Begbies Traynor Group plc

ANNUAL REPORT AND ACCOUNTS 2020

Our vision

To be leaders in our chosen professional services giving outstanding advice and transactional support to enable clients to protect, enhance and realise the value of their assets, businesses and investments throughout the economic cycle.

Financial highlights

REVENUE

£70.5m (+17%)

(2019: £60.1m)

NET DEBT

£2.8m (-53%)

(2019: £6.0m)

ADJUSTED PROFIT BEFORE TAX[1]

£9.2m (+31%)

(2019: £7.0m)

PROFIT BEFORE TAX

£2.9m (-12%)

(2019: £3.3m)

ADJUSTED BASIC EPS[2]

5.7p (+19%)

(2019: 4.8p)

BASIC EPS

0.7p (-65%)

(2019: 2.0p)

PROPOSED TOTAL DIVIDEND

2.8p (+8%)

(2019: 2.6p)

1 Profit before tax of £2.9 million (2019: £3.3 million) plus transaction costs £3.2 million (2019: £1.3 million) and amortisation of intangible assets arising on acquisitions £3.1 million (2019: £2.4 million)

2 See reconciliation in note 10

Strategic report

Corporate governance

Financial statements

For more on who we are and what we do:

www.begbies-traynorgroup.com/investor-relations

At a glance

Begbies Traynor Group plc is a leading business recovery, financial advisory and property services consultancy.

Our services

Corporate and personal insolvency

We handle the largest number of corporate appointments in the UK, principally serving the mid-market and smaller companies.

Corporate finance

Buy and sell side support on corporate transactions.

Financial advisory

Business and financial restructuring, debt advisory, forensic accounting and investigations, due diligence and transactional support.

Valuations

Valuation of property, businesses, machinery and business assets.

Transactional services

Sale of property, machinery and other business assets through physical and online auctions; business sales agency; commercial property agency focussed on northern and eastern England.

Property consultancy, planning and management

Building consultancy, commercial property management, specialist insurance and vacant property risk management, transport planning and design.

Our businesses

Begbies Traynor

BTG Advisory

Springboard Corporate Finance

Eddisons

CROFT

BARKER STOREY MATTHEWS bsm.uk.com

Pugh Part of Eddisons

EST.1956 Ernest Wilson THE PREMIER BUSINESS AGENT

Comprehensive network

of locations across the UK

740

staff and partners

CAGR in adjusted EPS

of 16%

in last five years

Professional staff

include:

- licensed insolvency practitioners
- accountants
- chartered surveyors
- lawyers

Why invest?

- Strong track record of cash-generative, profitable growth with a well-established progressive dividend policy
- AIM listed since 2004:
  - highly experienced board and senior management team
  - long-established corporate structure with separation of equity, management and fee earners
- Strongly positioned in counter-cyclical activities, representing 70% of total revenue
- Market-leading business recovery practice taking the largest number of corporate insolvency appointments in the UK, with a focus on mid-market and smaller companies
- Strong referral network across the group leading to high levels of repeat business
- Diverse income streams provide multiple sources of growth across the economic cycle in fragmented markets
- Organic growth strategy complemented by value-accretive acquisitions across our service lines, enabled by a strong balance sheet

Chairman's statement

Ric Traynor

Executive chairman

Introduction

I am pleased to report a year of strong financial performance with growth in revenue and earnings. This reflects the benefit of investment in both organic development and acquisitions in line with our group strategy.

Following the introduction of the COVID-19 lockdown restrictions in the final six weeks of our financial year, the majority of the group was able to continue to provide advice and support to our clients by successfully working remotely, albeit a minority of our service lines within property advisory and transactional services were disrupted.

Our business recovery and financial advisory activities performed well in the year, with an increase in our market share in insolvency to 10% (by volume), a strong performance from our advisory team, and contributions from current and prior year acquisitions.

Our property advisory and transactional service teams delivered a solid financial performance for the year with profits in line with last year, having absorbed the impact of the COVID lockdown, reflecting the breadth of services and expertise in the division. The investments in recent years leave the division well placed as commercial activities resume following the easing of lockdown restrictions.

