purchase price results in higher deferred consideration liabilities and lower net debt as at 30 April 2021, but with no impact on the income statement.

Acquisitions in the year to 30 April 2020
Acquisitions made in the year to 30 April 2020 were as follows:

- Rousaud Costas Duran S.L.P. – Spain;
- K&L Gates Jamka sp.k ('K&L Gates') – Poland;
- Mindcrest Inc.;
- McDonald Johnson; and
- Greyfern Law Limited (formerly BT Law Limited)

Full details of the acquisitions can be found in the Annual Report and Financial Statements 2020 at www.dwfgroup.com.

10 Discontinued operations

On 30 April 2020, the Group disposed of the business of the Cologne office in Germany and the results of that business were reported in the prior period as a discontinued operation. The closure was considered to meet the definition of a discontinued operation as the Cologne office represented a major geographical area of operation for the Group and the attributable loss (£4.3m) was a significant component of the Group's overall profit.

Financial information relating to the discontinued operation for the comparative period is set out below.

	2021	2020
	£'000	£'000
Net revenue	-	**3,171**
Direct costs	-	(2,184)
Gross profit	-	**987**
Administrative expenses	-	(5,288)
Operating profit	-	**(4,301)**
Adjusted EBITDA	-	**(3,647)**
Depreciation, amortisation and impairment	-	(654)
Loss before tax	-	**(4,301)**
Taxation	-	-
Loss from discontinued operations	-	**(4,301)**

Further closures and scale back programmes

On 9 July 2020, the Group announced the closure of its operations in Belgium and Singapore as well as a scaling back programme in Dubai. Subsequently on 8 March 2021, the Group announced the scale-back of its operation in Australia.

The results for the closure of the Belgium and Singapore businesses are not treated as discontinued in the period as they are not considered to be a significant component of the Group's overall profit. These operations represented 0.3% of the Group's revenues and generated a £0.5m EBITDA loss in FY21.

11 Intangible assets and goodwill

	Goodwill £'000	Acquired: Customer relationships £'000	Acquired: Brand £'000	External software costs £'000	Capitalised development costs £'000	Total £'000
Cost						
At 1 May 2020	11,691	35,211	1,685	1,923	7,083	57,593
Additions – internally developed	-	-	-	-	4,228	4,228
Additions – externally purchased	-	-	-	2,407	-	2,407
Disposals	-	-	-	(10)	-	(10)
Effect of movements in foreign exchange	(550)	397	(52)	2	-	(203)
At 30 April 2021	**11,141**	**35,608**	**1,633**	**4,322**	**11,311**	**64,015**
Amortisation and impairment						
At 1 May 2020	1,356	1,351	159	1,007	3,066	6,939
Amortisation for the year	-	3,695	914	581	1,663	6,853
Disposals	-	-	-	(10)	-	(10)
Impairment	-	1,409	-	2	-	1,411
Effect of movements in foreign exchange	1	(327)	(32)	7	-	(351)
At 30 April 2021	**1,357**	**6,128**	**1,041**	**1,587**	**4,729**	**14,842**
Net book value						
At 30 April 2021	**9,784**	**29,480**	**592**	**2,735**	**6,582**	**49,173**
At 1 May 2020	10,335	33,860	1,526	916	4,017	50,654

The impairment charge includes £1,409,000 relating to the write-off of assets in Australia (see note 4).

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

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

- Customer relationships – Spain: Net book value at 30 April 2021 £23,023,000 (2020: £24,898,000) – remaining amortisation period is 9 years
- Customer relationships – Managed Services (Mindcrest): Net book value at 30 April 2021 £4,146,000 (2020: £4,912,000) – remaining amortisation period is 9 years
- Customer relationships – Poland: Net book value at 30 April 2021 £2,311,000 (2020: £2,784,000) – remaining amortisation period is 8 years
- Customer relationships – McDonald Johnson: Net book value at 30 April 2021 £nil (2020: £1,463,000) – no remaining amortisation
- Capitalised development costs – Managed Services: Net book value at 30 April 2021 £2,188,000 (2020: £1,600,000) – remaining amortisation period is between 2 - 4 years

Goodwill

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

	2021	2020
	£'000	£'000
Managed Services (Mindcrest) (Note 3)	8,569	9,126
Other individually immaterial CGUs	1,215	1,209
	9,784	**10,335**

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

The recoverable amounts of the CGUs are determined from value in use calculations. The calculations have been based on a discounted cash flow model covering a period of five years using forecast revenues and costs, extended to perpetuity. The inputs into the model appropriately consider the relevant market maturity and local factors. The first year of the forecast is established from the budget for FY22 which is underpinned by the business plan that has been signed off by the Board. Cash flows for FY23 through to FY26 have been included on a consistent basis with the Board approved strategy. In each case, the calculations use a long term growth rate of 2% (2020: 2%) consistent with the sector average and a pre-tax discount rate of 10-11% (2020: 10-20%). These pre-tax discount rates reflect current market assessments for the time value of money and the risks associated with the CGUs as the Group manages its treasury function on a group-wide basis. The long-term growth rates used are based on management's expectations of future changes in the markets for each CGU.

Goodwill that has been allocated to other individually immaterial CGUs in the table above, is monitored at the level of a practice group or group of practice groups. Significant headroom exists for each CGU. No reasonable worst-case scenario gives rise to a material impairment risk. Accordingly, no sensitivity is disclosed.

The impairment testing for the Mindcrest acquired customer relationships of £4,146,000 (2020: £4,912,000) relies on forecast long-term projections of cash flows associated with a small number of customers. The calculation considers known changes in contractual terms and reducing revenue streams following the Covid-19 pandemic. Whilst the calculation does not indicate impairment at 30 April 2021, there is a reduction of headroom of the value in use over the carrying value.

