A leading UK professional services consultancy

Begbies Traynor Group plc

Begbies Traynor Group plc Annual Report and Accounts 2017

Begbies Traynor Group plc is a leading business recovery, financial advisory and property services consultancy, providing services nationally from a comprehensive network of UK locations through two complementary operating divisions.

For more on who we are and what we do:
www.begbies-traynorgroup.com

Highlights of the year

Financial highlights[1]

Revenue
£49.7m
(2016: £50.1m)

Adjusted profit before tax[2]
£4.9m
(2016: £4.5m)

Profit before tax
£0.6m
(2016[3]: £0.9m)

Adjusted basic EPS[4]
3.3p
(2016: 3.2p)

Basic EPS
0.2p
(2016: 0.4p)

Proposed total dividend
2.2p
(2016: 2.2p)

Net debt
£10.3m
(2016: £10.4m)

1 All figures stated from continuing operations.

2 Profit before tax from continuing operations of £0.6m (2016: £0.9m) plus amortisation of intangible assets arising on acquisitions of £2.5m (2016: £2.8m) plus transaction costs of £1.6m (2016: £0.8m) and refinancing costs of £0.2m (2016: £nil).

3 Restated as detailed in note 2(c).

4 See reconciliation in note 11.

Operational highlights

- **A year of further progress in developing the group**
- **Solid performance in business recovery and financial advisory services:**
  - Profits broadly maintained in spite of lowest level of corporate insolvencies since 2004
  - Increased operating margins to 20.3% (2016: 19.8%)
  - Remain the leading UK corporate appointment taker by volume
- **Growth in revenue and profits in our property services division:**
  - Now contributes approximately 30% of group revenue and profit
  - Acquisition of Pugh & Co in June 2016; now the UK's largest regional firm of commercial property auctioneers by number of lots
  - Continued investment in valuation team following Taylors acquisition in November 2015, further enhancing expertise and geographical coverage
- **Business strongly cash generative, enabling funding of acquisition payments whilst reducing net debt**
- **Refinanced debt facilities through to 2021 at a lower cost than the previous facilities**

Our business

Who we are and what we do

BUSINESS RECOVERY AND FINANCIAL ADVISORY SERVICES

Revenue

£36.2m

(2016: £37.7m)

Segmental result

£7.4m

(2016: £7.5m)

Begbies Traynor

Begbies Traynor is the UK's leading independent business recovery practice, handling the largest number of corporate appointments, principally serving the mid-market and smaller companies.

BTG Financial Consulting

BTG Financial Consulting provides transactional support, valuations and advisory services.

We provide these services to businesses, professional advisors, other stakeholders, investors and financial institutions, working with all the major UK clearing banks.

Insolvency – Corporate and Personal

Corporate – procedures aim to either rescue the business (where feasible) or realise the value of assets and distribute available funds to creditors.

- Administrations
- Liquidations
- Receiverships
- Creditors' voluntary arrangements

Personal – provide advice to debtors and creditors on all aspects of personal insolvency.

- Bankruptcy and individual voluntary arrangements (England and Wales)
- Trust deeds and sequestrations (Scotland)

Financial Advisory

Services include:

- Financial consultancy including debt advisory, financial due diligence and valuations
- Restructuring and turnaround
- Corporate finance
- Forensic accounting and investigations
- Litigation support

PROPERTY SERVICES

Revenue
£13.5m
(2016: £12.4m)

Segmental result
£2.9m
(2016: £2.4m)

Eddisons

Eddisons is a national firm of chartered surveyors, delivering advisory and transactional services to owners and occupiers of commercial property, investors and financial institutions.

The division includes Pugh & Co, the largest regional firm of commercial property auctioneers by number of lots.

Advisory services

- Commercial property valuations
- Property receiverships
- Property management and accounting
- Building and project consultancy
- Property insurance and risk management
- Business rates assessment and appeals

Transactional services

- Property auctioneers
- Machinery and business asset auctioneers
- Commercial property agency

30 UK-based banks who provided us with insolvency, restructuring and valuation appointments during the year

National network of offices

545 staff and partners across the group at 30 April 2017

Highly experienced, partner-led service to clients

Chairman's statement

Revenue

£49.7m

(2016: £50.1m)

Adjusted basic EPS[2]

3.3p

(2016: 3.2p)

Proposed total dividend

2.2p

(2016: 2.2p)

Introduction

I am pleased to report a year of further progress in developing the group and broadening its service offerings, with earnings for the year in line with expectations. The results reflect a solid performance in business recovery together with the benefit of our diversification into property services. The latter now contributes approximately 30% of the group's revenue and profit and is an important focus of our growth strategy.

Activity in business recovery for the year as a whole was impacted by the insolvency market being at the lowest level since 2004, which particularly affected the first half year. However, activity levels improved in the second half (as anticipated) giving improved performance on both the first half and the comparative period in 2016.

We remain the leading UK corporate appointment taker by volume and are well positioned to take advantage of the cyclicality of this market. We have made good progress in developing our financial advisory activities and have been appointed on a number of notable engagements in the year, which has helped to mitigate the reduction in insolvency activity.

Overall, in spite of the historically low insolvency volumes, profits from business recovery and financial advisory services have been broadly maintained from the prior year, as a result of our continued focus on cost control, enabling us to deliver an improvement in margins.

We have delivered growth in revenue and profits in our property services division, in which we have continued to invest both organically and through acquisitions. In June 2016 we acquired Pugh & Co, the property auctions business, which we have integrated and is now the largest regional firm of commercial property auctioneers (by number of lots). We have invested in our property valuation team through the recruitment of experienced surveyors, which has enhanced both our expertise and geographical coverage.

The strong revenue and profit uplift from these investments has been partially offset by reduced levels of insolvency-related activity in property services (as anticipated) and the prior year exit from low margin contracts.

The group remains strongly cash generative, which has enabled us to fund acquisition and deferred consideration payments in the year of £2.9m, whilst reducing net debt to £10.3m as at 30 April 2017 (2016: £10.4m).

In November 2016, we refinanced our debt facilities, which are now provided solely by HSBC. The new facilities provide the group with committed funds through to 2021, are at a lower cost than our previous facilities and provide us with the financial strength and flexibility to execute our strategy of organic and acquisitive growth.

Having considered the financial performance in the year, the outlook for the new financial year and the opportunity for future investments, the board recommends that the dividend for the year is maintained at 2.2p.

Results

Group revenue from continuing operations in the year ended 30 April 2017 of £49.7m (2016: £50.1m). Adjusted profit before tax[1] increased to £4.9m (2016: £4.5m). Profit before tax was £0.6m (2016: £0.9m). Statutory loss for the year (including loss from discontinued operations of £0.5m) was £0.3m (2016: profit of £0.4m).

Earnings per share from continuing operations[2], adjusted for the net of tax impact of amortisation of intangible assets arising on acquisitions, transaction costs and refinancing costs were 3.3p (2016: 3.2p). Basic and fully diluted earnings per share from continuing operations were 0.2p (2016: 0.4p).

Net debt of £10.3m at 30 April 2017 (2016: £10.4m), after making acquisition and deferred consideration payments in the year of £2.9m. Gearing stood at 18% (2016: 17%) and the group retains significant headroom in its committed banking facilities. Interest cover[3] was 7.2 times (2016: 5.5 times).

Dividend

The board remains committed to a long-term progressive dividend policy, and intends to increase dividends when we are confident of both the market outlook and continuing our recent earnings growth.

Having considered the results for the year and the group's financial position, together with the outlook for the new financial year and the investment requirements of the business, the board has recommended (subject to shareholder approval at the company's annual general meeting) the total dividend be maintained at 2.2p (2016: 2.2p). This comprises the interim dividend already paid of 0.6p (2016: 0.6p) and a final dividend of 1.6p (2016: 1.6p).

The final dividend will be paid on 8 November 2017 to shareholders on the register on 13 October 2017, with an ex-dividend date of 12 October 2017.

People

The success of our business is reliant on the quality of advice delivered to our clients by our people. I would like to thank all of our colleagues for their contribution over the course of this year.

Outlook

The financial performance of the group's counter-cyclical activities in both business recovery and property services, which generate the majority of the group's revenue, are directly related to the national insolvency market.

Activity levels in business recovery have improved in calendar year 2017, with national appointment numbers for the first calendar quarter showing growth on the comparative period in 2016. In the event that this increase in activity levels is sustained throughout the year, then we anticipate an increase in earnings in our insolvency-related activities. However, we expect a typical summer period of lower activity levels and will have a better view on outlook later in the year.

Financial performance in property services in 2017 benefitted from a consultancy fee which we do not expect to be repeated in the new financial year. Therefore, earnings growth on a like for like basis will be dependent on either the success of our organic growth initiatives or potential acquisitions.

Overall, we anticipate a growth in earnings in the new financial year. We will continue to look for further opportunities to develop and enhance the business, both organically and through selective acquisitions.

An update on current trading will be provided at the time of the company's annual general meeting in September 2017.

Ric Traynor
Executive chairman
10 July 2017

1 Profit before tax from continuing operations of £0.6m (2016: £0.9m) plus amortisation of intangible assets arising on acquisitions of £2.5m (2016: £2.8m) plus transaction costs of £1.6m (2016: £0.8m) and refinancing costs of £0.2m (2016: £nil).

2 See reconciliation in note 11.

3 Before amortisation, transaction costs and refinancing costs.

Our strategy

To be recognised as a leading UK professional services consultancy, delivering business recovery, financial advisory and property advisory services.

We continue to deliver this through developing our expertise in:

- Business restructuring and insolvency;
- Valuation and advisory services;
- Transactional support; and
- Commercial property services.

to our client base of UK businesses; financial institutions and the investment community; commercial property owners and occupiers; individuals and professional advisors.

We operate on a national basis throughout the UK, with a partner-led service in the local business community. We also have the added capability of providing expertise in key global jurisdictions through our international alliance under the BTG Global Advisory network of associated firms.

We will enhance our expertise through ongoing investment in the group, both organically and through acquisitions.

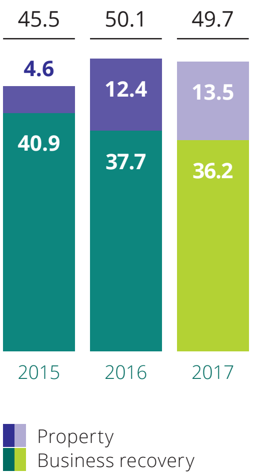
Key performance indicators (KPIs)

How we have performed

The Board uses the following KPIs to manage the performance of the business:

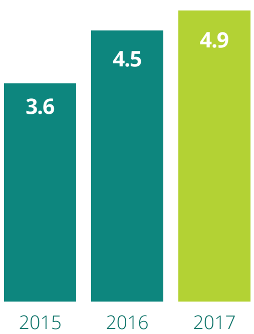
Revenue (£m)

£49.7m



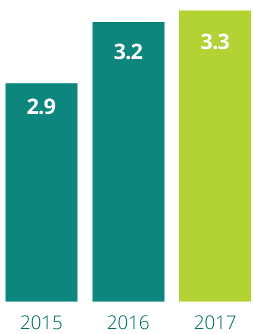
Adjusted profit before tax (£m)

£4.9m



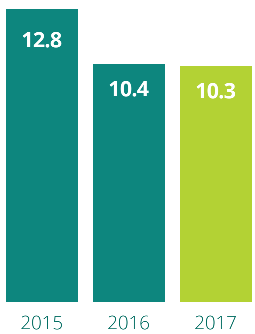
Adjusted EPS (p)

3.3p



Net debt (£m)

£10.3m



Operating review

Business recovery and financial advisory

Insolvency market

The number of corporate insolvencies (source: The Insolvency Service) in calendar year 2016[1] was broadly unchanged at 14,736 (2015: 14,657), representing the lowest level of corporate appointments since 2004. Appointment numbers in the quarter ended 31 March 2017 were 4,157, which represents an 8% increase on the comparable quarter in 2016 (2016: £3,842).

Financial performance

Revenue in the period decreased to £36.2m (2016: £37.7m) as a result of the low level of market activity in the first half of the financial year. Segmental profits[2] were broadly maintained at £7.4m (2016: £7.5m) as a result of continued cost control with an improvement in operating margins to 20.3% (2016: 19.8%).

Following a particularly quiet period in the first half of the financial year, activity levels improved in the second half (as anticipated) giving improved performance on both the first half of the financial year and the comparative period in 2016. However, we anticipate a typical summer period of lower activity levels and will have a better view on outlook later in the year.