The group has continued to generate strong cash flows in the year, which together with funds raised from a share placing in July 2019, has enabled the group to reduce its net debt, complete three acquisitions, and propose increasing the dividend for the year.

> *I am pleased to report a year of strong financial performance"*

Overall, the group is in a very strong position with an increase in our scale and capabilities and a breadth of service lines which generate good margins and are highly cash generative. We have a strong balance sheet with a substantial reduction in leverage in the year and significant headroom in our committed bank facilities, providing resources for organic and acquisitive investment in the group.

The increased scale of the group's activities with a focus on counter-cyclical services and our strong financial position leaves the group well placed to continue our track record of revenue and profit growth.

Results

IFRS 16 'Leases' was adopted from the start of the financial year. All comparative figures have been restated in accordance with the new standard, which has been adopted on a fully retrospective basis. Further details are included in note 2 (t).

Group revenue in the year increased by 17% to £70.5 million (2019: £60.1 million), 5% of which was organic. Adjusted[1] profit before tax[2] increased by 31% to £9.2 million (2019: £7.0 million). Statutory profit before tax was £2.9 million (2019: £3.3 million).

Adjusted[3] basic earnings per share increased by 19% to 5.7p (2019: 4.8p). Basic earnings per share was 0.7p (2019: 2.0p).

Net debt decreased to £2.8 million (2019: £6.0 million) with leverage (calculated as net debt to EBITDA[4]) improving to 0.3 times (2019: 0.7 times).

COVID-19 impact and response

Our response to the COVID-19 pandemic focussed on the health, safety and well-being of our people and followed HM Government's advice on working practices. We quickly enabled the majority of our employees to work remotely and securely from the commencement of lockdown. The ability to operate remotely has been enhanced by investments made to improve the digital capabilities of the group, including the ability to host online auctions for the sale of assets, electronic document management solutions, a robust and flexible IT infrastructure and ongoing investment in our digital marketing activities.

The impact of the lockdown was as follows:

- Business recovery and advisory continued to be appointed on and progress cases, realise assets and complete transactions as usual.
- The majority of property advisory and transactional service lines have been able to operate remotely. However, commercial property agency and valuations together with the business sales agency service lines were disrupted as the lockdown paused activities, which reduced revenue in the financial year by c.£1 million, partially mitigated by £0.4 million of cost reductions.

1 The board uses adjusted performance measures to provide meaningful information on the operating performance of the business. The items excluded from our adjusted results are those which arise due to acquisitions in accordance with IFRS 3. They are not influenced by the day-to-day operations of the group

2 Profit before tax £2.9 million (2019: £3.3 million) plus transaction costs £3.2 million (2019: £1.3 million) and amortisation of intangible assets arising on acquisitions £3.1 million (2019: £2.4 million)

3 See reconciliation in note 10

4 Calculated as net debt to operating profit before transaction costs, amortisation, depreciation on tangible assets, software amortisation and after finance charge on lease liabilities

The group's operating cash generation remained robust throughout the lockdown period and the group has maintained low levels of debt and a strong financial position. As a result of this we have not made any claims under the Government's coronavirus support schemes.

Dividend

The board is pleased to recommend (subject to shareholder approval at the company's annual general meeting on 17 September 2020) an 8% increase in the total dividend for the year to 2.8p (2019: 2.6p), representing our third consecutive year of dividend growth. This comprises the interim dividend already paid of 0.9p (2019: 0.8p) and a proposed final dividend of 1.9p (2019: 1.8p).

This reflects the board's confidence in the group's financial position and the resilience of our financial performance. We remain committed to our long-term progressive dividend policy, which takes account of the market outlook, and the group's earnings growth and investment plans.

The final dividend will be paid on 5 November 2020 to shareholders on the register on 9 October 2020, with an ex-dividend date of 8 October 2020.

Strategy

We believe that the execution of our strategy will continue to enhance shareholder value through the delivery of strong, sustainable financial performance.

Organic growth will be targeted through:

- retention and development of our existing partners and employees;
- recruitment of new talent;
- enhanced cross-selling of our service lines and expertise to our wider client base; and
- investment in technology and processes to enhance working practices and improve the service to our clients.