12 Property, plant and equipment

	Right-of-use asset £'000	Leasehold improvements £'000	Office equipment and fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost					
At 1 May 2020	81,237	16,782	12,282	39,838	150,139
Additions	16,573	59	3,310	632	20,574
Disposals	(4,847)	(666)	(232)	(1,964)	(7,709)
Remeasurement adjustment	2,367	-	-	-	2,367
Effect of movements in foreign exchange	(561)	4	6	(7)	(558)
At 30 April 2021	**94,769**	**16,179**	**15,366**	**38,499**	**164,813**
Accumulated depreciation					
At 1 May 2020	11,580	12,736	7,188	34,860	66,364
Charge for the year	11,977	935	919	2,891	16,722
Disposals	(786)	(392)	(232)	(1,964)	(3,374)
Impairment	2,832	-	370	128	3,330
Effect of movements in foreign exchange	-	8	(10)	(8)	(10)
At 30 April 2020	**25,603**	**13,287**	**8,235**	**35,907**	**83,032**
Net book value					
At 30 April 2021	**69,166**	**2,892**	**7,131**	**2,592**	**81,781**
At 1 May 2020	69,657	4,046	5,094	4,978	83,775

The impairment expense includes £3,433,000 relating to asset write-offs following the closure and scale-backs of operations (see Note 4). The remeasurement adjustment relates to the impact of term and rent changes on property leases during the year.

Other than property leases, the right-of-use asset includes equipment leases with a carrying value of £2,093,000 (2020: £42,000).

	Right-of-use asset £'000	Leasehold improvements £'000	Office equipment and fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost					
At 1 May 2019	-	16,230	10,944	36,971	64,145
Adjustment on transition to IFRS 16	70,342	-	-	-	70,342
Additions through acquisitions	6,246	324	592	233	7,395
Additions	4,649	185	751	2,584	8,169
Effect of movements in foreign exchange	-	43	(5)	50	88
At 30 April 2020	**81,237**	**16,782**	**12,282**	**39,838**	**150,139**
Accumulated depreciation					
At 1 May 2019	-	11,665	6,051	32,397	50,113
Charge for the year	11,580	1,071	1,137	2,463	16,251
At 30 April 2020	**11,580**	**12,736**	**7,188**	**34,860**	**66,364**
Net book value					
At 30 April 2020	**69,657**	**4,046**	**5,094**	**4,978**	**83,775**
At 1 May 2019	-	4,565	4,893	4,574	14,032

13 Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables (net of allowance for doubtful receivables)	91,185	108,727
Other receivables	4,898	4,950
Amounts recoverable from clients in respect of unbilled revenue	66,671	64,379
Unbilled disbursements	9,437	8,501
Prepayments	10,463	20,298
Reimbursement asset*	852	852
	183,506	**207,707**
Non-current		
Other receivables	-	152
Prepayments and accrued income	-	11,177
	-	**11,329**

* Reimbursement asset attributable to FOIL provision, see note 18.

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

Unbilled revenue is billed in line with the performance of the services and the terms of the associated engagement letter. Impairment losses of unbilled revenue, recognised based upon expected credit losses under IFRS 9, were immaterial during the year.

Current prepayments include £1,064,000 (2020: £10,293,000) and non-current prepayments and accrued income include £nil (2020: £11,177,000) both relating to acquisition-related expense.

Ageing of trade receivables

	2021 £'000	2020 £'000
Trade receivables not past due	22,235	39,820
Trade receivables past due		
0 – 90 days	53,271	46,810
91 – 180 days	9,417	13,403
181 – 270 days	4,597	5,935
271 – 365 days	3,603	2,992
More than 365 days	11,093	11,638
	104,216	**120,598**

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

Movement in allowance for doubtful receivables

	2021 £'000	2020 £'000
Brought forward provision	11,871	6,534
Provision utilised and other movements	(4,189)	956
Charges to income statement	5,349	4,381
	13,031	**11,871**

Other movements in 2020 include provisions for doubtful receivables acquired from business combinations in the year. Other movements in 2021 are not material.

14 Cash and cash equivalents

	2021 £'000	2020 £'000
Cash at bank and in hand	34,711	31,212
Bank overdrafts	(131)	(2,485)
Cash and cash equivalents	**34,580**	**28,727**

15 Trade and other payables

	2021 £'000	*Re-presented (Note 1.4)* 2020 £'000
Trade payables	28,236	26,779
Other payables	10,337	11,444
Other taxation and social security	27,375	26,224
Accruals	19,433	12,303
	85,381	**76,750**

Accruals and deferred income include £4,905,000 (2020: £1,758,000) relating to acquisition-related expense. The Group has participated in the UK Government's VAT deferral scheme, which was launched to assist businesses in their response to Covid-19. Within other taxation and social security is £10,700,000 of VAT payable which has been deferred from March 2020. This will be paid in monthly instalments during FY22. The Group also utilised the 'Paycheck protection program' in the US during the year, obtaining £280,000 of funding that was subsequently paid out to employees, hence having no impact on the 2021 Income Statement or Balance Sheet. A subsidy of £340,000 was received in the year by our Polish business as part of the Polish Government's response to the pandemic. The conditions of the subsidy have yet to be met and hence it is recorded as a liability, within other payables.

The Group has given a guarantee in favour of its Australian bank of £nil (2020: £223,000). Through that same bank, the Group has issued rental guarantees to its landlords of £1,660,000 (2020: £1,660,000). These guarantees are denominated in Australian dollars. The Group has a rental guarantee in favour of a German landlord for £126,000 (2020: £126,000) and in the favour of its Polish landlord for £213,000 (2020: £213,000). These guarantees are denominated in Euros

16 Lease liabilities

	2021 £'000	2020 £'000
Balance at the beginning of year	84,678	87,302
Additions	16,573	9,832
Interest expense related to lease liabilities	2,284	2,047
Net foreign currency translation (gain) / loss	(589)	198
Disposals	(4,836)	-
Remeasurement adjustment	2,367	-
Repayment of lease liabilities (including interest)	(16,475)	(14,701)
Balance at the end of year	**84,002**	**84,678**

Current lease liabilities	13,104	12,981
Non-current lease liabilities	70,898	71,697
	84,002	**84,678**

The maturity of lease liabilities at 30 April 2021 were as follows:

Lease payments	**2021 £'000**	2020 £'000
Year to 2021	-	14,842
Year to 2022	14,978	13,753
Year to 2023	14,501	13,004
Year to 2024	13,270	11,286
Year to 2025	11,827	-
Later years	36,775	39,702
	91,351	**92,587**
Effect of discounting	(7,350)	(7,930)
Effect of movement in foreign currency translation rates	1	21
Closing lease liability	**84,002**	**84,678**

The undiscounted contractual cash flows relating to lease liabilities accounted for in accordance with IFRS 16 is £91,352,000 (2020: £92,608,000).