We have made good progress in developing our financial advisory services through our London-based BTG Financial Consulting team, which has helped to mitigate the reduction in insolvency activity. They have advised on a number of significant transactions in the year providing restructuring, due diligence, valuation and other advisory services.

The number of people employed in the division has reduced to 337 as at 30 April 2017 from 355 at the start of the financial year. We have continued to develop our team and are pleased to have promoted two fee earners to partner during the year. We retain the capacity to deliver growth in revenue and profits from our existing team in the event of an increase in activity levels.

We have maintained our market share and remain the leading corporate appointment taker by volume.

Property services

Revenue increased to £13.5m (2016: £12.4m) with an increase in segmental profits[2] to £2.9m (2016: £2.4m). Operating margins improved to 21.6% (2016: 19.4%).

The strong revenue and profit growth from current and prior year acquisitions has been partially offset by reduced levels of insolvency-related activity in property services (as anticipated) and the prior year exit from low margin contracts. The business also benefitted from one-off consultancy fee income of £0.4m in the first half of the year following the conclusion of an advisory contract.

The Eddisons teams are working alongside Begbies Traynor teams on a number of insolvency engagements, which is leading to value being retained in the group on these engagements.

The Pugh & Co property auctions business, which was acquired in June 2016 to enhance our property transactional services, has been fully integrated with our existing Eddisons auctions business and has performed well and in line with expectations. The business is now the largest regional firm of commercial property auctioneers (by number of lots).

We have continued to develop our property valuation business following the acquisition of the Taylors valuation practice in November 2015, which has continued to perform in line with expectations. During the year, we have enhanced both our expertise and geographical coverage through the recruitment of experienced surveyors. The team now provides a full range of property valuations and recovery advice to all the major banks on a national basis. Our enhanced team, together with our bank accreditations, provides the opportunity for further development in the new financial year.

We anticipate that any further reduction in property-related insolvency work in the new financial year will be offset by increased levels of valuation activity.

The number of people employed in the division has increased to 170 as at 30 April 2017 from 150 at the start of the financial year.

In the new financial year, we will continue to invest in the division through senior recruitment, in addition to seeking further acquisitions. These growth initiatives will develop both our service offering and geographical coverage.

Partners and employees

As at 30 April 2017, the group employed a total of 545 partners and staff (2016: 547); this comprises 384 fee earners and 161 support staff.

1 Source: The Insolvency Service quarterly insolvency statistics, excluding the one off effect of 1,796 connected personal service companies which entered liquidation on the same date in 2016 following changes to claimable expenses rules.

2 See note 4.

Finance review

Financial summary

	2017 £m	Restated 2016 £m
Revenue from continuing operations	**49,685**	50,135
Operating profit (before transaction costs and amortisation)	**5,627**	5,488
Interest costs	**(776)**	(999)
Adjusted profit before tax	**4,851**	4,489
Refinancing costs	**(225)**	—
Transaction costs	**(1,545)**	(790)
Amortisation of intangible assets arising on acquisitions	**(2,439)**	(2,827)
Profit before tax	**642**	872
Tax	**(429)**	(424)
Profit for the year from continuing operations	**213**	448

Revenue

Revenue in the year was £49.7m (2016: £50.1m).

Property services revenue increased by £1.1m, reflecting:

- the benefit of the Pugh acquisition in June 2016 of £2.0m;
- the full year impact of the prior year acquisition of the Taylors valuation practice of £0.9m; partially offset by
- reduced revenue from insolvency-related activities of £0.9m; and
- the prior year exit from low margin contracts of £0.9m.

Business recovery and financial advisory revenue decreased by £1.5m, as a result of:

- low levels of market activity in the first half of the financial year reducing revenue by £2.7m; partially offset by
- increased revenue from advisory services of £1.2m.

Revenue generated from businesses acquired in the financial year was £2.0m.

Operating profit (before transaction costs and amortisation)

Operating profit increased to £5.6m (2016: £5.5m) with margins increased to 11.3% (2016: 10.9%).

Operating costs (excluding transaction costs and amortisation) net of other income decreased to £44.1m (2016: £44.6m). Cost reductions in the year of £1.6m were partially offset by costs associated with acquired businesses of £1.1m.

Interest costs

Interest costs reduced to £0.8m (2016: £1.0m), as a result of the group's reduced borrowing costs following the refinancing in November 2016.

Refinancing costs

One-off costs incurred in connection with the refinancing of the group's banking facilities in the year were £0.2m.

Transaction costs

Transaction costs in the year of £1.5m (2016: £0.8m) comprise:

- acquisition costs of £0.1m (2016: £0.3m);
- deemed remuneration charges of £1.4m (2016: £1.1m);
- charge relating to the put and call option over Begbies Traynor (London) LLP of £0.3m (2016: £nil); offset by
- gain on acquisition of £0.3m (2016: £0.6m).

Amortisation of intangible assets arising on acquisitions

Amortisation costs decreased to £2.4m (2016: £2.8m).

Tax

The tax charge for the year (prior to the credit resulting from amortisation, refinancing and transaction costs) was £1.3m (2016: £1.1m) representing an effective tax rate of 27% (2016: 25%). The tax credit resulting from amortisation, refinancing and transaction costs was £0.9m (2016: £0.7m).

The overall tax charge for the year from continuing operations was £0.4m (2016: £0.4m).

Earnings per share ('EPS')

EPS[1], adjusted for the net of tax impact of amortisation, refinancing and transaction costs, were 3.3p (2016: 3.2p).

Basic and diluted earnings per share of 0.2p (2016: 0.4p).

1 See reconciliation in note 11.

Discontinued operations

In the year ended 30 April 2015 the group discontinued its global risk partners division. A post-tax impairment charge of £0.5m has been recognised in the year ended 30 April 2017 against deferred consideration receivable.

Acquisitions

On 3 June 2016 the group acquired the entire issued share capital of Pugh Auction Group Limited ("Pugh & Co") on a cash free, debt free basis for an initial cash consideration of £2.0m.

Under the terms of the acquisition, additional contingent consideration of up to £2.625m will become payable subject to the achievement of stretching financial targets for the consolidated auctions business (representing the original Eddisons auctions business and Pugh & Co) in the five year period directly following completion, calculated according to an agreed formula.

Up to £0.25m of the contingent consideration is payable based on meeting financial targets in the first year post acquisition and may be satisfied through either the issuing of new ordinary shares at the prevailing market value or cash at the Group's discretion. The remainder of the contingent consideration is payable in cash over the five year period post acquisition.

A proportion of the consideration payable for this acquisition requires post-acquisition service obligations to be performed by the selling shareholder. These amounts are treated as deemed remuneration and charged to the consolidated statement of comprehensive income over the period of the obligation.

As a result of this accounting policy, the value of net assets acquired (£2.1m) exceeds the accounting value of the consideration (£1.8m) and consequently a gain of £0.3m has been recognised as a transaction cost in the year.

Cash flows

Cash generated by operations (before interest and tax payments) in the year was £8.0m (2016: £7.9m). Tax payments in the year were £1.5m (2016: £0.1m). Interest payments were £0.9m (2016: £1.0m).

Cash outflows from investing activities were £3.2m (2016: £2.1m). Capital expenditure was £0.3m (2016: £0.5m). Deferred payments relating to prior year acquisitions were £1.1m (2016: £0.6m). Acquisition payments (net of cash acquired) were £1.8m (2016: £0.9m).

Financing cash outflows were £3.3m (2016: £6.3m). During the year we reduced the level of drawn debt under our banking facilities by £1.0m (2016: £4.0m). Dividend payments were £2.3m (2016: £2.3m).

Financing

On 1 November 2016, we renewed our debt facilities, in line with our previously stated intention to renew them during the financial year.

The new £30m facilities are being provided by HSBC solely and replace the group's previous £30m facilities. These were due to mature between July 2017 and April 2021 and were provided by three lenders (including HSBC).

The new facilities are unsecured, mature on 31 August 2021 and comprise a £25m committed revolving credit facility and a £5m uncommitted acquisition facility. These facilities are at a lower overall cost to the previous facilities.

The arrangement costs associated with this refinancing will be recognised over the expected life of the facilities in accordance with IFRS. One-off costs charged in the year for early settlement charges were £0.2m with the full benefit of the reduced borrowing costs being realised in future years.

Net borrowings reduced to £10.3m at 30 April 2017 (2016: £10.4m), with gearing of 18% (2016: 17%) and significant headroom within the committed banking facilities. During the year, all bank covenants were comfortably met and the group remains in a strong financial position. Interest cover[1] was 7.2 times (2016: 5.5 times).

Net assets

At 30 April 2017 net assets were £58.1m (2016: £60.2m).

Non-current assets were £60.0m (2016: £60.4m), with intangible assets recognised on acquisitions and capital expenditure in the year broadly offset by depreciation and amortisation charges.

Trade and other receivables were £29.8m (2016: £34.5m).

Net borrowings reduced to £10.3m (2016: £10.4m).

Trade and other payables were £13.9m (2016: £15.8m). The balance includes trade creditors of £1.2m (2016: £1.6m), accruals of £4.5m (2016: £5.9m), tax and social security creditors of £2.4m (2016: £2.2m), deferred income of £2.0m (2016: £2.7m), other creditors of £3.1m (2016: £2.7m), and deferred consideration liabilities of £0.7m (2016: £0.6m) of which £0.4m (2016: £0.6m) is payable within one year.

Current tax liabilities were £0.8m (2016: £1.3m). Net deferred tax liabilities were £5.4m (2016: £5.5m).

Provisions for property costs and post-disposal obligations total £1.2m (2016: £1.7m) of which £0.8m is payable within one year.

Going concern

The directors have reviewed the financial resources available to the group and have concluded that the group will be able to operate within the level of its borrowing facilities and have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. This conclusion is based, amongst other matters, on the group's existing borrowing facilities and a review of financial forecasts for a period exceeding 12 months from the date of this announcement. Accordingly, the financial information in this announcement is prepared on the going concern basis.

1 Before amortisation, refinancing costs and transaction costs.

Principal risks and uncertainties

The operations of the group and the implementation of the group's strategy involve a number of risks and uncertainties, the principal of which are described in the table below.

Controls to reduce risk are designed to manage rather than eliminate risk and can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk	Mitigating activities
Marketplace	
The group's markets are susceptible to macroeconomic movements, such as interest rates, GDP changes and indebtedness levels. The group operates in a highly competitive market and is reliant on the flow of new assignments.	This risk is managed through a consistent effort in marketing and selling activity and maintaining strong relationships with key work providers, including banks and other financial and professional intermediaries.
Operational gearing	
The business is operationally geared with a high proportion of salary and property costs, which cannot be immediately varied. Consequently, the group's profitability is liable to short-term fluctuations dependent on activity levels.	This risk is managed through flexing our resource levels, where possible, to align with current and anticipated levels of activity, together with the control of other discretionary items of expenditure. A prudent level of spare capacity is retained to facilitate peaks in activity.
Reliance on key personnel	
The business is dependent upon the professional development, recruitment and retention of high quality professional partners and staff.	The group manages the risk of high staff turnover through attention to human resource issues and the monitoring of remuneration levels against the wider market, including long-term incentive arrangements.
Legal and regulation	
The group operates in regulated markets. Failure to comply with, or changes in, regulation or legislation may have an adverse impact on the activities of the business.	To ensure compliance with relevant legislation in performing regulated activities, the group has dedicated compliance functions which maintain procedures and policies in line with current legislation.
In the ordinary course of business, certain aspects of the group's services are opinion based and may be subject to challenge.	Where appropriate, the group will seek third-party professional corroboration. In addition, the group has appropriate professional indemnity insurance.
Liquidity risk	
The group's ability to generate cash from its formal insolvency appointments is usually reliant on asset realisations. A deterioration in realisations in the short term could reduce the group's operating cash generation and increase its financing requirements.	The group monitors its risk of a shortage in funds through regular cash management and forecasting, and ensuring suitable headroom within its banking facilities. The group's objective is to maintain a balance between continuity of funding and flexibility through the use of its committed banking facilities, together with bank overdrafts and loans, finance leases and hire purchase contracts.
Failure or interruption in IT systems	
A major failure in the group's IT systems may result in either a loss or corruption of data or an interruption in client service, which may have a consequential impact on our reputation and profitability. There is a risk that an attack on our IT systems by a malicious individual or group may be successful and impact on the availability of these systems.	Specific off-site back up and resilience requirements have been built into our IT systems which have been set up, as far as reasonably practicable, to prevent unauthorised access and mitigate the impact and likelihood of a major IT failure or cyber attack. The group has disaster recovery plans in place to cover residual risks which cannot be mitigated. The group is constantly reviewing its processes and resilience in this area due to the increasing threat landscape.