Our acquisition strategy is to target value-accretive acquisitions in any of the following market segments:

- insolvency to increase market share;
- property services to enhance expertise or geographical coverage; and
- complementary professional services businesses to continue the development of the group and its service offering.

Board appointment

In December 2019, Peter Wallqvist joined the board as a non-executive director. Peter has spent his career in information technology and in 2010 he co-founded and became CEO at the AI company RAVN Systems, which was acquired in May 2017 by iManage, a leading vendor of document management systems for the legal and professional services industries. Following the acquisition, Peter served as VP of Strategy and Global Practice Director, specifically to serve the professional services sector, until he left the business in October 2019.

Peter brings significant experience of the use of information technology in professional services firms, in the context of improving working practices and strategic business development.

People

I would like to thank all of our partners and staff for their valued contribution to the business over the course of this financial year and in particular their commitment and flexibility during the uncertain period of recent months, when we have continued to provide excellent service to our clients in very different circumstances. Our success as a business is reliant on the quality of advice and service which is delivered to our clients by our people.

Current trading and outlook

Having started our new financial year six weeks into the lockdown, we are currently seeing the unwinding of these restrictions and resulting increases in economic activity.

In the short term, the Government's financial support measures have helped many companies to continue trading despite the extreme economic downturn caused by the lockdown. Nationally the Insolvency Service reported that numbers of corporate insolvencies dropped in the days immediately after the UK lockdown was applied, and in most cases have not yet returned to pre-lockdown levels. We anticipate that as the support measures are removed in the coming months there will be a significant increase in corporate distress, which is likely to lead to increased insolvencies.

Our recovery and advisory teams start the financial year in a strong position to deliver results ahead of last year. This reflects an increased order book of committed future insolvency revenue, together with the benefit of our recent acquisitions and organic investment, and an expectation of an increase in market insolvency levels once the short-term support measures for the economy are removed.

Most of our property advisory and transactional service lines have continued to operate remotely and activity levels have remained robust. The insolvency-focussed areas of property and asset sales are expected to benefit in line with any increase in insolvencies in due course. The service lines impacted by lockdown are beginning to recover as the economy opens up, with instruction levels having improved through May, June and July to date; we anticipate further recovery in performance over the remainder of the year. In addition, we anticipate increased property auction lot numbers following the expected resumption of in-room auctions from autumn 2020. As a result of the above factors, we anticipate that divisional financial performance is likely to be below last year and weighted towards the second half of the year.

Overall, we anticipate that the group's trading for the new financial year will have a greater weighting to the second half than in recent years and we will provide a further update on activity levels at the time of our annual general meeting in September.

With our mix of service lines and activities, combined with our strong financial position, we are well placed to continue delivering medium to long-term growth. We continue to progress acquisition and organic investment opportunities given our strong balance sheet, cash-generative businesses and counter-cyclical focus.

Ric Traynor

Executive chairman

20 July 2020

Business model

Our business is providing advice and transactional support to clients to protect, enhance and realise the value of their assets, businesses and investments throughout the economic cycle.

We do this with a team of 740 partners and staff operating within the local business community from offices across the UK.

Our key strengths

People
- Highly experienced and qualified professionals
- Detailed market knowledge
- Entrepreneurial approach

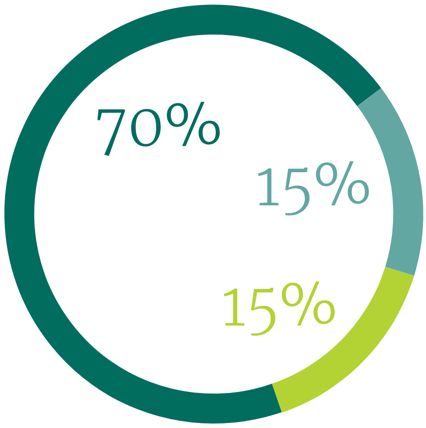
Clients and relationships
- Diverse client base
- Enduring relationships
- Trusted brands and reputation

Know how
- Creative, problem-solving expertise
- Established business practices
- Specialist services with barriers to entry

Financial
- Strong financial position
- Resilient financial performance across the economic cycle
- Good operating margins

Our activities

A number of the group's activities are influenced by the general economic environment and are likely to perform better in differing economic climates.