The following amounts have been included in the Income Statement:

	2021 £'000	2020 £'000
Interest expense on lease liabilities	2,284	2,047
Operating costs relating to short-term and low value leases	1,606	800
Expenses from variable lease payments	78	-
Total amounts recognised in the Income Statement	**3,968**	**2,847**

The Group has some leases not yet commenced to which it is committed. It is estimated that the future lease payments relating to these leases would result in an increase in the lease liability of £3,155,000 (2020: £2,965,000).

17 Other interest-bearing loans and borrowings

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

Obligations under interest-bearing loans and borrowings

	2021 £'000	2020 £'000
Current liabilities		
Bank loans	19,099	4,464
Supplier payment facility	204	310
Bank overdrafts	131	2,485
	19,434	**7,259**
Non-current liabilities		
Bank loans	76,085	89,194
Capitalised loan arrangement fees	(641)	(379)
	75,444	**88,815**
	94,878	**96,074**

	2021 £'000	2020 £'000
Terms of repayment of bank loans and overdrafts		
Within one year	19,434	7,259
Between one and five years	75,444	88,815
Total bank loans and overdrafts	**94,878**	**96,074**

Contractual terms of interest-bearing loans and borrowings

	Currency	Nominal interest rate	Year of maturity	**2021 Fair value £'000**	**2021 Carrying amount £'000**	2020 Fair value £'000	2020 Carrying amount £'000
RCF	GBP	LIBOR+1.9%	2023	69,357	69,357	73,245	73,245
RCF	EUR	EURIBOR+1.9%	2023	6,087	6,087	6,089	6,089
RCF	GBP	LIBOR+1.4%	2021	15,000	15,000	-	-
RCF	EUR	EURIBOR+1.2%	2021	3,923	3,923	9,321	9,321
Unsecured bank loans	GBP	3.75%	2020	-	-	23	23
Unsecured bank loans	EUR	2.00%	2021	47	47	176	176
Unsecured bank loans	AUD	6.50%	2021	-	-	244	244
Unsecured bank loans	GBP	2.77%	2022	129	129	4,171	4,171
Other borrowings	USD	1.50 %	2020	-	-	10	10
Supplier payment facility	GBP	No rate	2021	204	204	310	310
Bank overdrafts	GBP	Base+1.15%	2021	131	131	2,485	2,485
				94,878	**94,878**	**96,074**	**96,074**

Note 1.3 sets out changes to the financial covenants attached to the RCF held with the Group's banking syndicate. The Group operates a supplier payment facility with HSBC, which has a facility limit of £11m. This facility is utilised in paying certain suppliers from time to time.

18 Provisions

Professional indemnity provision

The provision for professional indemnity reflects the Group's expected outflow for legal claims brought against the Group relating to historic professional services rendered. A provision is only recognised where an outflow is probable. The probability is established by reference to whether a claim is more likely than not to be successful. A professional indemnity liability for a claim that is agreed (i.e. the timing and amount of payments are well understood) is recognised in accruals (see Note 15).

Dilapidation provision

Dilapidation provisions are established for wear and tear of property leases, held at the date of the statement of financial position. Such provisions are estimated at the start of the lease and updated annually. The Group's current lease portfolio terminates over the course of the next 10 years.

FOIL provision

The Forum of Insurance Lawyers (FOIL) provision represents the total VAT (partial exemption) exposure on historic claims handling engagements. There is an attributable reimbursement asset in note 13, resulting in net exposure of £400,000 as at 30 April 2021 (2020: £400,000). The enquiry is ongoing and therefore it is not possible to estimate when the provision will crystallise.

	2021 £'000	*Re-presented (Note 1.4)* 2020 £'000
Dilapidation provision		
Balance at beginning of the year	1,562	1,329
Provisions made during the year	440	233
Provisions used during the year	(165)	-
Provisions reversed during the year	-	-
Balance at the end of the year	**1,837**	**1,562**
Non-current	1,837	1,562
Current	-	-
	1,837	**1,562**
FOIL provision		
Balance at the beginning and end of the year	**1,252**	**1,252**
Non-current	-	-
Current	1,252	1,252
	1,252	**1,252**
Professional indemnity provision		
Balance at beginning of the year	3,083	6,189
Provisions made during the year	1,174	1,693
Provisions used during the year	(437)	(1,531)
Provisions reversed during the year	(1,193)	(2,662)
Provisions transferred to accruals during the year	(115)	(606)
Balance at the end of the year	**2,512**	**3,083**
Non-current	**-**	-
Current	2,512	3,083
	2,512	**3,083**
Total provisions		
Balance at beginning of the year	5,897	8,770
Provisions made during the year	1,614	1,926
Provisions used during the year	(602)	(1,531)
Provisions reversed during the year	(1,193)	(2,662)
Provisions transferred to accruals during the year	(115)	(606)
Balance at the end of the year	**5,601**	**5,897**
Non-current	1,837	1,562
Current	3,764	4,335
	5,601	**5,897**

19 Deferred taxation

The deferred tax asset is as follows:

	2021 £'000	2020 £'000
Assets		
Balance at the beginning of year	3,522	933
Acquired	-	86
Deferred tax debit recognised directly in equity	193	(198)
Deferred tax credit in the income statement for the year	1,092	2,423
Exchange rate translation	(158)	278
Balance at the end of year	**4,649**	**3,522**

Deferred tax assets of £4.6m have been recognised in respect of tax depreciation timing differences (£1.2m), expected tax deductions for share-based payments (£2.4m), tax losses in the UK, USA, Spain and Poland (£0.8m) and other temporary differences (£0.2m). It is anticipated that the Group and certain related subsidiary undertakings will make sufficient taxable profit to allow the benefit of the deferred tax asset to be utilised. A potential deferred tax asset of £5.2m (2020: £0.7m) has not been recognised relating to tax losses in subsidiary undertakings that are not anticipated to make sufficient taxable profit to allow the benefit of the deferred tax asset to be utilised.