Going concern

Disclosures are presented in note 2 to the financial statements around the basis on which the directors have continued to adopt the going concern basis in preparing these financial statements.

Ric Traynor
Executive chairman
10 July 2017

Nick Taylor
Group finance director

Board of directors

RIC TRAYNOR (age 57)
Executive chairman

Appointment date: May 2004

Experience
Ric has been an insolvency practitioner since qualifying as a chartered accountant with Arthur Andersen in 1984. He established Traynor & Co. in 1989 which, following the acquisition of Begbies London in 1997, became Begbies Traynor.

Ric has focussed on the development of the business, including the group's successful introduction to AIM in 2004, and on practice management. He continues to lead the business and remains a major shareholder.

NICK TAYLOR (age 46)
Group finance director

Appointment date: December 2010

Experience
Nick was appointed as group finance director in 2010, having joined the group as financial controller in 2007. He is a chartered accountant who qualified with KPMG and previously held senior finance roles in United Utilities PLC and Vertex Data Science Limited, the business process outsourcer.

MARK FRY (age 49)
Head of business recovery and advisory

Appointment date: July 2011

Experience
Mark was appointed to the board in 2011, having joined the group in 2005 following an acquisition. He led our London and South East region prior to his board appointment and plays a key role in developing the group's advisory practice.

Mark acts as an insolvency practitioner, has been appointed on numerous complex and high-profile assignments, and is a former president of the Insolvency Practitioners Association.

JOHN MAY (age 62)
Non-executive director

Appointment date: October 2007

Experience
John was appointed to the board in 2007 as a non-executive director. He is also the independent chairman of the AFI Group. John was an executive director of Caledonia Investments plc and previously worked for the Hambros Group for over 20 years, where he was an executive director of Hambros Bank and joint managing director of Hambro Countrywide.

GRAHAM MCINNES (age 65)
Non-executive director

Appointment date: September 2004

Experience
Graham was appointed to the board in 2004, initially as group finance director and subsequently as corporate development director. In 2012, Graham became a non-executive director. He has held a number of senior finance positions including corporate finance partner at Spicer and Oppenheim (now part of Deloitte) and finance director of Enterprise plc, in addition to developing his own corporate finance boutique in the 1990s.

Directors' report

The directors present their Annual Report on the affairs of the group, together with the financial statements and auditor's report for the year ended 30 April 2017. The chairman's statement, directors' remuneration report and corporate governance statement form part of the directors' report and are incorporated into it by cross reference.

Directors

The names and brief biographical details of the directors are shown on page 11.

Dividends

The directors recommend a final dividend of 1.6 pence (2016: 1.6 pence) per ordinary share to be paid on 8 November 2017 to shareholders on the register at 13 October 2017. This, together with the interim dividend of 0.6 pence paid on 5 May 2017 (2016: 0.6 pence), makes a total dividend of 2.2 pence for the year (2016: 2.2 pence).

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Social policies and employee involvement

The policy of the group is to recruit, promote, train and develop its people by reference to their skills, abilities and other attributes of value to their role in the business. The group considers itself to be an equal opportunities employer. Employee engagement is encouraged through a variety of means including corporate intranets, team meetings and regular dialogue with employees.

Substantial shareholdings

On 4 July 2017, the company had been notified, in accordance with sections 791 to 828 of the Companies Act 2006, of the following interests in the ordinary share capital of the company.

Name of holder	Number	Percentage held
Hof Hoorneman Bankiers	11,910,000	11.13
Fidelity Worldwide Investment	10,619,436	9.92
Theodoor Gilissen	6,777,940	6.33
Allianz Global Investors	6,444,510	6.02
Close Brothers Asset Management	3,592,234	3.36

Other than the above holdings and those of the directors (see page 14), the board is not aware of any beneficial holdings in excess of 3% of the issued share capital of the company.

The activities of the group have a minimal pollution impact on the environment and its energy consumption is modest. Due consideration to environmental issues is given where appointed insolvency administrators take control of third-party businesses in the course of their work.

Political contributions

No political donations were made during the year (2016: £nil).

Auditor

Each of the directors at the date of approval of this Annual Report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP resigned as auditors of the group and company during the year and BDO LLP were appointed as auditors of the group and company by the directors. BDO LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditors will be proposed at the forthcoming annual general meeting.

Approved by the board of directors and signed on behalf of the board

John Humphrey
Company secretary
10 July 2017

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' remuneration report

The company is not obliged to prepare a directors' remuneration report and the information below does not constitute a 'directors' remuneration report' within the meaning of the Companies Act 2006.

The remuneration committee

The remuneration committee comprises Graham McInnes, a non-executive director, and is attended by the executive chairman. Under its terms of reference, the committee determines the profit shares, remuneration, bonuses and consultancy charges payable to the executive directors. The committee meets annually to agree the executive directors base remuneration for the ensuing year, together with any bonus entitlement.

Directors' remuneration

The remuneration arrangements for Ric Traynor and Nick Taylor consist of basic salary or directors' fees and fixed profit share, together with an annual bonus. In addition, they receive income protection insurance, private medical insurance and the provision of a company car or cash allowance. Nick Taylor also receives death in service benefits.

The executive bonus scheme, which is applicable to Ric Traynor and Nick Taylor, pays a multiple of salary/fixed profit share based on maintaining or growing the group's adjusted earnings per share.

Mark Fry is an equity member of Begbies Traynor (London) LLP ("the LLP"), a subsidiary of the group in which the group has a controlling interest. He receives a fully variable profit share, determined as a proportion of the profits of the LLP, which has replaced his previous fixed profit share and executive bonus package which was in place in the prior year. In addition Mark Fry receives directors' fees and the provision of a company car.

Some of the executive directors participate in the group's share based incentive schemes, detailed on page 15. Details of pension contributions paid by the company in respect of directors in the prior year are included in note 7.

Non-executive directors remuneration is determined by the board.

Directors' emoluments

Name of director	Directors' fees and profit share/salary £	Variable profit share £	Bonus £	Benefits in kind £	**2017 total £**	2016 total £
Executive						
Ric Traynor	323,186	—	65,625	18,872	**407,683**	260,547
Nick Taylor	193,541	—	30,000	2,313	**225,854**	209,283
Mark Fry	15,000	637,077	—	30,000	**682,077**	628,899
Non-executive						
John May	40,000	—	—	—	**40,000**	25,000
Graham McInnes	40,000	—	—	—	**40,000**	25,000
Aggregate emoluments	611,727	637,077	95,625	51,185	**1,395,614**	1,148,729

Directors' share options and growth share plan

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the company granted to or held by the directors. Details of share option and growth share plan awards for directors who served during the year are as follows:

Name of director	Scheme	Number at 1 May 2016	Granted in year	Expired in year	**Number at 30 April 2017**	Exercise price (pence)	Earliest exercise date	Expiry date
Mark Fry	Growth share	2,388,546	—	(2,388,546)	**—**	48.0	31 October 2016	31 October 2016
	Share options	1,000,000	—	—	**1,000,000**	36.7	30 April 2016	25 October 2023
Nick Taylor	Share options	50,000	—	—	**50,000**	61.8	15 July 2013	15 July 2017
	Share options	500,000	—	—	**500,000**	36.7	30 April 2016	25 October 2023
	Share options	250,000	—	—	**250,000**	51.0	25 July 2017	25 July 2024

The market price of the company's shares at the end of the financial year was 50 pence and the range of market prices during the year was 43 pence to 54 pence.

Details of share options granted by the company at 30 April 2017 are given in note 21. None of the terms and conditions of the share options were varied in the year.

Directors' interests

The directors who held office at 30 April 2017 had the following interests in the shares of the group:

		30 April 2017		1 May 2016	
Name of director	Description of shares	**number**	**%**	number	%
Ric Traynor	Ordinary shares	**27,178,980**	**25.47**	27,178,980	25.61
Nick Taylor	Ordinary shares	**5,000**	**0.01**	5,000	0.01
Mark Fry	Ordinary shares	**143,890**	**0.13**	143,890	0.14
John May	Ordinary shares	**276,574**	**0.26**	276,574	0.26
Graham McInnes	Ordinary shares	**917,432**	**0.86**	917,432	0.86

No changes took place in the interests of directors between 30 April 2017 and 10 July 2017.

Begbies Traynor (London) LLP option

There is a put and call option in place for the group to acquire Mark Fry's interest in Begbies Traynor (London) LLP during a three month period after 30 September 2019 at an agreed profit multiple or, alternatively for a nominal value in the event that a base level of profitability is not achieved over the period. In the event that the consideration for exercising the option (capped at £4m in the event of significant growth in the LLP's profits) exceeds £1m, the group has the right to pay the excess 50% in cash and 50% in ordinary shares.

The option has replaced any right for Mark Fry to participate in any future awards under the group's directors' share options and growth share plans. In the event that the option is exercised for anything other than nominal consideration then there is an additional contractual commitment for Mark Fry to remain with the group for a further two years.

The anticipated liability to the group under this option will be charged to the consolidated statement of comprehensive income as a transaction cost as disclosed in note 6 to the financial statements. The charge in the current financial year was £0.3m with a liability of £0.3m recognised at 30 April 2017. This charge is excluded from the aggregate emoluments disclosed above.

Corporate governance statement

The board is committed to high standards of corporate governance and, although as an AIM listed company Begbies Traynor Group plc is not bound by the UK Corporate Governance Code that was issued in 2014 by the Financial Reporting Council ('the Code'), the directors adopt these rules in the manner they believe appropriate to the company's status. Detailed below are the key components of the group's corporate governance policies and procedures.

The board

The full board meets formally and informally throughout the year and the executive directors also attend regular operational board meetings for the group's two operating divisions. The agendas for these meetings formalise the matters reserved for decision by the board of the company. The board directs and controls the group and risk management issues. The board is responsible for strategy, performance and stewardship of the group's resources.

The board consists of the executive chairman, the group finance director, one executive director and two non-executive directors. All directors have access to the company secretary and all group records. Each director is authorised to take external advice at the expense of the company in support of his duties.

Committees of the board

The board has two committees, each of which has written terms of reference. The minutes of the committees are circulated to and reviewed by the board.

The audit committee

The audit committee is chaired by John May, a non-executive director. The executive chairman, the group finance director and a representative of the external auditor will normally attend meetings. The committee meets at least twice a year, in accordance with its terms of reference, to discuss governance, financial reporting and internal control and risk management.

The remuneration committee

The remuneration committee, which is chaired by Graham McInnes, a non-executive director, and attended by the executive chairman, is responsible for all elements of the remuneration of the executive directors. The committee performs its functions in accordance with its terms of reference. Additional information is included in the directors' remuneration report on pages 14 and 15.

Investor communications

Meetings with institutional shareholders and independent analysts take place throughout the year and all shareholders are free to contact any member of the board at any time. Shareholders have a formal opportunity to question the board at the annual general meeting of the company, at the conclusion of which all board members are available for informal discussion.

Internal control and risk management

The systems of internal control and risk management are the responsibility of the board, which sets and reviews appropriate policies. Managers are delegated the tasks of implementation and maintenance of systems in accordance with those policies and the identification, evaluation, management and reporting of risk and control issues.

Budgets are produced annually and key performance targets within them are set by the board.

Performance against those budgets is regularly reviewed and variances are investigated and acted upon by members of the board and both head office and divisional managers. Reforecasting is undertaken when variances are material and, if adverse, cannot be eliminated by such action.

The above systems and procedures can only provide reasonable assurance; they cannot eliminate the potential of material misstatement or loss, nor the risk of the group falling short of its strategic objectives and targets.

Independent auditor's report
to the members of Begbies Traynor Group plc

We have audited the financial statements of Begbies Traynor Group plc for the year ended 30 April 2017 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated cash flow statement, the group and company statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 April 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Mark Langford (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Leeds
10 July 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income
for the year ended 30 April 2017

	Notes	2017 £'000	Restated 2016 £'000
Continuing operations			
Revenue	3	**49,685**	50,135
Direct costs		**(28,130)**	(28,058)
Gross profit		**21,555**	22,077
Other operating income	3	**397**	249
Administrative expenses		**(20,309)**	(20,455)
Operating profit (before amortisation and transaction costs)		**5,627**	5,488
Transaction costs	6	**(1,545)**	(790)
Amortisation of intangible assets arising on acquisitions		**(2,439)**	(2,827)
Operating profit		**1,643**	1,871
Finance costs	8	**(1,001)**	(999)
Profit before tax		**642**	872
Tax	9	**(429)**	(424)
Profit for the year from continuing operations		**213**	448
Discontinued operations			
Loss from the year from discontinued operations, net of tax	5	**(476)**	—
(Loss) profit for the year		**(263)**	448
Other comprehensive income			
Exchange differences on translation of foreign operations		**2**	3
Total comprehensive (loss) income for the year		**(261)**	451
Earnings (loss) per share			
From continuing operations			
Basic and diluted	11	**0.2 pence**	0.4 pence
From continuing and discontinued operations			
Basic and diluted	11	**(0.2) pence**	0.4 pence

The profit, comprehensive income and earnings per share for both years is attributable to equity holders of the parent.