Counter-cyclical activities (70%)
- Corporate and personal insolvency
- Business and financial restructuring
- Debt advisory
- Accelerated corporate finance
- Distressed asset valuation and sales (property, machinery and other business assets)
- Specialist insurance and vacant property risk management

Cyclical activities (15%)
- Corporate finance
- Commercial property agency
- Valuation of property, businesses, machinery and business assets
- Machinery and other business asset sales
- Transport planning and design
- Business sales agency

Uncorrelated activities (15%)
- Property auctions
- Commercial property management
- Building consultancy
- Due diligence and transaction support
- Forensic accounting and investigations

Profile reflects current group activities including annualised impact of acquisitions

Our culture and values

Values
- Trusted advisor to our clients
- Act with integrity
- Take pride in our advice and solutions provided to clients

Governance
- Board oversight
- Highly experienced leadership team in executive and senior management positions

Risk management
- Established business and risk management processes
- Dedicated compliance functions
- Business diversification to reduce exposure to one activity or changes in the business cycle

How we create value for our stakeholders

People
Provide an environment in which our people
- are valued and enjoy working for the group
- can develop their talents and fulfil their potential
- share in corporate success through reward packages including share incentive schemes

Clients
Optimise value for clients through providing
- high quality service
- competitive and cost-effective charging structure
- innovative and entrepreneurial advice and solutions

Shareholders
Sustainable increase in shareholder value through
- growing earnings per share
- paying dividends
- delivering share price appreciation

Strategy and objectives

Our strategy

The board believes the execution of this strategy will enhance shareholder value through the delivery of strong, sustainable financial performance.

Organic growth will be targeted through:

- retention and development of our existing partners and employees;
- recruitment of new talent;
- enhanced cross-selling of our service lines and expertise to our wider client base; and
- investment in technology and processes to enhance working practices and improve the service to our clients.

Our **acquisition strategy** is to target value-accretive acquisitions in any of the following market segments:

- insolvency to increase market share;
- property services to enhance expertise or geographical coverage; and
- complementary professional services businesses to continue the development of the group and its service offering.

Our vision

To be leaders in our chosen professional services giving outstanding advice and transactional support to enable clients to protect, enhance and realise the value of their assets, businesses and investments throughout the economic cycle.

Our strategic objectives

1
Increase the scale and quality of our businesses both organically and by acquisition

2
Deliver sustainable profitable growth, enabling increased shareholder value

3
Maintain our strong financial position enabling the investment in and development of the group and our people

4
Continue to ensure high standards of corporate governance and responsibility

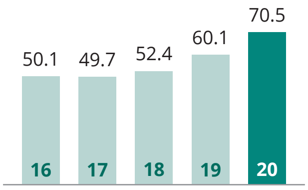
Key performance indicators

The board uses the following KPIs to manage the performance of the business and progress against our strategic objectives.

REVENUE (£m)

£70.5m

(2019: £60.1m)



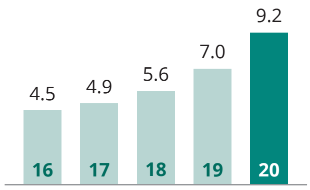
The measure
Revenue generated from operating activities in the financial year.

The target
To increase revenue by expanding the scale and quality of our operating businesses both organically and through strategic acquisitions.

ADJUSTED PROFIT BEFORE TAX (£m)

£9.2m

(2019: £7.0m)



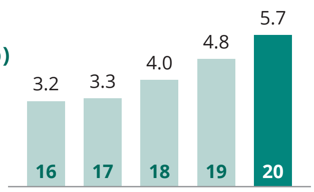
The measure
Profit before tax generated by the business in the year, adjusted to exclude items which arise due to acquisitions, which are charged to the income statement under IFRS 3 and are not influenced by the day-to-day operations of the group.