The deferred tax liability as at 30 April 2021 is as follows:

	2021 £'000	2020 £'000
Non-current liabilities		
Balance at beginning of year	8,884	-
Arising on acquisition intangibles	-	9,250
Deferred tax credit in the income statement for the year	(1,427)	(366)
Exchange rate translation	127	-
Balance at the end of year	**7,584**	**8,884**

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

20 Share capital

	Number of 1p each	Ordinary shares £'000	Share premium £'000	Treasury shares £'000	Total £'000
At 1 May 2019	**300,000,000**	**3,000**	**63,167**	**-**	**66,167**
Shares issued in acquisition of Rousaud Costas Duran S.L.P.U	19,525,927	195	19,037	(20)	19,212
Shares issued in acquisition of Mindcrest Inc.	5,028,726	51	6,406	-	6,457
At 30 April 2020	**324,554,653**	**3,246**	**88,610**	**(20)**	**91,836**
Purchase of treasury shares	-	-	-	(109)	(109)
At 30 April 2021	**324,554,653**	**3,246**	**88,610**	**(129)**	**91,727**

The Group has 30,162,231 (2020: 31,400,161) shares held in treasury.

21 Share-based payments

Charge to the income statement

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

The charge to the income statement is set out below:

	2021	2020
	£'000	£'000
Share plans:		
Equity incentive plan (EIP)	24,098	5,503
Buy-as-you-earn plan (BAYE)	3,720	6,096
	27,818	**11,599**
Social security expenses	692	971
Total expense	**28,510**	**12,570**

Share-based payments ("SBP") movement in 2021:

	SBP expense £'000	SBP reserve £'000	Accumulated losses £'000	Prepayments £'000
DWF-RCD acquisition	15,176	-	-	(15,176)
Share-based payment schemes	12,642	(12,642)	-	-
Recycling of vested shares	-	9,429	(9,429)	-
Social security expenses	692	-	-	-
Total movement	**28,510**	**(3,213)**	**(9,429)**	**(15,176)**

Share-based payments ("SBP") movement in 2020:

	SBP expense £'000	SBP reserve £'000	Accumulated losses £'000	Prepayments £'000
DWF-RCD acquisition	2,980	-	-	(2,980)
Share-based payment schemes	8,619	(8,619)	-	-
Recycling of vested shares	-	-	-	-
Social security expenses	971	-	-	-
Total movement	**12,570**	**(8,619)**	**-**	**(2,980)**

The shares awarded as part of the purchase price for the acquisition of Spain in the prior year are included in the charge to the income statement. The charge for 2021 includes the accelerated expense as a result of the modification to the acquisition agreement (see Note 9).

The portion of the share-based payment expense that relates to the acquisition of DWF-RCD is credited to prepayments. As disclosed in Note 9 the acquisition agreement was modified on 22 January 2021 and subsequently the remaining share-based payment charge relating to the acquisition was expensed in 2021 and the prepayment was released in full.

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

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

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

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

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

Financial year of grant	Share price per award	Exercise price per award	Date of vesting	Number of shares for which awards outstanding 1 May 2020	Awards granted during the year	Awards vested during the year	Awards lapsed during the year	Number of shares for which awards outstanding 30 April 2021
2018/19	1.25	Nil	September 2020	671,303	-	654,910	16,393	-
2018/19	1.25	Nil	July 2021	671,304	-	-	13,114	658,190
2018/19	1.25	Nil	July 2022	671,305	-	-	13,114	658,191
2018/19	1.25	Nil	July 2023	671,307	-	-	13,114	658,193
2018/19	1.25	Nil	July 2024	671,360	-	-	13,118	658,242

The weighted average fair value of awards granted is £1.25 per award.

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

- Expected volatility is not applicable
- Expected life (years) 3.3 (average life across the tranches granted)
- Expected dividend yield (%) Nil

Expected volatility was determined by reference to the historical volatility of the FTSE All Share Support Services Index, as there was insufficient trading history in the Groups' shares. The expected life used is the vesting date of the award. There is an entitlement to receive dividends or dividend equivalents. Management estimate that 80% of performance conditions are met and that there is on average 14% attrition.

Share awards under the DWF Group PLC EIP – Career level 1-3 award

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

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

Financial year of grant	Share price per award	Exercise price per award	Date of vesting	Number of shares for which awards outstanding 1 May 2020	Awards granted during the year	Awards vested during the year	Awards lapsed during the year	Number of shares for which awards outstandin g 30 April 2021
2019/20	1.19	Nil	Aug-2020	640,389	-	616,604	23,785	-
2019/20	1.19	Nil	Aug-2021	640,372	-	-	90,486	549,886
2019/20	1.19	Nil	Aug-2022	640,355	-	-	100,606	539,749
2019/20	1.19	Nil	Aug-2023	640,346	-	-	101,628	538,718
2019/20	1.19	Nil	Aug-2024	640,331	-	-	102,244	538,087
2019/20	1.24	Nil	Sep-2020	143,668	-	143,668	-	-
2019/20	1.24	Nil	Jan-2021	318,970	-	318,970	-	-
2019/20	1.24	Nil	Jul-2021	431,426	-	-	-	431,426
2019/20	1.24	Nil	Jan-2022	318,960	-	-	-	318,960
2019/20	1.24	Nil	Jul-2022	431,426	-	-	-	431,426
2019/20	1.24	Nil	Jan-2023	318,950	-	-	-	318,950
2019/20	1.24	Nil	Jul-2023	431,426	-	-	-	431,426