Consolidated statement of changes in equity
for the year ended 30 April 2017

	Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 May 2015 as previously reported		5,536	22,473	17,584	(5)	15,392	60,980
Restatement	2c	—	—	—	—	395	395
At 1 May 2015 as restated		5,536	22,473	17,584	(5)	15,787	61,375
Profit for the year as restated		—	—	—	—	448	448
Other comprehensive income:							
Exchange differences on translation of foreign operations		—	—	—	3	—	3
Total comprehensive income for the year		—	—	—	3	448	451
Dividends		—	—	—	—	(2,302)	(2,302)
Credit to equity for equity-settled share-based payments		—	—	—	—	62	62
Shares issued		75	569	—	—	—	644
At 30 April 2016 as restated		5,611	23,042	17,584	(2)	13,995	60,230
Loss for the year		—	—	—	—	(263)	(263)
Other comprehensive income:							
Exchange differences on translation of foreign operations		—	—	—	2	—	2
Total comprehensive income for the year		—	—	—	2	(263)	(261)
Dividends	10	—	—	—	—	(2,335)	(2,335)
Credit to equity for equity-settled share-based payments		—	—	—	—	431	431
Shares issued	20	29	216	—	—	(210)	35
At 30 April 2017		**5,640**	**23,258**	**17,584**	**—**	**11,618**	**58,100**

A description of the nature and purpose of each reserve is included within note 28.

Consolidated balance sheet
at 30 April 2017

	Notes	2017 £'000	Restated 2016 £'000
Non-current assets			
Intangible assets	12	**58,471**	58,407
Property, plant and equipment	13	**1,498**	1,979
		59,969	60,386
Current assets			
Trade and other receivables	14	**29,761**	34,465
Cash and cash equivalents		**6,715**	7,634
		36,476	42,099
Total assets		**96,445**	102,485
Current liabilities			
Trade and other payables	15	**(13,585)**	(15,762)
Current tax liabilities		**(843)**	(1,263)
Provisions	17	**(755)**	(728)
		(15,183)	(17,753)
Net current assets		**21,293**	24,346
Non-current liabilities			
Trade and other payables	15	**(335)**	—
Borrowings	16	**(17,000)**	(18,000)
Provisions	17	**(418)**	(994)
Deferred tax	18	**(5,409)**	(5,508)
		(23,162)	(24,502)
Total liabilities		**(38,345)**	(42,255)
Net assets		**58,100**	60,230
Equity			
Share capital	20	**5,640**	5,611
Share premium		**23,258**	23,042
Merger reserve		**17,584**	17,584
Translation reserve		**—**	(2)
Retained earnings		**11,618**	13,995
Equity attributable to owners of the company		**58,100**	60,230

The financial statements of Begbies Traynor Group plc, registered number 5120043, were approved by the board of directors and authorised for issue on 10 July 2017. They were signed on its behalf by:

Ric Traynor
Executive chairman

Nick Taylor
Group finance director

Consolidated cash flow statement
for the year ended 30 April 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Cash generated by operations	23	**7,974**	7,909
Income taxes paid		**(1,462)**	(139)
Interest paid		**(919)**	(996)
Net cash from operating activities		**5,593**	6,774
Investing activities			
Purchase of property, plant and equipment	13	**(289)**	(511)
Purchase of intangible fixed assets	12	**(8)**	(13)
Proceeds on disposal of fixed assets		**—**	10
Deferred consideration payments		**(1,144)**	(639)
Acquisition of businesses (net of cash acquired)	22	**(1,773)**	(937)
Net cash from investing activities		**(3,214)**	(2,090)
Financing activities			
Dividends paid	10	**(2,335)**	(2,302)
Proceeds on issue of shares		**37**	43
Repayment of loans		**(1,000)**	(4,000)
Net cash from financing activities		**(3,298)**	(6,259)
Net decrease in cash and cash equivalents		**(919)**	(1,575)
Cash and cash equivalents at beginning of year		**7,634**	9,209
Cash and cash equivalents at end of year		**6,715**	7,634

Notes to the consolidated financial statements
for the year ended 30 April 2017

1. General information
Begbies Traynor Group plc is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is 340 Deansgate, Manchester M3 4LY.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates.

2. Accounting policies
The principal accounting policies adopted in the preparation of these financial statements are set out below.

(a) Basis of accounting
The financial statements have been prepared in accordance with applicable UK law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU'), including International Accounting Standards ('IAS') and Interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC').

The financial statements have been prepared on the historical cost basis and all accounting policies have been applied consistently throughout the current and preceding year.

Going concern
The group's business activities, together with factors likely to affect its future development, performance and position, are set out in the chairman's statement and strategic report. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the strategic report.

Furthermore, notes 16 and 19 to the financial statements include full details of the group's borrowings in addition to the group's objectives and policies for managing its capital, its financial risk management objectives and its exposures to credit, interest rate and liquidity risk.

The group has principal committed banking facilities of £25.0 million, of which £10.3 million was utilised (£17.0 million drawn less £6.7 million of cash balances) at 30 April 2017.

In carrying out their duties in respect of going concern, the directors have completed a review of the group's current financial position and cash flow forecasts for a period exceeding 12 months from the date of signing these financial statements. This review included sensitivity analysis to determine the potential impact on the group of reasonably possible downside scenarios. Under all modelled scenarios, the group's banking facilities were sufficient and all associated covenant measures were forecast to be met.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

(b) Basis of consolidation
The consolidated financial statements incorporate the financial statements of Begbies Traynor Group plc and entities controlled by Begbies Traynor Group plc (its subsidiaries, which include limited liability partnerships). Control is achieved if all three of the following are achieved: power over the investee, exposure to variable returns for the investee, and the ability of the investor to use its power to affect those variable returns.

The results of subsidiaries are included in the consolidated statement of comprehensive income.

The results of entities acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, the accounts of the subsidiaries are adjusted to conform to the group's accounting policies. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(c) Prior year restatement
During the year the group updated its accounting in respect of the acquisition of subsidiaries and businesses where the consideration payable requires post-acquisition service obligations to be performed by the selling shareholders. The group previously recognised the total expected liability within the initial accounting for the acquisition, with any amounts relating to future obligations included as an asset within trade and other receivables.

The group will now recognise the liability prospectively over the period of the obligation with any asset or liability only arising due to a timing difference between the contractual payment date and the date of the service obligation being provided. There is no change to the deemed remuneration charge to the consolidated statement of comprehensive income as a result of this accounting change. In addition the group previously recognised a deferred tax liability together with discounting future payments in relation to the deemed remuneration, which will no longer be recognised.

2. Accounting policies continued

(c) Prior year restatement continued

The net impact of these adjustments was a £0.4m credit to opening reserves at 1st May 2015 (for all acquisitions prior to 30 April 2015) and a £0.2m credit to the 2016 comparative consolidated statement of comprehensive income. The group's KPIs of adjusted profit before tax and adjusted EPS were not impacted by this restatement. There were no restatements to reported cash flows.

The impact on each line item on the primary financial statements is shown in the table below:

	As reported 2016 £'000	Adjustments 2016 £'000	Restated 2016 £'000
Consolidated income statement			
Transaction costs	(1,080)	290	(790)
Finance costs	(1,023)	24	(999)
Tax	(264)	(160)	(424)
Profit for the year from continuing operations	294	154	448
Basic earnings per share			
From continuing operations	0.3p	0.1p	0.4p
Consolidated balance sheet			
Total assets	103,171	(686)	102,485
Total liabilities	(43,490)	1,235	(42,255)
Total shareholders funds	59,681	549	60,230

(d) Business combinations

The acquisition of subsidiaries and businesses is accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. In accordance with the IFRS Interpretation Committee's interpretation of paragraph B55 of IFRS 3, the cost of the business combination excludes consideration which requires post-acquisition service obligations to be performed by the selling shareholders. These amounts are accounted for as deemed remuneration and are charged to the consolidated statement of comprehensive income over the period of the obligation.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Where the fair value of the assets and liabilities at acquisition cannot be determined reliably in the initial accounting, these values are considered to be provisional for a period of 12 months from the date of acquisition. If additional information relating to the condition of these assets and liabilities at the acquisition date is obtained within this period, then the provisional values are adjusted retrospectively. This includes the restatement of comparative information for prior periods.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated statement of comprehensive income.

Adjustments to contingent consideration for acquisitions made before 1 May 2010 (from which date IFRS 3 (revised) has been adopted) are recorded against goodwill. Adjustments to contingent consideration for acquisitions made after 1 May 2010 are recorded in the consolidated statement of comprehensive income.

Transaction costs are recognised in the consolidated statement of comprehensive income as incurred.

Notes to the consolidated financial statements continued
for the year ended 30 April 2017

2. Accounting policies continued
(e) Intangible assets
Goodwill
Goodwill arising on consolidation is recognised as an asset.

Following initial recognition, goodwill is subject to impairment reviews, at least annually, and measured at cost less accumulated impairment losses. Any impairment is recognised immediately in the consolidated statement of comprehensive income and is not subsequently reversed.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Goodwill arising on acquisitions before the date of the group's transition to IFRS has been retained at the previous UK GAAP amounts, subject to being tested for impairment at that date and at least annually thereafter.

Other intangible assets
Other intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives. The carrying amount is reduced by any provision for impairment where necessary.

On a business combination, as well as recording separable intangible assets already recognised in the balance sheet of the acquired entity at their fair value, identifiable intangible assets that are separable or arise from contractual or other legal rights are also included in the acquisition balance sheet at fair value.

Amortisation is charged within administrative expenses in the consolidated statement of comprehensive income so as to write off the cost or valuation of assets over their estimated useful lives, on the following basis:

Software on strategic systems	10% of cost
Intangible assets arising on acquisitions	10%–50% of fair value at acquisition

(f) Property, plant and equipment
All assets are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, on the following basis:

Computers	20%–33% of cost
Motor vehicles	25% on a reducing balance basis
Office equipment	15%–25% of cost
Leasehold improvements	evenly over period of lease

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised within profit or loss for the period.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the relevant lease term.

(g) Impairment of tangible and intangible assets
At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

2. Accounting policies continued

(h) Financial instruments

Financial assets and financial liabilities are recognised in the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on-demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value, and then subsequently stated at amortised cost less allowances for estimated irrecoverable amounts.

Other receivables are stated at their fair value.

Trade and other payables

Trade and other payables are initially stated at their fair value and subsequently at amortised cost.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an amortised cost basis to the consolidated statement of comprehensive income using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(i) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that the group will be required to settle the obligation and the amount can be reliably estimated.

(j) Leases

Leases are classified according to the substance of the transaction. A lease that transfers substantially all the risks and rewards of ownership to the lessee is classified as a finance lease. All other leases are classified as operating leases.

The group as lessee

Operating lease rentals are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease even where payments are not made on such a basis. Lease incentives are spread over the period of the lease.

The group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the varying amount of the leased asset and recognised on a straight-line basis over the lease term.

(k) Revenue recognition

Revenue represents amounts recoverable from clients for professional services provided during the year, excluding value added tax. The group recognises revenue when the amount can be reliably measured and it is probable economic benefits will flow.

Services provided to clients, which at the balance sheet date have not been billed, are recognised as unbilled revenue.

Revenue recognised in this manner is based on an assessment of the fair value of the services provided at the balance sheet date reflecting the stage of completion (determined by costs incurred to date as a percentage of the total anticipated costs) of each assignment. These estimates and judgements may change over time as the case completes and this will be recognised in the consolidated statement of comprehensive income in the period in which the revision becomes known. These judgements are formed over a large portfolio of cases and are therefore unlikely to be individually material.

Unbilled revenue on individual client assignments is included as unbilled income within trade and other receivables. Where amounts are billed in advance of the services being provided, these are included within deferred income within trade and other payables.

For contingent fee engagements, revenue is only recognised (over and above any agreed minimum fee) when, at the balance sheet date, the outcome to the transaction can be estimated reliably.