The target
To deliver sustainable growth in adjusted profit before tax.

ADJUSTED BASIC EPS (p)

5.7p

(2019: 4.8p)



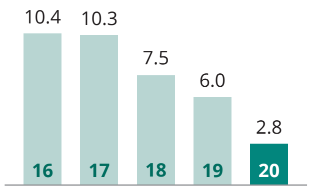
The measure
Adjusted EPS is calculated by dividing adjusted profits by the weighted average number of shares in issue.

The target
To deliver growth in EPS to increase shareholder value.

NET DEBT (£m)

£2.8m

(2019: £6.0m)



The measure
Borrowings net of cash balances.

The target
To maintain a strong financial position with sufficient capacity in our capital structure to enable continuing investment in the business with the ability to act swiftly when opportunities arise.

Commentary on financial performance on these KPIs and other financial information is included in the finance review on page 12.

Operating review

Ric Traynor
Executive chairman

Business recovery and financial advisory

Financial summary

Revenue increased by 15% (8% organic) to £49.6 million (2019: £43.3 million), reflecting increased insolvency appointments, a strong performance from our advisory team, and contributions from current and prior year acquisitions.

Operating costs increased by £3.6 million to £38.0 million (2019: £34.4 million) principally as a result of the addition of costs associated with acquired businesses, together with organic investment and increased people costs. However, these costs reduced as a percentage of revenue, giving improved margins of 23.4% (2019: 20.6%).

Segmental profits[1] increased by 30% to £11.6 million (2019: £8.9 million).

COVID-19 impact

We quickly enabled our teams to work remotely and securely from the commencement of lockdown, which enabled them to continue to be appointed on and progress cases, realise assets and complete transactions as usual.

In the period immediately following lockdown the number of new insolvency cases reduced in line with market trends (as detailed below) and are currently broadly in line with appointment levels from 12 months ago.

Operating review

The number of people employed in the division has increased to 394 as at 30 April 2020 from 364 at the start of the financial year. This expansion provides the capacity to deliver growth in revenue and profits and we continue to consider further recruitment to continue to build capacity for long-term growth.

Business recovery

We have continued to invest in the business recovery team during the year through recruitment of fee earners, with a focus on business development and increasing capacity, and have also appointed four new partners: two of which were external appointments together with two internal promotions. Subsequent to the year end we have promoted a further two fee earners to partner.

In October 2019, we acquired Alexander Lawson Jacobs ("ALJ"), a London-based insolvency and business recovery practice. The team of 24 partners and staff has been integrated into our existing strong network of offices across London and the South East and made a first-time contribution ahead of our expectations.

We have had a successful year of new insolvency appointments, which has increased our order book of committed future insolvency revenue by 23% to £19.0 million (2019: £15.4 million). As a result of this, we have also increased our market share to 10% (by volume) and we continue to take the largest number of corporate insolvency appointments in the UK.

Financial advisory

We have continued to invest in our advisory fee earner team with the addition of five new partners: two of which were external appointments and three internal promotions. We also completed additional corporate finance transactions compared with the prior year.

In September 2019, we acquired Regeneratus, an Exeter-based advisory practice with particular expertise in restructuring, turnaround and legal issues. The team has joined our existing South West practice, enhancing the services and advice we can provide to our clients across the region.

Insolvency market

In the period prior to the COVID-19 outbreak, insolvency volumes[2] nationally continued to increase, with the underlying number of corporate insolvencies in calendar year 2019 increasing by 7% to 17,224 (2018: 16,105, 2017: 14,630).

Nationally the Insolvency Service reported[3] that numbers of corporate insolvencies dropped in the days immediately after the UK lockdown was applied on 23 March, and in most cases have not yet returned to pre-lockdown levels.

They stated that this was likely to be a result of a combination of factors including:

- HM Courts & Tribunals Service reducing the operational running of the courts and tribunals;
- HMRC reducing their enforcement activity;
- the Insolvency Service, insolvency practitioners and Companies House having to adjust to new working arrangements; and
- delays in documents being provided to Companies House by insolvency practitioners.