Financial year of grant	Share price per award	Exercise price per award	Date of vesting	Number of shares for which awards outstanding 1 May 2020	Awards granted during the year	Awards vested during the year	Awards lapsed during the year	Number of shares for which awards outstanding 30 April 2021
2019/20	1.24	Nil	Jan-2024	318,945	-	-	-	318,945
2019/20	1.24	Nil	Jul-2024	431,426	-	-	-	431,426
2019/20	1.24	Nil	Jan-2025	318,940	-	-	-	318,940
2019/20	1.24	Nil	Jul-2025	287,757	-	-	-	287,757
2019/20	0.85	Nil	Sep-2020	42,600	-	42,600	-	-
2019/20	0.85	Nil	Jul-2021	127,900	-	-	7,000	120,900
2019/20	0.85	Nil	Jul-2022	127,900	-	-	7,000	120,900
2019/20	0.85	Nil	Jul-2023	127,900	-	-	7,000	120,900
2019/20	0.85	Nil	Jul-2024	127,900	-	-	7,000	120,900
2019/20	0.85	Nil	Jul-2025	85,300	-	-	4,668	80,632
2020/21	0.65	Nil	Sep-2020	-	614,778	614,778	-	-
2020/21	0.72	Nil	Sep-2025	-	2,190,320	-	-	2,190,320
2020/21	0.71	Nil	Jul-2021	-	1,008,937	-	22,648	986,289
2020/21	0.71	Nil	Jul-2022	-	1,008,914	-	22,648	986,266
2020/21	0.71	Nil	Jul-2023	-	1,008,880	-	22,645	986,235
2020/21	0.71	Nil	Jul-2024	-	1,008,859	-	22,643	986,216
2020/21	0.71	Nil	Jul-2025	-	1,008,834	-	22,642	986,192
2020/21	0.81	Nil	Feb-2021	-	4,832	4,832	-	-
2020/21	0.81	Nil	Jul-2021	-	14,500	-	-	14,500
2020/21	0.81	Nil	Dec-2021	-	609,591	11,210	7,456	590,925
2020/21	0.81	Nil	Jul-2022	-	14,500	-	-	14,500
2020/21	0.81	Nil	Dec-2022	-	609,583	11,208	7,456	590,919
2020/21	0.81	Nil	Jul-2023	-	14,500	-	-	14,500
2020/21	0.81	Nil	Dec-2023	-	609,572	11,208	7,455	590,909
2020/21	0.81	Nil	Jul-2024	-	14,500	-	-	14,500
2020/21	0.81	Nil	Dec-2024	-	609,558	11,208	7,454	590,896
2020/21	0.81	Nil	Jul-2025	-	9,668	-	-	9,668
2020/21	0.81	Nil	Dec-2025	-	609,551	4,144	14,518	590,889
2020/21	0.82	Nil	Jul-2021	-	64,482	-	-	64,482
2020/21	0.82	Nil	Jul-2022	-	64,482	-	-	64,482
2020/21	0.82	Nil	Jul-2023	-	64,481	-	-	64,481
2020/21	0.82	Nil	Jul-2025	-	64,479	-	-	64,479

The weighted average fair value of awards granted is £1.00 per award.

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

- Expected volatility (%) 45.7 (average volatility across the tranches granted)
- Expected life (years) 3.0 (average life across the tranches granted)
- Expected dividend yield (%) Nil

Expected volatility was determined by reference to the historical volatility of the FTSE All Share Support Services Index for awards granted prior to this year, as there was insufficient trading history in the Groups' shares, and by the period for which the share price history is available for awards granted this year. The expected life used is the vesting date of the award. There is an entitlement to receive dividends or dividend equivalents on the awards. Management estimate that 80% of performance conditions are met and there is an average of 23% attrition over the vesting period.

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

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

Financial year of grant	Share price per award	Exercise price per award	Date of vesting	Number of shares for which awards outstanding 1 May 2020	Awards granted during the year	Awards vested during the year	Awards lapsed during the year	Number of shares for which awards outstanding 30 April 2021
2019/20	1.19	Nil	Aug-2022	2,588,493	-	-	930,671	1,657,822
2020/21	0.71	Nil	Jul-2023	-	4,862,172	-	252,880	4,609,292
2020/21	0.71	Nil	Jul-2023	-	294,183	-	84,293	209,890

The weighted average fair value of awards granted is £0.97 per award.

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

- Expected volatility (%) 43.8 (average volatility across the tranches granted)
- Expected life (years) 3.0 (average life across the tranches granted)
- Expected dividend yield (%) 5.0

Expected volatility was determined by reference to the historical volatility of the FTSE All Share Support Services Index for awards granted prior to this year, as there was insufficient trading history in the Groups' shares, and by the period for which the share price history is available for awards granted this year. The expected life used is the vesting date of the award. There is no entitlement to receive dividends or dividend equivalents on the awards. Management estimate that 80% of performance conditions are met and there is 25% attrition over the vesting period.

Share awards under the DWF Group PLC EIP – Promotion award

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

Financial year of grant	Share price per award	Exercise price per award	Date of vesting	Number of shares for which awards outstanding 1 May 2020	Awards granted during the year	Awards vested during the year	Awards lapsed during the year	Number of shares for which awards outstandi ng 30 April 2021
2019/20	1.19	Nil	Aug-2022	270,766	-	-	35,163	235,603
2019/20	1.24	Nil	Jan-2023	429,656	-	-	57,753	371,903
2020/21	0.71	Nil	Aug-2022	-	6,235	-	-	6,235
2020/21	0.71	Nil	Jan-2023	-	69,897	-	13,114	56,783
2020/21	0.71	Nil	Jul-2023	-	170,844	-	14,329	156,515
2020/21	0.81	Nil	Dec-2023	-	650,357	-	56,519	593,838
2020/21	0.71	Nil	Aug-2022	-	6,235	-	-	6,235

The weighted average fair value of awards granted is £1.01 per award.

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

- Expected volatility (%) 44.0 (average volatility across the tranches granted)
- Expected life (years) 3.0 (average life across the tranches granted)
- Expected dividend yield (%) 5.0

Expected volatility was determined by reference to the historical volatility of the FTSE All Share Support Services Index for awards granted prior to this year, as there was insufficient trading history in the Groups' shares, and by the period for which the share price history is available for awards granted this year. The expected life used is the vesting date of the award. There is no entitlement to receive dividends or dividend equivalents on the awards. Management estimate that 80% of performance conditions are met and there is 25% attrition over the vesting period.

Share awards under the DWF Group plc BAYE – IPO award

At IPO, awards were granted to eligible employees.

Financial year of grant	Share price per award	Exercise price per award	Date of vesting	Number of shares for which awards outstanding 1 May 2020	Awards granted during the year	Awards vested during the year	Awards lapsed during the year	Number of shares for which awards outstanding 30 April 2021
2018/19	1.25	Nil	Sep-2020	4,647,516	-	4,404,945	242,571	-
2018/19	1.25	Nil	Jul-2021	4,641,308	-	-	640,907	4,000,401
2019/20	1.19	Nil	Sep-2020	193,563	-	181,961	11,602	-
2019/20	1.19	Nil	Jul-2021	193,524	-	-	51,231	142,293

The weighted average fair value of awards granted is £1.25 per award.

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

- Expected volatility is not applicable
- Expected life (years) 1.5 (average life across the tranches granted)
- Expected dividend yield (%) 5.0

Expected volatility was determined by reference to the historical volatility of the FTSE All Share Support Services Index, as there was insufficient trading history in the Groups' shares. The expected life used is the vesting date of the award. There is no entitlement to receive dividends or dividend equivalents on the awards. Management estimate there is 25% attrition over the vesting period.