Notes to the consolidated financial statements continued
for the year ended 30 April 2017

2. Accounting policies continued
(l) Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(m) Pensions and retirement benefits
The group operates a defined contribution scheme in the United Kingdom for all qualifying employees. The costs of the pension funding borne by the group are charged to the consolidated statement of comprehensive income as an expense as they fall due.

(n) Share-based payments
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 21.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of equity instruments that will eventually vest. At each balance sheet date, the group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

(o) Dividends
Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when they are paid to shareholders. In the case of final dividends, this is when approved by the shareholders at the AGM.

(p) Taxation
The tax expense represents the sum of current tax and deferred tax.

Current taxation
Current tax is based on taxable profit for the period. Taxable profit differs from net profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the consolidated statement of comprehensive income except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

(q) Charge arising under Begbies Traynor London (LLP) put and call option
The anticipated liability to the group under this option (as detailed in the directors remuneration report) is charged to the consolidated statement of comprehensive income as earned, and included as a transaction cost within administrative expenses.

(r) Critical accounting judgements and other key sources of estimation uncertainty
In the process of applying the group's accounting policies, the group is required to make certain estimates, judgements and assumptions that it believes are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods presented.

2. Accounting policies continued

(r) Critical accounting judgements and other key sources of estimation uncertainty continued

On an ongoing basis, the group evaluates its estimates using historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. Actual results may differ from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known.

The group believes that the estimates and judgements in relation to goodwill have the most significant impact on the annual results under IFRS as set out below.

Goodwill

The group records all assets and liabilities acquired in purchase acquisitions, including goodwill, at fair value. Goodwill is not amortised but is subject, at a minimum, to annual tests for impairment. The initial goodwill recorded and subsequent impairment review requires management to make subjective judgements concerning the value in use of cash-generating units. This requires an estimate of the future cash flows expected to arise from the cash-generating unit and a suitable discount rate to calculate present value. Details of the assumptions made are provided in note 12.

(s) Other sources of estimation uncertainty

Intangible assets in a business combination

On the acquisition of a business the identifiable intangible assets may include brands, customer relationships, customer contracts, order backlogs and websites. The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset where no active market for the assets exists. The use of different assumptions for the expectations of future cash flows, the discount rate and the expected contingent consideration payable would change the valuation of the intangible assets and the resulting gain on acquisition recognised. Details of the assumptions made in relation to current year acquisitions are in note 22.

(t) Recently issued accounting pronouncements

International Financial Reporting Standards

At the date of authorisation of these financial statements, the following relevant standards and interpretations were in issue but not yet effective and have not been applied in these financial statements:

International Accounting Standards (IAS/IFRSs)	Effective date (year end commencing on or after)
IFRS 15 'Revenue from Contracts with Customers'	1 January 2018
IFRS 9 'Financial Instruments'	1 January 2018
IFRS 16 'Leases'	1 January 2019

IFRS 16 Leases

IFRS 16 replaces the existing accounting requirements in IAS 17 Leases. A single model for lessees will be required, eliminating off balance sheet accounting for non-exempt operating leases. Related lease assets and liabilities will therefore come onto the balance sheet and the presentation and timing of income and expense recognition in the income statement will change.

IFRS 15 Revenue from Contracts with Customers

IFRS 15, 'Revenue from contracts with customers' replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations, and is effective for accounting periods beginning on or after 1 January 2018. The standard establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 and IFRS 16 until the detailed reviews have been completed.

3. Revenue

An analysis of the group's revenue is as follows:

	2017 £'000	2016 £'000
Continuing operations		
Rendering of professional services	**49,685**	50,135
Other income	**397**	249
	50,082	50,384

Notes to the consolidated financial statements continued
for the year ended 30 April 2017

4. Business segments
The group's operating segments are established on the basis of the components of the group that are evaluated regularly by the chief operating decision maker. The continuing group comprises two operating segments: business recovery and advisory services, and property services.

Segmental information about these businesses is presented below.

Continuing operations	Business recovery and advisory services 2017 £'000	Property services 2017 £'000	Consolidated 2017 £'000
Revenue			
Total revenue from rendering of professional services	36,231	13,524	49,755
Inter-segment revenue	—	(70)	(70)
External revenue	36,231	13,454	49,685
Segmental profit	7,353	2,900	10,253
Shared and central costs			(4,626)
Operating profit before amortisation and transaction costs			5,627
Transaction costs			(1,545)
Amortisation of intangible assets arising on acquisitions			(2,439)
Operating profit			1,643
Finance costs			(1,001)
Profit before tax			642
Tax			(429)
Profit for the financial year from continuing operations			213
Balance sheet			
Assets			
Segment assets	81,388	8,342	89,730
Unallocated corporate assets			6,715
Consolidated total assets			96,445
Liabilities			
Segment liabilities	(10,884)	(4,209)	(15,093)
Unallocated corporate liabilities			(23,252)
Consolidated total liabilities			(38,345)
Net assets			58,100

Unallocated amounts include current and deferred tax liabilities, cash and financial liabilities and other central assets and liabilities.

	Business recovery and advisory services 2017 £'000	Property services 2017 £'000	Consolidated 2017 £'000
Other information			
Non-current assets	116	2,553	2,669
Capital and software additions	272	25	297
Depreciation and software amortisation	749	194	943

4. Business segments continued

	Business recovery and advisory services 2016 £'000	Property services 2016 £'000	Restated Consolidated 2016 £'000
Revenue			
Total revenue from rendering of professional services	37,723	12,417	50,140
Inter-segment revenue	—	(5)	(5)
External revenue	37,723	12,412	50,135
Segmental profit	7,478	2,410	9,888
Shared and central costs			(4,400)
Operating profit before amortisation and transaction costs			5,488
Transaction costs			(790)
Amortisation of intangible assets arising on acquisitions			(2,827)
Operating profit			1,871
Finance costs			(999)
Profit before tax			872
Tax			(424)
Profit for the financial year from continuing operations			448
Balance sheet			
Assets			
Segment assets	82,022	11,994	94,016
Unallocated corporate assets			7,875
Consolidated total assets			101,891
Liabilities			
Segment liabilities	(12,272)	(5,501)	(17,773)
Unallocated corporate liabilities			(24,482)
Consolidated total liabilities			(42,255)
Net assets – continuing operations			59,636
Net assets – discontinued operations			594
Total net assets			60,230

	Business recovery and advisory services 2016 £'000	Property services 2016 £'000	Consolidated 2016 £'000
Other information			
Non-current assets	2,961	668	3,629
Capital and software additions	312	212	524
Depreciation and software amortisation	773	248	1,021

Geographical segments

The group's principal operations and markets are located in the UK.

Notes to the consolidated financial statements continued
for the year ended 30 April 2017

5. Discontinued operations
In the year ended 30 April 2015 the group discontinued its global risk partners division. In the year ended 30 April 2017, a post-tax impairment charge of £476,000 has been recognised in the year against deferred consideration receivable.

	2017 £'000	2016 £'000
Administrative expenses	(594)	—
Loss before tax	(594)	—
Tax	118	—
Loss for the year from discontinued operations	(476)	—

6. Profit (loss) for the year
Profit (loss) for the year has been arrived at after charging (crediting):

	Continuing		Discontinued		Total	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Net foreign exchange gain	(7)	(7)	—	—	(7)	(7)
Depreciation of property, plant and equipment (note 13)	769	848	—	—	769	848
Amortisation of intangible assets (note 12)	2,613	3,000	—	—	2,613	3,000
Loss on disposal of property, plant and equipment	13	192	—	—	13	192
Staff costs (note 7)	28,081	28,661	—	—	28,081	28,661
Operating lease rentals payable	2,756	2,748	—	—	2,756	2,748
Impairment of receivable balances (note 14)	404	379	—	—	404	379
Impairment of deferred consideration receivable (note 5)	—	—	594	—	594	—
Reversal of impairment losses recognised on trade receivables (note 14)	(46)	(13)	—	—	(46)	(13)

During the year, the group obtained the following services from the group's auditor, at the costs detailed below:

	2017 £'000	2016 £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	30	30
Fees payable to the company's auditor and its associates for other services to the group		
– the audit of the company's subsidiaries pursuant to legislation	70	70
Total audit fees	100	100
– other advisory services	37	—
Total non-audit fees	37	—

6. Profit (loss) for the year continued

During the year, the group incurred transaction costs as detailed below:

	2017 £'000	Restated 2016 £'000
Deemed remuneration	**1,420**	1,058
Acquisition costs	**141**	287
Gain on acquisition (note 22)	**(351)**	(555)
Charge arising under Begbies Traynor London (LLP) put and call option	**335**	—
Total transaction costs	**1,545**	790

The transaction costs are all included within administrative expenses.

7. Staff costs

The average monthly number of persons (including executive directors) working within the group was:

	2017 number	2016 number
Partners and consultants	**44**	51
Fee earning staff	**351**	358
Support staff	**143**	127
	538	536

	2017 £'000	2016 £'000
Their aggregate remuneration comprised:		
Wages, salaries and partners' profit share	**24,771**	25,799
Social security costs	**1,792**	1,808
Other pension costs (note 26)	**1,087**	992
Share based payments	**431**	62
	28,081	28,661

Directors' remuneration

	2017 £'000	2016 £'000
Short-term benefits	**1,396**	1,086
Post-employment benefits	**—**	63
Share-based payments	**25**	25
	1,421	1,174

	Number	Number
The average number of directors who:		
Are members of a defined contribution pension scheme	**—**	1
Had awards receivable in the form of shares under a long-term incentive scheme	**2**	2

Pension contributions paid by the company in respect of such directors were as follows:

	2017 £'000	2016 £'000
Nick Taylor	**—**	63

Notes to the consolidated financial statements continued

for the year ended 30 April 2017

8. Finance costs

	2017 £'000	Restated 2016 £'000
Interest on bank overdrafts and loans	**760**	981
Unwinding of discount on deferred consideration liabilities	**16**	18
Interest costs	**776**	999
Refinancing costs	**225**	—
Total finance costs	**1,001**	999

9. Tax

	Continuing		Discontinued		Total	
	2017 £'000	Restated 2016 £'000	2017 £'000	2016 £'000	2017 £'000	Restated 2016 £'000
Current tax charge (credit)	**991**	1,085	**(118)**	—	**873**	1,085
Adjustment in respect of prior year	**(2)**	314	**—**	—	**(2)**	314
Total current tax charge (credit)	**989**	1,399	**(118)**	—	**871**	1,399
Deferred tax credit (note 18)	**(560)**	(975)	**—**	—	**(560)**	(975)
Total income tax charge (credit)	**429**	424	**(118)**	—	**311**	424

Corporation tax is calculated at 19.92% (2016: 20%) of the estimated assessable profit for the year.

The charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2017 £'000	Restated 2016 £'000
Profit before tax from continuing operations	**642**	872
Loss before tax from discontinued operations	**(594)**	—
Profit before tax	**48**	872
Notional tax charge at the UK corporation tax rate of 19.92% (2016: 20%)	**10**	174
Adjustments in respect of current income tax of prior years	**(2)**	314
Tax effect of expenses that are not deductible in determining taxable profit	**603**	454
Impact of change in tax rate	**(300)**	(518)
Total tax expense reported in the consolidated statement of comprehensive income	**311**	424

The Finance Act 2016, which was substantively enacted in September 2016, included provisions to reduce the rate of corporation tax to 19% with effect from 1 April 2017 and 17% from 1 April 2020 (which replaces the rate of 18% from April 2020 previously effective). Accordingly, deferred tax balances have been revalued from 18% to 17% in these accounts, which has resulted in a credit to the profit and loss account of £300,000. To the extent that the deferred tax reverses at a different rate, then the impact on the net deferred tax liability will be different.

10. Dividends

	2017 £'000	2016 £'000
Amounts recognised as distributions to equity holders in the year		
Interim dividend for the year ended 30 April 2016 of 0.6 pence (2015: 0.6 pence) per share	**637**	628
Final dividend for the year ended 30 April 2016 of 1.6 pence (2015: 1.6 pence) per share	**1,698**	1,674
	2,335	2,302
Amounts proposed as distributions to equity holders		
Interim dividend for the year ended 30 April 2017 of 0.6 pence (2016: 0.6 pence) per share	**640**	637
Final dividend for the year ended 30 April 2017 of 1.6 pence (2016: 1.6 pence) per share	**1,707**	1,698
	2,347	2,335

The proposed final dividend is subject to approval by shareholders at the annual general meeting in September 2017. The interim dividend for 2017 was not paid until 5 May 2017 and, accordingly, has not been included as a liability in these financial statements nor as a distribution to equity shareholders.