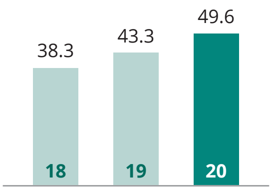
We also believe that the current Government support initiatives (including the staff furlough arrangements and loan support packages) are deferring some insolvency appointments.

Business recovery and financial advisory

REVENUE (£m)

£49.6m

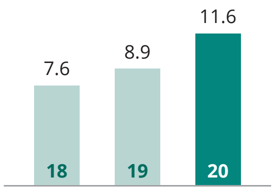
(2019: £43.3m)



SEGMENTAL PROFITS (£m)

£11.6m

(2019: £8.9m)



Property advisory and transactional services

Financial summary

Revenue increased by 25% to £20.9 million (2019: £16.7 million), reflecting the benefit of both current and prior year acquisitions. Organic revenue was broadly in line with the prior year with returns from our growth initiatives offset by the anticipated reduction in revenue following the completion of several property insolvencies (which enhanced margins in the prior year).

Revenue in the final six weeks of the financial year was adversely impacted by the COVID-19 lockdown by c.£1 million, which was partially mitigated by £0.4 million of cost reductions.

Operating costs increased to £17.0 million (2019: £12.9 million), principally due to costs associated with the acquired businesses.

Segmental profits[1] were £3.9 million (2019: £3.8 million), with operating margins of 18.5% (2019: margin of 22.8% was enhanced by revenue recognised on completion of property insolvencies as referred to above). Operating margins were adversely impacted by the lockdown by c.2%, with the underlying rate of c.20% in line with previous guidance of margins for the division.

COVID-19 impact

All service lines had performed strongly in the period up to the commencement of lockdown in March and the majority continued to operate remotely during lockdown:

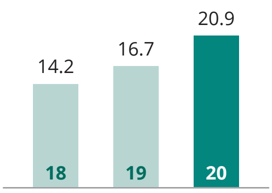
- Consultancy, commercial property agency and property management teams operated as normal from remote locations.
- The plant and machinery and property auction teams continued to trade through our online channels (www.eddisons.com and www.pugh-auctions.com), completing transactions and realising value for our clients together with asset realisations on our group insolvency appointments, albeit property auction lot numbers reduced as detailed in the operating review below.
- Commercial property agency and valuations together with business sales agency experienced reduced activity levels in late March and April as a result of the lockdown. In addition, the Department for Education delayed its awards under the condition improvement fund (CIF), which had been anticipated in April 2020, resulting in a deferral of revenue recognition to the new financial year for our building consultancy team.

Property advisory and transactional services

REVENUE (£m)

£20.9m

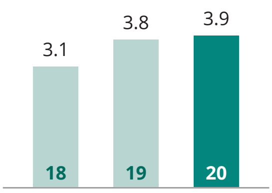
(2019: £16.7m)



SEGMENTAL PROFITS (£m)

£3.9m

(2019: £3.8m)



Operating review

Our building consultancy team has continued to develop, notably with further growth in the education and wider public sector. We have continued to invest in and grow the team and its offering, which included the recruitment of a Cambridge-based team in the period. This has further developed our offering in Eastern England following the acquisition of BSM in April 2019. In the delayed announcement of CIF project awards (as noted above) we increased the funding secured for our clients to £28 million, up by 50% compared to last year, which will generate project management and consultancy fees for the group of £2.2 million in the new financial year compared to £1.3 million last year.

Revenue from the property valuation team grew in the year, reflecting our continued recruitment of experienced surveyors, which has improved our geographical coverage and service to our clients. The restrictions of lockdown impacted on activity levels at the end of the financial year; however, we are encouraged by the increase in the level of new instructions we are receiving from lenders as the UK exits its lockdown restrictions and anticipate that this will progressively increase over the course of the new financial year.

The property transactional teams (agency and auctions) have performed well in the year with an increase in agency revenue, largely from the integration of the BSM team acquired in April 2019.