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

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

Financial year of grant	Share price per award	Exercise price per award	Date of vesting	Number of shares for which awards outstanding 1 May 2020	Awards granted during the year	Awards vested during the year	Awards lapsed during the year	Number of shares for which awards outstandi ng 30 April 2021
2019/20	1.19	Nil	Sep-2020	88,636	-	78,132	10,504	-
2019/20	1.19	Nil	Jul-2021	88,633	-	-	18,067	70,566
2019/20	1.24	Nil	Jan-2021	97,304	-	75,502	21,802	-
2019/20	1.24	Nil	Jan-2022	97,310	-	-	21,803	75,507
2020/21	0.71	Nil	Jul-2021	-	730,754	-	29,764	700,990
2020/21	0.71	Nil	Jul-2022	-	729,363	-	28,293	701,070
2020/21	0.81	Nil	Jul-2021	-	64,378	-	-	64,378
2020/21	0.81	Nil	Jul-2022	-	64,385	-	-	64,385
2020/21	0.82	Nil	Dec-2021	-	68,199	-	-	68,199
2020/21	0.82	Nil	Dec-2022	-	68,188	-	-	68,188

The weighted average fair value of awards granted is £0.85 per award.

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

- Expected volatility (%) 50.8 (average volatility across the tranches granted)
- Expected life (years) 1.5 (average life across the tranches granted)
- Expected dividend yield (%) 5.0

Expected volatility was determined by reference to the historical volatility of the FTSE All Share Support Services Index for awards granted prior to this year, as there was insufficient trading history in the Groups' shares, and by the period for which the share price history is available for awards granted this year. The expected life used is the vesting date of the award. There is no entitlement to receive dividends or dividend equivalents. Management estimate there is 25% attrition over the vesting period.

Share awards under the DWF Group plc BAYE – Share incentive plan matching award ('SIP matching award')

The Group offers its employees the opportunity to actively buy shares in DWF Group plc and become an investor in the business.

Financial year of grant	Share price per award	Exercise price per award	Date of vesting	Number of shares for which awards outstanding 1 May 2020	Awards granted during the year	Awards vested during the year	Awards lapsed during the year	Number of shares for which awards outstandi ng 30 April 2021
2020/21	0.71	Nil	Oct-2022	-	135,666	-	3,784	131,882

The weighted average fair value of these awards granted during the period was £0.71 per award.

The BAYE SIP matching awards were valued using the Black Scholes method with the following assumptions:

- Expected volatility (%) 43.1 (average volatility across the tranches granted)
- Expected life (years) 2.0
- Expected dividend yield (%) 5.0

Expected volatility was determined by reference to the period for which the share price history is available. The expected life used is the vesting date of the award. There is no entitlement to receive dividends or dividend equivalents. Management estimate there is 25% attrition over the vesting period.

22 Employee information and their pay and benefits

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

	2021 No.	2020 No.
Legal advisers	2,405	1,980
Support staff	1,265	1,341
	3,670	**3,321**
	£'000	*Restated* £'000
Wages and salaries	192,493	170,796
Social security costs	11,528	11,970
Contributions to defined contribution plans	6,822	6,689
	210,843	**189,455**

The wages and salaries for the year ended 2020 have been restated as the cost previously included a full year of wages and salaries for the acquired DWF-RCD business, but should only have included the costs from the date of acquisition to the year end.

Defined contribution plans

The Group operates defined contribution pension plans. The amounts charged to the income statement in respect of the scheme represents contributions payable in respect of the accounting period. The total annual pension cost for the defined contribution scheme was £6,822,000 at 30 April 2021 (30 April 2020: £6,689,000) and the outstanding balance at year end was £936,000 at 30 April 2021 (30 April 2020: £979,000).

23 Cash generated from operations

a) Cash generated in operations before adjusting items

	2021	*Re-presented* 2020
	£'000	£'000
Cash flows from operating activities		
(Loss) / profit before tax including loss from discontinued operations	(30,600)	13,897
Adjustments for:		
Impairment	4,595	1,036
Amortisation of acquired intangible assets	4,609	1,510
Depreciation of right-of-use asset	11,977	11,580
Other depreciation and amortisation	6,989	6,175
Gain on bargain purchase	-	(25,084)
Gain on disposal of leases and investments	(798)	-
Non-underlying items	27,101	7,632
Share-based payments expense	27,818	11,599
Interest payable on leases	2,284	2,047
Net finance expense	2,682	1,905
Operating cash flows before movements in working capital	**56,657**	**32,297**
Decrease / (increase) in trade and other receivables	13,120	(18,726)
(Decrease) / increase in trade and other payables	(176)	16,258
Decrease in provisions	(296)	(2,873)
Decrease in amounts due to members of partnerships in the Group	(4,144)	(4,771)
Cash generated in operations before adjusting items	**65,161**	**22,185**

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

	1 May 2020	Cash flow	Exchange movement	Non-cash movement	30 April 2021
	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	28,727	6,236	(383)	-	34,580
Bank loans	(93,279)	1,069	(205)	(2,129)	(94,544)
Supplier payments facility	(310)	23,144	-	(23,038)	(204)
Total net debt (excluding IFRS 16)	**(64,862)**	**30,449**	**(588)**	**(25,167)**	**(60,168)**

	1 May 2019	*Re-presented* Cash flow	Exchange movement	*Re-presented* Non-cash movement	*Re-presented* 30 April 2020
	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	10,822	17,943	(38)	-	28,727
Bank loans	(43,851)	(48,622)	-	(806)	(93,279)
Supplier payments facility	(2,283)	17,517	-	(15,544)	(310)
Total net debt (excluding IFRS 16)	**(35,312)**	**(13,162)**	**(38)**	**(16,350)**	**(64,862)**

Net debt including lease liabilities is £144,169,000 (2020: £149,540,000).