11. Earnings per share

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

	2017 £'000	Restated 2016 £'000
Earnings		
Profit for the year from continuing operations attributable to equity holders	**213**	448
Loss from discontinued operations attributable to equity holders	**(476)**	—
(Loss) profit for the year attributable to equity holders	**(263)**	448

	2017 number	2016 number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**107,246,497**	105,245,846
Effect of dilutive potential ordinary shares:		
Share options	**1,688,849**	1,156,466
Contingent shares	**1,642,313**	2,279,481
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**110,577,659**	108,681,793

	2017 pence	Restated 2016 pence
Basic earnings (loss) per share from:		
Continuing operations	**0.2**	0.4
Discontinued operations	**(0.4)**	—
Total	**(0.2)**	0.4

Notes to the consolidated financial statements continued
for the year ended 30 April 2017

11. Earnings per share continued
The following additional earnings per share figures are presented as the directors believe they provide a better understanding of the trading position of the group:

	2017 £'000	Restated 2016 £'000
Earnings from continuing operations		
Profit for the year attributable to equity holders	**213**	448
Amortisation of intangible assets arising on acquisitions	**2,439**	2,827
Transaction costs	**1,545**	790
Refinancing costs	**225**	—
Tax effect of above items	**(875)**	(701)
Adjusted earnings	**3,547**	3,364

	2017 pence	2016 pence
Adjusted basic earnings per share from continuing operations	**3.3**	3.2
Adjusted diluted earnings per share from continuing operations	**3.2**	3.1

12. Intangible assets

	Goodwill £'000	Software £'000	Intangible assets arising on acquisitions £'000	Total £'000
Cost				
At 1 May 2015	49,149	1,708	13,885	64,742
Arising on acquisitions	980	—	2,649	3,629
Additions	—	13	—	13
At 30 April 2016	50,129	1,721	16,534	68,384
Arising on acquisitions	—	—	2,669	2,669
Additions	—	8	—	8
At 30 April 2017	**50,129**	**1,729**	**19,203**	**71,061**
Amortisation and impairment				
At 1 May 2015	—	838	6,139	6,977
Amortisation during the year	—	173	2,827	3,000
At 30 April 2016	—	1,011	8,966	9,977
Amortisation during the year	—	174	2,439	2,613
At 30 April 2017	**—**	**1,185**	**11,405**	**12,590**
Carrying amount				
At 30 April 2017	**50,129**	**544**	**7,798**	**58,471**
At 30 April 2016	50,129	710	7,568	58,407
At 30 April 2015	49,149	870	7,746	57,765

The carrying value of intangible assets arising on acquisitions comprises brands of £522,000 (2016: £nil), customer relationships of £5,397,000 (2016: £4,655,000), customer contracts of £1,376,000 (2016: £1,790,000), order backlog of £225,000 (2016: £814,000) and websites of £278,000 (2016: £309,000). The remaining useful economic lives of intangible assets arising on acquisition is between one and nine years.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ('CGUs') that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated wholly to the insolvency CGU.

12. Intangible assets continued

The group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is based on a value in use calculation using cash flow projections over a 20 year period, including the latest one year forecast approved by the board. A 20 year period has been used as the directors believe this is an appropriate period to reflect insolvency numbers over an economic cycle. No terminal value is applied.

The one year forecast is prepared considering local partners' expectations based on market knowledge, numbers of new engagements and the pipeline of opportunities. The remaining years are based on anticipated insolvency numbers over an economic cycle, together with historical financial performance.

Key assumptions used in value in use calculation

The key assumptions for the value in use calculation are those regarding:

- pre-tax discount rate;
- revenue; and
- operating profit margins.

Pre-tax discount rate

The group's post-tax weighted average cost of capital has been used to calculate a group pre-tax discount rate of 10.5% (2016: 12%), which reflects current market assessments of the time value of money for the period under review and the risks specific to the group. As the insolvency CGU comprises the significant majority of the group's activities this has been used as the discount rate for the purpose of the value in use calculation.

Revenue

Revenue assumptions in the one year forecast are derived from local partners' expectations based on market knowledge, numbers of new engagements and the pipeline of opportunities. Future year revenue levels are based on anticipated insolvency numbers over an economic cycle. This anticipates an increase in insolvency appointments during recession followed by subsequent decreases. The average number of insolvency appointments over the economic cycle is in line with historical levels.

Operating profit margins

Operating profit margins in the one year forecast are derived from local partners' expectations based on the number of current engagements and cost base. Margins are forecast to remain at budgeted levels over the extrapolation period, based on past experiences and expectations of future market developments.

Sensitivity to changes in assumptions

With regard to the assessment of value in use for the insolvency CGU, the directors believe that reasonably possible changes in any of the above key assumptions would not cause the carrying value of the unit to exceed its recoverable amount.

Notes to the consolidated financial statements continued
for the year ended 30 April 2017

13. Property, plant and equipment

	Leasehold improvements £'000	Office equipment £'000	Computers £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 May 2015	5,428	1,509	2,914	14	9,865
Arising on acquisition	—	—	6	—	6
Additions	90	157	264	—	511
Disposals	(1,238)	(260)	(273)	—	(1,771)
At 30 April 2016	4,280	1,406	2,911	14	8,611
Arising on acquisition	—	7	5	—	12
Additions	31	23	235	—	289
Disposals	(23)	(12)	(7)	(14)	(56)
At 30 April 2017	**4,288**	**1,424**	**3,144**	**—**	**8,856**
Depreciation and impairment					
At 1 May 2015	3,843	1,096	2,401	13	7,353
Charge for the year	387	174	287	—	848
Disposals	(1,156)	(166)	(247)	—	(1,569)
At 30 April 2016	3,074	1,104	2,441	13	6,632
Charge for the year	373	161	235	—	769
Disposals	(19)	(9)	(2)	(13)	(43)
At 30 April 2017	**3,428**	**1,256**	**2,674**	**—**	**7,358**
Carrying amount					
At 30 April 2017	**860**	**168**	**470**	**—**	**1,498**
At 30 April 2016	1,206	302	470	1	1,979
At 30 April 2015	1,585	413	513	1	2,512

14. Trade and other receivables

	2017 £'000	Restated 2016 £'000
Trade receivables	**5,341**	6,127
Unbilled income	**20,809**	22,936
Other debtors and prepayments	**2,908**	4,349
Deemed remuneration	**703**	1,053
	29,761	34,465

All amounts within trade receivables are due for payment within one year.

Trade receivables do not carry interest and are stated net of allowances for doubtful receivables of £1,020,000 (2016: £852,000).

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Trade receivables are non-interest bearing and are generally on 30 day terms. Refer to note 19 for disclosures on credit risk.

14. Trade and other receivables continued

As at 30 April, the analysis of trade receivables that were past due but not impaired is as follows:

	Total £'000	Neither past due nor impaired up to 30 days £'000	Past due but not impaired 1–3 months £'000	Past due but not impaired More than 4 months £'000
2017	**5,341**	**3,451**	**888**	**1,002**
2016	6,127	3,714	1,166	1,247

Movement in the allowance for doubtful debts

	2017 £'000	2016 £'000
Balance at beginning of the year	**852**	615
Amounts arising on acquisition	**19**	22
Amounts written off during the year	**(209)**	(151)
Amounts recovered during the year	**(46)**	(13)
Increase in allowance recognised in profit or loss	**404**	379
Balance at end of the year	**1,020**	852

15. Trade and other payables

	2017 £'000	Restated 2016 £'000
Current		
Trade payables	**1,258**	1,579
Accruals	**4,553**	5,872
Other taxes and social security	**2,363**	2,216
Deferred income	**1,984**	2,717
Other creditors	**3,088**	2,736
Deemed remuneration	**339**	642
	13,585	15,762
Non-current		
Deemed remuneration	**335**	—

Trade creditors are non-interest bearing and are normally settled on terms agreed with suppliers.

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

Notes to the consolidated financial statements continued
for the year ended 30 April 2017

16. Borrowings

	2017 £'000	2016 £'000
Unsecured borrowing at amortised cost		
Bank loans	**17,000**	18,000
Total borrowings	**17,000**	18,000
Amount due for settlement within 12 months	**—**	—
Amount due for settlement after 12 months	**17,000**	18,000

The group's principal banking facilities at 30 April 2017 comprise an unsecured, revolving credit facility ('RCF') totalling £25 million and an uncommitted acquisition facility of £5 million which were entered into on 1 November 2016. The principal features of these borrowings are summarised as follows:

- RCF of £25 million provided by HSBC, of which £17 million was drawn at 30 April 2017. The effective interest rate was 3.0%; together with
- Uncommitted acquisition facility of £5 million provided by HSBC, which was undrawn at 30 April 2017.

The group's banking facilities mature on 31 August 2021.

The borrowings in place during the current financial year from 1 May 2016 to 31 October 2016 and the whole of the preceding financial year were as follows:

- RCF of £10 million provided by HSBC, of which £4 million was drawn at 30 April 2016. The effective interest rate was 4.3%;
- RCF of £10 million provided by Santander, of which £4 million was drawn at 30 April 2016. The effective interest rate was 4.3%; and
- Term loan £10 million provided by M&G UK Companies Financing Fund 2, of which £10 million was drawn 30 April 2016. The effective interest rate was 5.3%.

All borrowings are denominated in sterling. Of the total cash balance of £6,715,000 (2016: £7,634,000), £6,715,000 (2016: £7,516,000), is denominated in sterling, £nil (2016: £60,000) in US dollars and £nil (2016: £58,000) in other currencies. The directors consider that the fair values of the group's financial instruments approximate to their book value.

17. Provisions

	Disposal provisions £'000	Property exit provisions £'000	Total £'000
At 30 April 2016	722	1,000	1,722
Charged in the year	—	95	95
Utilised	(207)	(437)	(644)
At 30 April 2017	**(515)**	**(658)**	**(1,173)**
Current liabilities	(420)	(335)	(755)
Non-current liabilities	(95)	(323)	(418)
At 30 April 2017	**(515)**	**(658)**	**(1,173)**

Disposal provisions include liabilities arising from warranty and onerous contract obligations relating to discontinued businesses.

Property exit provisions relate to anticipated dilapidation costs on property leases, together with onerous lease commitments where the space is vacant, which is calculated as the difference between future expected costs of onerous leasehold property net of any estimated income.

The non-current elements of the provisions are all expected to be utilised in the periods up to 30 April 2021.

18. Deferred tax

The following are the deferred tax (liabilities) assets recognised by the group and movements thereon during the current and prior year:

	Tax deductible goodwill £'000	Intangibles £'000	Short-term timing differences £'000	Restated total £'000
At 1 May 2015 as previously reported	(4,526)	(1,765)	(78)	(6,369)
Restatement	—	385	—	385
At 1 May 2015 as restated	(4,526)	(1,380)	(78)	(5,984)
(Charge) credit to income as restated	(284)	660	81	457
Arising on acquisitions	—	(499)	—	(499)
Income statement effect of change in tax rate	478	40	—	518
At 30 April 2016 as restated	(4,332)	(1,179)	3	(5,508)
(Charge) credit to income	(108)	369	(1)	260
Arising on acquisitions	—	(461)	—	(461)
Income statement effect of change in tax rate	259	39	2	300
At 30 April 2017	**(4,181)**	**(1,232)**	**4**	**(5,409)**

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2017 £'000	Restated 2016 £'000
Deferred tax liabilities	**(5,643)**	(5,845)
Deferred tax assets	**234**	337
	(5,409)	(5,508)

19. Financial instruments

Financial risk management objectives and policies

The group's principal financial instruments comprise cash balances and bank loans. The main purpose of these financial instruments is to raise finance for the group's operations. The group also has various other financial instruments, such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the group's financial instruments are interest rate risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The group's external borrowings at the balance sheet date comprise loan facilities. All principal borrowings are on floating interest rates. The group does not seek to fix interest rates on these borrowings as the board currently considers the exposure to interest rate risk acceptable.

If interest rates had been 50 basis points higher and all other variables were held constant, the group's profit for the year ended 30 April 2017 and net assets at that date would decrease by £56,000 (2016: £62,000). This is attributable to the group's exposure to movements in interest rate on its variable rate borrowings.

Notes to the consolidated financial statements continued
for the year ended 30 April 2017

19. Financial instruments continued
Credit risk
The nature of the group's debtor balances, the time taken for payment by clients and the associated credit risk are dependent on the type of engagement.