Commercial property auctions performed well in the period pre lockdown with lot numbers and revenue broadly in line with the prior year. We converted our usual in-room auctions to an online auction from April as a result of the lockdown restrictions and have continued to offer this service to clients in the new financial year, which has been a positive development enabling the team to continue servicing clients' requirements and realising value. However, across the industry, lot numbers are currently c.60% lower than normal levels. We currently anticipate that we will be able resume in-room auctions from autumn 2020 which we believe will result in a recovery in lot numbers.

In October 2019, we acquired Ernest Wilson, a Leeds-based business sales agent, which provides agency services for the sale of small businesses across the UK. The team operate across a broad range of sectors ranging from food outlets and convenience stores to care homes, restaurants and hotels. The acquisition enhances our transactional support services and is also complementary to the BTG Advisory and corporate finance offerings. Activity levels were impacted during the lockdown period, but as with the property valuations business, we are encouraged by the increase in transaction levels we have experienced since the lockdown restrictions were eased. We anticipate that transactional activity will progressively increase over the course of the new financial year.

The number of people employed in the division has increased to 281 as at 30 April 2020 from 245 at the start of the financial year.

1 See note 4

2 Source: the Insolvency Service quarterly statistics on the number of corporate insolvencies in England and Wales on a seasonally adjusted basis, excluding the one-off effect of 1 (2018: 1,349, 2017: 2,686) bulk insolvencies as identified by the Insolvency Service

3 Source: Insolvency Service Monthly insolvency statistics, May and June 2020

Finance review

Nick Taylor
Group finance director

Financial summary

	2020 £'000	2019 £'000
Revenue	**70,503**	60,058
Operating profit (before transaction costs and amortisation)	**10,119**	7,999
Finance costs	**(968)**	(1,006)
Adjusted profit before tax	**9,151**	6,993
Transaction costs	**(3,163)**	(1,283)
Amortisation of intangible assets arising on acquisitions	**(3,104)**	(2,361)
Profit before tax	**2,884**	3,349
Tax	**(1,953)**	(1,102)
Profit for the year	**931**	2,247

IFRS 16 'Leases' was adopted from the start of the financial year and all comparative figures have been restated in accordance with the new standard. Further details are included below and in note 2 (t).

Operating result (before transaction costs and amortisation)

Revenue in the year increased by £10.4 million to £70.5 million (2019: £60.1 million), an overall increase of 17%, of which 5% was organic and 12% was acquired[1]. Operating profit increased by 27% to £10.1 million (2019: £8.0 million). These results include the impact of the COVID-19 lockdown in the final six weeks of the financial year, which impacted property services revenue by c.£1 million, partially mitigated by £0.4 million of cost reductions.

The financial performance by operating segment (as detailed in the operating review) is summarised in the table below:

	Revenue (£'000)		
	2020	2019	growth
Business recovery and financial advisory	**49,630**	43,313	15%
Property advisory and transactional services	**20,873**	16,745	25%
Shared and central costs	**—**	—	—
Total	**70,503**	60,058	17%

	Profit (£'000)		
	2020	2019	growth
Business recovery and financial advisory	**11,588**	8,889	30%
Property advisory and transactional services	**3,860**	3,826	1%
Shared and central costs	**(5,329)**	(4,716)	13%
Total	**10,119**	7,999	27%

Margins improved to 14.4% (2019: 13.3%), principally due to profit growth and margin enhancement in business recovery and financial advisory, together with shared and central costs reducing as a percentage of group revenue to 7.6% (2019: 7.9%). These margin enhancements were partially offset by property advisory and transactional services as detailed in the operating review.

Adjusted profit before tax increased by 31% to £9.2 million (2019: £7.0 million), as a result of the increased operating profits detailed above, with finance costs in line with the prior year.

1 Part year contribution from acquisitions in the year and full year contribution of prior year acquisitions

Transaction costs

Transaction costs (as detailed in note 5) increased to £3.2 million (2019: £1.3 million) as a result of increased deemed remuneration charges resulting from current and prior year acquisitions.

Earnings per share

Adjusted basic earnings per share[2] increased by 19% to 5.7p (2019: 4.8p). Basic earnings per share decreased to 0.7p (2019: 2.0p).