b) Free cash flows

	2021 **£'000**	*Re-presented* 2020 £'000
Free cash flows		
Operating cash flows before movements in working capital	56,657	32,297
Net working capital movement	12,648	(5,341)
Amounts due to members of partnerships in the Group	(4,144)	(4,771)
Cash generated from operations before adjusting items	**65,161**	**22,185**
Net interest paid	(5,064)	(4,192)
Tax paid	(3,155)	(4,309)
Repayment of lease liabilities	(14,191)	(12,654)
Purchase of property, plant and equipment	(4,001)	(3,520)
Purchase of other intangible assets	(6,635)	(4,116)
Free cash flows	**32,115**	**(6,606)**

c) Working capital measures

	2021	2020
	£'000	£'000
WIP days		
Amounts recoverable from clients in respect of unbilled revenue	66,671	64,379
Unbilled disbursements	9,437	8,501
Total WIP	**76,108**	**72,880**
Annualised net revenue	**338,130**	**330,340**
WIP days	**82**	**81**
Debtor days		
Trade receivables (net of allowance for doubtful receivables)	91,185	108,727
Other receivables	4,898	4,950
Total debtors	**96,083**	**113,677**
Annualised net revenue	**338,130**	**330,340**
Debtor days	**104**	**125**
Gross lock-up days		
Total WIP	76,108	72,880
Total debtors	96,083	113,677
Total gross lock-up	**172,191**	**186,557**
Annualised net revenue	**338,130**	**330,340**
Gross lock-up days	**186**	**206**

Annualised net revenue reflects the total net revenue for the previous 12-month period inclusive of pro-forma adjustments for acquisitions and discontinuations.

24 Events after the reporting period

The following events occurred after 30 April 2021 and before the approval of the Annual Report and Accounts:

- On 24 May 2021, the Group acquired Zing365 Holdings Limited, a compliance training business based in the UK. The purchase price was £1.8m (subject to working capital and net debt adjustments) comprised of £0.8m initial cash consideration, £0.8m share consideration subject to a phased release over a three-year lock-up period and the assumption of £0.2m in debt.
- On 25 May 2021, the Group acquired BCA Claims & Consulting Limited, a Canadian insurance claims and loss adjusting business. The purchase price was C$3.8m (£2.2m) cash consideration of which C$1.5m (£0.9m) was paid at completion and C$2.2m (£1.3m) is payable over 2 years following completion.

UNAUDITED INFORMATION

Appendix 1

Reconciliation to new global operating structure – year ended 30 April 2021

The following reconciliation shows how the year's revenue and gross profit would be presented under the new global operating structure:

	As reported for the year ended 30 April 2021 £'000	Impact of restructure £'000	As reported under new global operating structure effective 1 May 2021 £'000
Segment net revenue			
Legal Advisory	-	285,326	285,326
Commercial Services	110,667	(110,667)	-
Insurance Services	103,884	(103,884)	-
International	85,255	(85,255)	-
Connected Services	25,338	3,085	28,423
Mindcrest (FY21: Managed Services)	12,986	11,395	24,381
Net revenue	**338,130**	**-**	**338,130**
Segment direct cost			
Legal Advisory	-	(137,487)	(137,487)
Commercial Services	(46,245)	46,245	-
Insurance Services	(51,560)	51,560	-
International	(49,012)	49,012	-
Connected Services	(14,406)	(1,819)	(16,225)
Mindcrest (FY21: Managed Services)	(5,126)	(7,511)	(12,637)
Direct cost	**(166,349)**	**-**	**(166,349)**
Segment gross profit			
Legal Advisory	-	147,839	147,839
Commercial Services	64,422	(64,422)	-
Insurance Services	52,324	(52,324)	-
International	36,243	(36,243)	-
Connected Services	10,932	1,266	12,198
Mindcrest (FY21: Managed Services)	7,860	3,884	11,744
Gross profit	**171,781**	**-**	**171,781**

UNAUDITED INFORMATION

Appendix 2

Reconciliation to operating structure during the year ended 30 April 2021 – re-presented year ended 30 April 2020

The following reconciliation shows how the prior year's revenue would be presented under the global operating structure for the year ended 30 April 2021:

	As reported for the year ended 30 April 2020 £'000	Realign the Managed Services division £'000	Realign NI and ROI practice groups £'000	As reported under the global operating structure effective from 1 May 2021 for the year ended 30 April 2020 £'000
Segment net revenue				
Commercial Services	104,367	(3,957)	7,105	107,515
Insurance Services	95,838	-	4,737	100,575
International	76,165	-	(11,842)	64,323
Connected Services	20,861	-	-	20,861
Managed Services	-	3,957	-	3,957
Net revenue	**297,231**	**-**	**-**	**297,231**
Segment direct cost				
Commercial Services	(45,960)	1,642	(3,928)	(48,246)
Insurance Services	(49,726)	-	(2,619)	(52,345)
International	(45,188)	-	6,547	(38,641)
Connected Services	(14,123)	-	-	(14,123)
Managed Services	-	(1,642)	-	(1,642)
Direct cost	**(154,997)**	**-**	**-**	**(154,997)**
Segment gross profit				
Commercial Services	58,407	(2,315)	3,177	59,269
Insurance Services	46,112	-	2,118	48,230
International	30,977	-	(5,295)	25,682
Connected Services	6,738	-	-	6,738
Managed Services	-	2,315	-	2,315
Gross profit	**142,234**	**-**	**-**	**142,234**
Administrative expenses	(120,084)	-	-	(120,084)
Operating profit	**22,150**	**-**	**-**	**22,150**
Net finance expense	(1,905)	-	-	(1,905)
Interest payable on leases	(2,047)	-	-	(2,047)
Profit before tax	**18,198**	**-**	**-**	**18,198**
Taxation	(3,629)	-	-	(3,629)
Profit after tax	**14,569**	**-**	**-**	**14,569**

UNAUDITED INFORMATION

Glossary

Alternative Performance Measures ("APMs")

In accordance with the Guidelines on APMs issued by the European Securities and Markets Authority (“ESMA”), additional information is provided on the APMs used by the Group below. In the reporting of financial information, the Group uses certain measures that are not required under IFRS.

These additional measures (commonly referred to as APMs) provide the Group's stakeholders with additional information on the performance of the business. These measures are consistent with those used internally, and are considered important and insightful to understanding the financial performance and financial health of the Group. The Group's APMs provide an important measure of how the Group is performing by providing a meaningful comparison of how the business is managed and measured on a day-to-day basis and achieves consistency and comparability between reporting periods.

These APMs may not be directly comparable with similar measures reported by other companies and they are not intended to be a substitute for, or superior to, IFRS measures. All Income Statement measures are provided for continuing operations unless otherwise stated.