On formal insolvency appointments (which form the majority of the group's activities), invoices are generally raised having achieved approval from creditors to draw fees. This is typically settled on a timely basis from case funds. The credit risk on these engagements is therefore considered to be extremely low.

On other engagements, the timescale to receive payment from the date of invoice is typically longer as the group's standard 30 day payment terms (referred to in note 14) are not practically enforceable in all situations. The board do not believe that this is an indication of increased credit risk on these engagements.

Receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant. Movements in the allowance for doubtful debts are disclosed in note 14. The group does not believe it is exposed to any material concentrations of credit risk.

Unbilled revenue is recognised by the group only when all conditions for revenue recognition have been met in line with the group's accounting policy in note 2(k).

Liquidity risk
Liquidity risk is the risk that the group will encounter difficulty in meeting its obligations associated with its financial liabilities. The group's ability to generate cash from formal insolvency appointments is usually reliant on asset realisations. A deterioration in realisations in the short term could reduce the group's operating cash generation and increase its financing requirements. The group monitors its risks to a shortage of funds through regular cash management and forecasting and ensuring suitable headroom within its banking facilities.

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of its committed bank facilities, and giving consideration to other available sources of finance such as bank overdrafts, finance leases and hire purchase contracts.

There is no material risk associated with foreign currency transactions or overseas subsidiaries.

The table below summarises the maturity profile of the group's financial liabilities at 30 April 2017 based on contractual payments.

	At 30 April 2017				At 30 April 2016 as restated			
	Within 1 year £'000	**Between 2–5 years £'000**	**After 5 years £'000**	**Total £'000**	Within 1 year £'000	Between 2–5 years £'000	After 5 years £'000	Total £'000
Bank borrowings	**433**	**18,400**	**—**	**18,833**	937	19,927	—	20,864
Trade payables	**1,258**	**—**	**—**	**1,258**	1,579	—	—	1,579
Deemed remuneration	**339**	**335**	**—**	**674**	642	—	—	642
	2,030	**18,735**	**—**	**20,765**	3,158	19,927	—	23,085

Capital management
The primary objective of the group's capital management is to support its business and maximise shareholder value. The group manages its capital structure and makes adjustments to it in light of changes in economic conditions and business requirements. To maintain or adjust the capital structure, the group may raise additional or pay down debt finance, adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The table below presents quantitative data for the components the group manages as capital:

	2017 £'000	Restated 2016 £'000
Shareholders' funds	**58,100**	60,230
Bank borrowings	**17,000**	18,000
At 30 April	**75,100**	78,230

19. Financial instruments continued

Categories of financial instruments

The table below shows the classification of the group's financial instruments:

	2017 £'000	Restated 2016 £'000
Financial assets		
Trade receivables	**5,341**	6,127
Cash at bank	**6,715**	7,634
	12,056	13,761
Financial liabilities		
Trade payables	**(1,258)**	(1,579)
Deemed remuneration	**(674)**	(642)
Bank borrowings	**(17,000)**	(18,000)
	(18,932)	(20,221)

20. Share capital

	2017 thousand	2016 thousand	2017 £'000	2016 £'000
Allotted, called up and fully paid				
Ordinary shares of 5 pence				
At 1 May	**106,118**	104,628	**5,307**	5,232
Staff SIP scheme	**74**	100	**4**	5
Issue of shares	**512**	—	**25**	—
Consideration for acquisition	**—**	1,390	**—**	70
At 30 April	**106,704**	106,118	**5,336**	5,307
Allotted, called up but not fully paid				
A ordinary shares of 3 pence				
At 1 May	**4,868**	4,909	**146**	147
Conversion of shares	**(4,868)**	(41)	**(146)**	(1)
At 30 April	**—**	4,868	**—**	146
Allotted, called up and fully paid				
Deferred shares of 1 pence				
At 1 May	**15,774**	15,652	**158**	157
Conversion of shares	**14,604**	122	**146**	1
At 30 April	**30,378**	15,774	**304**	158
Issued share capital	**137,082**	126,760	**5,640**	5,611

Ordinary shares carry no right to fixed income and each share carries the right to one vote at general meetings of the company.

A ordinary shares have no rights to fixed income, dividends or voting rights at general meetings of the company. The shares are only transferable either pursuant to an offer required to be made by the City Code for the A ordinary shares or otherwise with prior written consent of the company.

Deferred shares have no rights to fixed income, dividends or voting rights at general meetings of the company. The shares are only transferable with the consent of the company.

During the year, 4,868,274 A ordinary shares from the 31 October 2013 growth share plan were converted into 14,604,822 deferred shares.

During the year, 74,000 shares were issued in relation to the staff SIP scheme, for which consideration of £37,000 (2016: £43,000) was received. The remaining shares issued were in relation to the conversion of the ESS shares in the year.

Notes to the consolidated financial statements continued
for the year ended 30 April 2017

21. Share-based payments
Share option scheme
The group operates a share option scheme which is settled in ordinary shares.

Growth share plan
The group has operated growth share schemes for partners. Under the scheme, partners purchase A ordinary shares, which may be converted into ordinary shares of the company at a date three years from the date of allotment, subject to ordinary share price performance compared to a pre-determined rate.

Employee Shareholder Status shares (ESS)
Certain Eddisons employees have Employee Shareholder Status shares, which can be converted into ordinary shares in Begbies Traynor Group plc subject to the performance of the Eddisons business. The aggregate of the estimated fair values of the shares granted is £814,000.

Directors' remuneration information is provided on pages 14 and 15.

Options for all schemes were valued using the Black-Scholes option pricing model with the following assumptions:

Grant date	Share option scheme 15 July 2010	Share option scheme 25 October 2013	Share option scheme 25 July 2014	Growth share plan 31 October 2013	ESS 17 October 2016
Share price at grant date (pence)	62	38	52	38	48
Exercise price (pence)	62	37	51	48	—
Vesting period (years)	3	3	3	3	1–3
Time to expiry (years)	7	10	10	3	1–3
Expected volatility (%)	20	23	25	23	8
Risk free rate (%)	1.2	0.8	0.8	0.8	0.5
Expected dividend yield (%)	2.5	6.2	6.2	6.2	4.4
Fair value per option (pence)	7.0	3.3	9.8	1.2	48

The expected volatility has been determined based on historical volatility of the group's share price over the last two years. The risk free rate is based on UK treasury issued bonds of a term consistent with the option life. The fair value is spread over the vesting period of the options.

Details of the share options outstanding during the year are as follows:

	2017		2016	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
	thousand	**£**	thousand	£
Outstanding at 1 May	**8,343**	**0.45**	8,383	0.45
Granted during the period	**1,695**	**—**	—	—
Forfeited during the period	**—**	**—**	(40)	0.48
Exercised during the period	**(375)**	**0.37**	—	—
Expired during the period	**(4,868)**	**0.48**	—	—
Outstanding at 30 April	**4,795**	**0.26**	8,343	0.45
Exercisable at 30 April	**1,725**	**0.37**	—	—

The group recognised an expense of £431,000 (2016: £62,000) in relation to equity-settled share-based payments.

The weighted average share price at the date of exercise for options exercised in the year was 51 pence.

The range of exercise prices for options outstanding at 30 April 2017 is between nil and 62 pence.

22. Acquisition

Pugh Auction Group Limited

On 3 June 2016 the group acquired the entire issued share capital of Pugh Auction Group Limited, a commercial property auctioneers.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out below:

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Net assets acquired			
Intangible assets	—	2,553	2,553
Property, plant and equipment	12	—	12
Trade and other receivables	116	(19)	97
Cash and cash equivalents	373	—	373
Trade and other payables	(204)	—	(204)
Corporation tax	(173)	—	(173)
Deferred tax	(1)	(460)	(461)
Total identifiable assets	123	2,074	2,197
Satisfied by:			
Cash			2,146
Less: amounts treated as deemed remuneration			(300)
Total consideration			1,846
Gain on acquisition			351
Cash outflows arising on acquisition			
Cash consideration			2,146
Less: cash and cash equivalents acquired			(373)
			1,773

Fair value adjustments of £2,553,000 relating to the separate recognition of intangible assets have been recorded. Details of intangible assets recorded can be found in note 12.

Under the terms of the acquisition, additional contingent consideration of up to £2,625,000 will become payable subject to the achievement of stretching financial targets for the consolidated auctions business (representing the original Eddisons auctions business and Pugh & Co) in the five year period directly following completion, calculated according to an agreed formula.

Up to £250,000 of the contingent consideration is payable based on meeting financial targets in the first year post-acquisition and may be satisfied through either the issuing of new ordinary shares at the prevailing market value or cash at the group's discretion. The remainder of the contingent consideration is payable in cash over the five year period post-acquisition.

Acquisition costs of £72,000 have been charged to the statement of comprehensive income as a transaction cost.

The acquisition contributed £2.0 million of revenue and £0.8 million to the group's adjusted profit before tax for the period between the date of acquisition and the balance sheet date. If the acquisition had been completed on the first day of the financial year, the group revenues for the period would have been £49.7 million and group profit before tax would have been £0.5 million.

Other

The group has acquired a portfolio of cases, which has been recognised as a customer contract intangible asset, with contingent consideration payable of £116,000.

The amounts recognised above are provisional estimates.

Adjustments to prior year acquisitions

Following the change in accounting in relation to the acquisition of subsidiaries and businesses where the consideration payable requires post-acquisition service obligations to be performed by the selling shareholders (refer to note 2 c), this has resulted in a change to the provisional estimates in relation to the prior year acquisition of Taylors Business Surveyors and Valuers Limited. This change has increased the fair value of net assets by £0.3m and increased the gain on acquisition by £0.3m, which has been reflected in the prior year consolidated statement of comprehensive income.

Notes to the consolidated financial statements continued
for the year ended 30 April 2017

23. Reconciliation to the cash flow statement

	2017 £'000	Restated 2016 £'000
(Loss) profit for the year	**(263)**	448
Adjustments for:		
Tax	**311**	424
Finance costs	**1,001**	999
Amortisation of intangible assets	**2,613**	3,000
Depreciation of property, plant and equipment	**769**	848
Deemed remuneration	**1,420**	1,058
Charge relating to the put and call option over Begbies Traynor (London) LLP	**335**	—
Gain on acquisition	**(351)**	(555)
Loss on disposal of property, plant and equipment	**13**	192
Loss on disposal of discontinued operations	**594**	—
Share-based payment expense	**431**	62
Operating cash flows before movements in working capital	**6,873**	6,476
Decrease in receivables	**3,179**	1,223
(Decrease) increase in payables	**(1,529)**	1,449
Decrease in provisions	**(549)**	(1,239)
Cash generated by operations	**7,974**	7,909

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

24. Contingent liabilities
The group had no material contingent liabilities at 30 April 2017 or 30 April 2016.

25. Operating lease arrangements
The group as lessee

	2017 £'000	2016 £'000
Minimum lease payments under operating leases recognised as an expense in the year	**2,756**	2,748

At the balance sheet date, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017 £'000	2016 £'000
Within one year	**1,821**	2,269
In the second to fifth years inclusive	**3,360**	3,240
After five years	**526**	452
	5,707	5,961

Operating lease payments principally represent rentals payable by the group for certain of its office properties, which have an average duration of five years, together with operating leases for motor vehicles.

25. Operating lease arrangements continued

The group as lessor

Rental income earned during the year was £133,000 (2016: £66,000). At the balance sheet date, the group had contracted with tenants for the following future minimum lease payments:

	2017 £'000	2016 £'000
Within one year	**161**	161
In the second to fifth years inclusive	**201**	362
	362	523

Operating lease income represents rental income receivable by the group, which is committed for the next two years.

26. Pensions

The group operates defined contribution pension schemes for all qualifying employees.

The total cost charged to income of £1,087,000 (2016: £992,000) represents contributions payable to these schemes by the group. As at 30 April 2017, contributions of £100,000 (2016: £90,000) due in respect of the current year had not been paid over to the schemes.

27. Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Trading transactions

During the year the following transactions, all of which were on arm's length terms and in the ordinary course of business, occurred in which directors have an interest:

Various commercial properties used by members of the group during the year are owned or part owned by Ric Traynor or his personal pension fund. Rent and service charges paid on those properties by entities within the group in the year totalled £720,500 (2016: £720,500). At 30 April 2017 £nil (2016: £nil) was payable in respect of these transactions.

One commercial property used by members of the group during the year is part owned by Mark Fry. Rent and service charges paid on this property by entities within the group in the year totalled £85,000 (2016: £85,000). At 30 April 2017 £nil (2016: £nil) was payable in respect of this transaction. Mark Fry also part owns a company which provides archiving facilities to entities within the group. £24,000 (2016: £24,000) was paid by entities within the group for this service during the year. At 30 April 2017 £6,000 (2016: £6,000) was payable in respect of this service.

Ric Traynor purchased the controlling interest in Red Flag A!ert LLP ('Red Flag') from the group on 10 April 2012, with the group retaining a minority interest in the partnership. The group has agreed to continue to provide IT, HR, marketing, administrative and accounting services to Red Flag for which £96,000 was payable by Red Flag during the year (2016: £96,000). The group has negotiated an agreement to retain full access to the database and joint marketing rights for the publication of Red Flag Alert quarterly statistics and was charged a fee of £150,000 for the year (2016: £150,000). Rent of £22,000 was paid to the group by Red Flag during the year (2016: £24,000). At 30 April 2017 £140,000 (2016: £32,000) was owed by Red Flag A!ert LLP.

Key management personnel

The remuneration of the directors, who are the key management personnel of the group, is set out in the directors' remuneration report on page 14.

28. Reserves

The following describes the nature and purpose of each reserve within owners' equity:

Share premium	Amount subscribed for share capital in excess of nominal value.
Merger reserve	The merger reserve arose on the formation of the group in 2004.
Translation reserve	Exchange differences arising on the retranslation of reserves of foreign subsidiaries.
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

Company balance sheet
at 30 April 2017

	Notes	2017 £'000	Restated 2016 £'000
Fixed assets			
Investment in subsidiaries	4	**31,868**	31,338
Current assets			
Debtors	5	**33,207**	34,662
Creditors: amounts falling due within one year			
Other creditors and accruals	6	**(484)**	(511)
Net current assets		**32,723**	34,151
Total assets less current liabilities		**64,591**	65,489
Creditors: amounts falling due after more than one year			
Other creditors and accruals	6	**(711)**	(743)
Net assets		**63,880**	64,746
Capital and reserves			
Called-up share capital	7	**5,640**	5,611
Share premium account		**23,258**	23,042
Merger reserve		**17,584**	17,584
Profit and loss account		**17,398**	18,509
Shareholders' funds		**63,880**	64,746

As permitted by section 408 of the Companies Act 2006, the company has elected not to present its own profit and loss account for the year. Begbies Traynor Group plc reported a profit for the financial year ended 30 April 2017 of £1,203,000 (2016: £1,178,000).

The financial statements of Begbies Traynor Group plc, registered number 5120043, were approved by the board of directors and authorised for issue on 10 July 2017. They were signed on its behalf by:

Ric Traynor
Executive chairman

Nick Taylor
Group finance director

Company statement of changes in equity
for the year ended 30 April 2017

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 1 May 2015 as restated	5,536	22,473	17,584	19,705	65,298
Restatement	—	—	—	(134)	(134)
At 1 May 2015 as restated	5,536	22,473	17,584	19,571	65,164
Profit for the year as restated	—	—	—	1,178	1,178
Dividends	—	—	—	(2,302)	(2,302)
Credit to equity for equity-settled share-based payments	—	—	—	62	62
Shares issued	75	569	—	—	644
At 30 April 2016 as restated	5,611	23,042	17,584	18,509	64,746
Profit for the year	—	—	—	1,203	1,203
Dividends	—	—	—	(2,335)	(2,335)
Credit to equity for equity-settled share-based payments	—	—	—	21	21
Shares issued	29	216	—	—	245
At 30 April 2017	**5,640**	**23,258**	**17,584**	**17,398**	**63,880**

Notes to the company financial statements
for the year ended 30 April 2017

1. Significant accounting policies
Basis of accounting
The separate financial statements of the company have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year, except for the prior year restatement as detailed in note 2c) of the consolidated financial statements. The restatement increased net assets by £134,000 from those previously reported at 1 May 2015, and increased profit for the year ended 30 April 2016 by £22,000.

Investments
Fixed asset investments in subsidiaries are shown at cost less provision for impairment. The carrying value of fixed asset investment is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Share-based payments
The fair value of services received in exchange for the grant of options is recognised as an expense over the vesting period in accordance with FRS 102. Options are valued using the Black-Scholes option pricing model. Further details are provided in note 21 of the consolidated financial statements.

Where shares are issued to employees of subsidiaries, this is treated as part of the cost of investment in that subsidiary.

Critical accounting judgements and key sources of uncertainty
In the process of applying the company's accounting policies, the company is required to make certain estimates, judgements and assumptions that it believes are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods presented.

On an ongoing basis, the company evaluates its estimates using historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. Actual results may differ from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known.

The directors do not consider there to be any critical accounting judgements or key sources of uncertainty.

FRS 102 exemption
Begbies Traynor Group plc meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in these separate company financial statements in relation to share-based payments, presentation of a cash flow statement and remuneration of key management personnel.

The company's shareholders have been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The company also intends to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the company by its shareholders.

2. Statement of compliance
The financial statements of Begbies Traynor Group plc have been prepared under the historical cost convention and in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, and the Companies Act 2006.

The functional currency of the group is considered to be pounds sterling because this is the currency of the primary economic environment in which the company operates.

3. Profit for the year
The company has no employees (2016: no employees).

The auditor's remuneration for audit and other services is disclosed in note 6 to the consolidated financial statements.

4. Investment in subsidiaries

	£'000
Cost and net book value	
At 1 May 2015	31,277
Additions	61
At 30 April 2016	31,338
Additions	530
At 30 April 2017	**31,868**

4. Investment in subsidiaries continued

The additions in the year relate to an increase in investment in Eddisons Commercial Holdings Limited resulting from an increase in the estimated contingent consideration payable, and shares issued in relation to the conversion of ESS shares in the year, which are treated as a capital contribution.

Details of subsidiary entities are set out below. These undertakings are included in the consolidated group financial statements and are 100% controlled. Companies are listed under their registered office.

Subsidiary undertaking	Nature of business	Country of incorporation
340 Deansgate, Manchester, M3 4LY		
Begbies Traynor Limited[1]	Holding company	England and Wales
BTG Consulting Limited[1]	Holding company	England and Wales
Begbies Traynor International Limited[1]	Holding company	England and Wales
Begbies Traynor (Central) LLP	Business recovery	England and Wales
Begbies Traynor (London) LLP	Business recovery	England and Wales
Begbies Traynor (SY) LLP	Business recovery	England and Wales
BTG Corporate Finance LLP	Corporate finance	England and Wales
Begbies Traynor (Investigations) Limited	Investigation agency	England and Wales
BTG Financial Consulting LLP	Financial consulting	England and Wales
BTG Global Advisory Limited	International network organisation	England and Wales
BTG Corporate Solutions Ltd	Business recovery	England and Wales
Hudson Traynor LLP	Business recovery	England and Wales
Insolvency Advice Limited[1]	Dormant	England and Wales
W3 Debt Solutions LLP	Dormant	England and Wales
W3 Home Loans Limited	Dormant	England and Wales
David Horner & Co Limited	Dormant	England and Wales
Hamiltons Insolvency Practitioners Limited	Dormant	England and Wales
BTG Forensic Technology LLP	Dormant	England and Wales
Begbies Traynor Legal Services LLP	Dormant	England and Wales
Begbies Traynor (Scotland) LLP	Dormant	Scotland
Begbies Traynor (Isle of Man) Limited	Dormant	Isle of Man
BTG Tax LLP	Dormant	England and Wales
BTG Risk LLP	Dormant	England and Wales
Toronto Square, Toronto Street, Leeds, LS1 2HJ		
Eddisons Commercial (Holdings) Limited[1]	Holding company	England and Wales
Eddisons Commercial Limited	Property consultancy	England and Wales
Eddisons Commercial (Property Management) Limited	Property consultancy	England and Wales
Eddisons Insurance Services Limited	Insurance brokerage	England and Wales
Eddisons Holdings Limited	Holding company	England and Wales
Pugh Auction Group Limited	Holding company	England and Wales
Pugh Holdings Limited	Holding company	England and Wales
Eddisons Trustee Company Limited	Employee trust	England and Wales
The London Silver Vaults and Chancery Lane Safe Deposit Company Limited	Management company	England and Wales
TBS&V Ltd	Property consultancy	England and Wales
Pugh & Company Limited	Auctioneers	England and Wales
Eddisons Commercial (Middle East) Limited	Dormant	England and Wales
Eddisons East Point Limited	Dormant	Ireland
Philip Davies & Sons (Group) Limited	Dormant	England and Wales
Philip Davies & Sons Limited	Dormant	England and Wales
Taylors Business Surveyors and Valuers Limited	Dormant	England and Wales
Theauctionpeople.co Limited	Dormant	England and Wales
56 Fitzwilliam Square, Dublin 2		
Eddisons Commercial Ireland Limited	Property consultancy	Ireland

1 Interest is controlled by subsidiary undertakings, except where marked where shares are held directly by Begbies Traynor Group plc.

Notes to the company financial statements continued
for the year ended 30 April 2017

4. Investment in subsidiaries continued

Subsidiary undertaking	Nature of business	Country of incorporation
c/o S&P Consulting S.L, Urb. Calypso, C.C. Valdepinos, 1 y 3 A 29649 Mijas Costa, Malaga, Spain		
Eddisons Spain S.L	Facilities management	Spain
c/o Fidag, Rue du Tronchet 10, 1870 Monthey, Switzerland		
Eddisons Switzerland Sarl	Facilities management	Switzerland
c/o Schaffner & Orth, Kaiserhofstrasse 10, 60313 Frankfurt am Main, Deutschland		
Eddisons Germany GmbH	Facilities management	Germany

All shareholdings relate to ordinary shares.

The directors of the company are of the opinion that the value of the investments in subsidiaries, as underpinned by their membership benefits in the operating entities of the group, is not less than the cost of those investments.

The following subsidiary undertakings have claimed exemption from audit under section 479A of the Companies Act 2006:

Subsidiary undertaking
BTG Corporate Finance LLP
Begbies Traynor (Investigations) Limited
BTG Financial Consulting LLP

5. Debtors

	2017 £'000	2016 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	**32,957**	34,412
Other debtors	**250**	250
	33,207	34,662

6. Other creditors and accruals

	2017 £'000	Restated 2016 £'000
Amounts falling due within one year		
Other creditors	**484**	511
Amounts falling due after more than one year		
Other creditors	**711**	743

The company has no financial instruments other than those shown as financial liabilities above, all of which are denominated in sterling. The directors consider the fair value of the financial instruments approximate to their book values and that the main risk to the company arising from financial instruments is interest rate risk, which is kept under review.

7. Share capital

	2017 thousand	2016 thousand	2017 £'000	2016 £'000
Allotted, called up and fully paid				
Ordinary shares of 5 pence				
At 1 May	**106,118**	104,628	**5,307**	5,232
Staff SIP scheme	**74**	100	**4**	5
Issue of shares	**512**	—	**25**	—
Consideration for acquisition	**—**	1,390	**—**	70
At 30 April	**106,704**	106,118	**5,336**	5,307
Allotted, called up but not fully paid				
A ordinary shares of 3 pence				
At 1 May	**4,868**	4,909	**146**	147
Conversion of shares	**(4,868)**	(41)	**(146)**	(1)
At 30 April	**—**	4,868	**—**	146
Allotted, called up and fully paid				
Deferred shares of 1 pence				
At 1 May	**15,774**	15,652	**158**	157
Conversion of shares	**14,604**	122	**146**	1
At 30 April	**30,378**	15,774	**304**	158
Issued share capital	**137,082**	126,760	**5,640**	5,611

Ordinary shares carry no right to fixed income and each share carries the right to one vote at general meetings of the company.

A ordinary shares have no rights to fixed income, dividends or voting rights at general meetings of the company. The shares are only transferable either pursuant to an offer required to be made by the City Code for the A ordinary shares or otherwise with prior written consent of the company.

Deferred shares have no rights to fixed income, dividends or voting rights at general meetings of the company. The shares are only transferable with the consent of the company.

During the year, 4,868,274 A ordinary shares from the 31 October 2013 growth share plan were converted into 14,604,822 deferred shares.

The company has issued share options as set out in note 21 to the consolidated financial statements.

During the year, 74,000 shares were issued in relation to the staff SIP scheme, for which consideration of £37,000 (2016: £43,000) was received. The remaining shares issued were in relation to the conversion of the ESS shares in the year.

Officers and professional advisors

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R W Traynor
E N Taylor
M R Fry
R G McInnes
J M May

Secretary
J A Humphrey

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5120043

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Statutory auditor
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