Changes to APMs

The Directors and management have redefined Adjusted Diluted Earnings per Share ("adjusted DEPS") to aid comparability and simplicity. The denominator will now reflect the aggregate of shares in issue and those shares held in trust, to represent a fully diluted EPS. In the prior year, the denominator included an anticipated number of shares that may be issued in future years. In addition, the denominator for the Adjusted Earnings per Share ("adjusted EPS") has been made consistent to the basic EPS measure to provide further consistency to the statutory measure. The definition of adjusted DEPS and adjusted EPS are fully defined below.

APM

Net revenue

Closest equivalent statutory measure

Revenue

Definition and purpose

Revenue less recoverable expenses

Recoverable expenses do not attract a profit margin and can significantly vary month-to-month such that they may distort the link between Revenue and the performance of the Group. Net Revenue is widely reported in the legal sector as the key measure reflecting underlying trading, and allows greater comparability with other legal businesses.

Reconciliation

	2021 £'000	2020 £'000
Revenue	**400,948**	356,612
Disbursements	(62,818)	(59,381)
Net revenue	**338,130**	297,231

APM Adjusting items
Closest equivalent statutory measure None
Definition and purpose Those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group's performance. These include items which are significant in size or volatility or by nature are non-trading or non-recurring. This provides a comparison of how the business is managed and measured on a day-to-day basis and provides consistency and comparability between reporting periods.
Reconciliation See note 2

APM Adjusted earnings before interest, tax, depreciation and amortisation ('adjusted EBITDA')
Closest equivalent statutory measure Operating (loss) / profit
Definition and purpose Operating profit adjusted for adjusting items detailed in note 2, and adding back depreciation and amortisation. Adjusted EBITDA is a commonly used income statement metric to provide additional insight into the performance of the business for the year.

Reconciliation

	2021 **£'000**	2020 £'000
Operating (loss) / profit	**(26,008)**	22,150
Depreciation of right-of-use asset	**11,977**	11,580
Other depreciation and amortisation	**7,004**	6,175
Amortisation of intangible assets – acquired	**4,609**	1,510
Impairment	**4,934**	382
Gain on bargain purchase	**-**	(25,084)
Non-underlying items	**27,168**	7,632
Share based payments expense	**28,510**	12,570
Gain on investment	**(23)**	-
Adjusted EBITDA	**58,171**	36,915

APM

Adjusted profit before tax ("adjusted PBT")

Closest equivalent statutory measure

(Loss) / profit before tax

Definition and purpose

Profit before the impact of adjusting items and tax

Adjusted profit measures are used to provide a useful and consistent measure of the ongoing performance of the Group. Adjusted measures are reconciled to statutory measures by removing adjusting items, further details of which can be found in note 2.

Note that Adjusted profit after tax ("adjusted PAT") is equivalent to adjusted earnings which is reconciled in note 8.

Reconciliation

	2021 **£'000**	2020 £'000
(Loss) / profit before tax	**(30,974)**	18,198
Adjusting items to (loss) / profit before tax (note 2)	65,198	(2,990)
Adjusted profit before tax	**34,224**	15,208

APM

Cost to income ratio

Closest equivalent statutory measure

Not applicable

Definition and purpose

Adjusted administrative expenses as detailed in note 2, divided by Net revenue as defined above.

After adjusting for significant items that are one-off in nature, the cost to income ratio can be a useful metric in assessing the levels of underlying operational gearing in the Group.

Reconciliation

	2021 **£'000**	2020 £'000
Net revenue	**338,130**	297,231
Adjusted administrative expenses (note 2)	**132,591**	123,074
Cost to income ratio	**39.2%**	41.4%

APM

Net debt

Closest equivalent statutory measure

Cash and cash equivalents less bank loans and supplier payments facility

Definition and purpose

Net debt comprises cash and cash equivalents less interest-bearing loans and borrowings (including the supplier payments facility).

Net debt is one measure than can be used to indicate the strength of the Group's Balance Sheet position and can be a useful measure of the indebtedness of the Group. This metric excludes the Group's lease liabilities in order to provide consistency with how the Group manages and reports its indebtedness and also providing consistency with the definition of Net debt under the Group's banking agreement.

Reconciliation

See note 23

APM

Gross lock-up days ("lock-up days")

Closest equivalent statutory measure

Not applicable

Definition and purpose

Gross lock-up days is comprised of work-in-progress ("WIP") days, representing the amount of time between performing work and invoicing clients; and debtor days, representing the length of time between invoicing and cash collection. WIP days is calculated by unbilled revenue divided by annualised net revenue multiplied by 365 days. Debtor days is calculated by trade receivables divided by annualised net revenue multiplied by 365 days. Pro-forma net revenue is the total net revenue for the previous 12 month period with adjustments for acquisitions and discontinuations.

Reconciliation

See note 23

APM

Adjusted diluted earnings per share ("adjusted DEPS")

Closest equivalent statutory measure

Diluted earnings per share ("DEPS")

Definition and purpose

Adjusted earnings divided by adjusted weighted average number of ordinary shares, where:

Adjusted earnings is defined as (loss) / earnings from continuing operations adjusted for:

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

Adjusted weighted average number of ordinary shares is defined as the weighted average number of ordinary shares for the purpose of basic earnings per share, less the amount of shares held as treasury shares. Treasury shares consist of shares held in trust for the purpose of the future incentivisation of the Group's partners, employees, staff and consultants.

Whilst this metric is not prepared in accordance with IAS 33 'Earnings per Share', it is an important APM to provide the Group's stakeholders with a fully diluted EPS metric using the Group's adjusted earnings for the period that is consistent year on year.

Reconciliation

See note 8

APM

Adjusted earnings per share ("adjusted EPS")

Closest equivalent statutory measure

Basic EPS

Definition and purpose

Adjusted earnings divided by weighted average number of ordinary shares for the purposes of the basic earnings per share calculation.

This metric provides the Group's stakeholders with an EPS metric using the Group's adjusted profitability but with a denominator consistent with the statutory basic EPS measure that is undiluted.

Reconciliation

See note 8

APM

Underlying organic net revenue growth

Closest equivalent statutory measure

Revenue

Definition and purpose

Year on year growth of net revenue of any business unit that has been in the Group for at least 12 months, always excluding the first 12 months of any business unit that was acquired.

This metric allows the Group's stakeholders to compare net revenue performance without the impact of acquisitions, and therefore on a consistent basis with the prior year.

Reconciliation

Not applicable