Tax

The overall tax charge for the year was £2.0 million (2019: £1.1 million) as detailed below:

	2020			
	Profit before tax £'000	**Tax £'000**	**Profit after tax £'000**	**Effective rate**
Adjusted	**9,151**	**(1,928)**	**7,223**	**21%**
Transaction costs	**(3,163)**	**—**	**(3,163)**	**—**
Amortisation	**(3,104)**	**590**	**(2,514)**	**19%**
Change in rate*	**—**	**(615)**	**(615)**	**—**
Statutory	**2,884**	**(1,953)**	**931**	**68%**

	2019			
	Profit before tax £'000	Tax £'000	Profit after tax £'000	Effective rate
Adjusted	6,993	(1,551)	5,442	22%
Transaction costs	(1,283)	—	(1,283)	—
Amortisation	(2,361)	449	(1,912)	19%
Statutory	3,349	(1,102)	2,247	33%

* Deferred tax charge of £0.6 million resulting from an increase in deferred tax liabilities as a result of the UK corporation tax rate now remaining at 19% rather than reducing to 17% as previously announced.

Partners and employees

The average number of full-time equivalent (FTE) partners and staff working in the group increased over the year as a result of acquisitions and organic investment.

	2020			
	Business recovery and financial advisory	**Property advisory and transactional services**	**Shared and support teams**	**Total**
Partners	**60**	**—**	**—**	**60**
Staff	**234**	**237**	**—**	**471**
Fee earners	**294**	**237**	**—**	**531**
Support teams	**44**	**6**	**61**	**111**
Total	**338**	**243**	**61**	**642**

	2019			
	Business recovery and financial advisory	Property advisory and transactional services	Shared and support teams	Total
Partners	52	—	—	52
Staff	217	173	—	390
Fee earners	269	173	—	442
Support teams	43	6	60	109
Total	312	179	60	551

The ratio of our support teams to fee earning partners and staff improved to 4.8 (2019: 4.1) reflecting the increased efficiency of our operations as the group continues to grow, which has been reflected in the improved operating margins in the year.

2 See reconciliation in note 10

Finance review *continued*

IFRS 16

IFRS 16 'Leases' was adopted from the start of the financial year and seeks to align the presentation of leased assets more closely to owned assets. All comparative figures have been restated in accordance with the new standard, which has been adopted on a fully retrospective basis.

The adoption of IFRS 16 had the following impact on the group's financial results for the year ended 30 April 2019:

- reduction in profit before tax of £0.1 million (increase in operating profit of £0.4 million offset by an increase in finance costs of £0.5 million);
- reduction in net assets of £1.5 million at 30 April 2019; and
- no impact on total cash flow; however net cash from operating activities increased by £2.1 million and net cash used in financing activities increased by £2.1 million.

Further details are included in note 2 (t).

Acquisitions

During the year, the group completed three acquisitions:

- Alexander Lawson Jacobs on 24 October 2019 for initial consideration of £2.35 million (£2.1 million in cash and the issue of 296,195 new ordinary shares) with a maximum additional cash payment of £4.0 million subject to financial performance in the five year period following the acquisition. In its financial year ended 30 June 2019, the business reported annual revenue of £3.1 million and pre-tax profits of £0.9 million, when reported on the same basis as the group.
- Ernest Wilson on 18 October 2019 for initial consideration of £4.0 million (£3.0 million in cash and the issue of 1,163,874 new ordinary shares) with a maximum additional cash payment of £1.63 million subject to financial performance in the three year period following the acquisition. In its financial year ended 31 July 2019, the business reported annual revenue of £2.2 million and pre-tax profits of £0.7 million, when reported on the same basis as the group.
- Regeneratus on 23 September 2019 for initial consideration of £0.5 million (in cash) with a maximum additional cash payment of £1.1 million subject to financial performance in the four year period following the acquisition. In its financial year ended 31 March 2019, the business reported annual revenue of £0.6 million and pre-tax profits of £0.2 million, when reported on the same basis as the group.

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

The net cash outflow as a result of these acquisitions in the year was £4.7 million, comprising the cash consideration of £5.6 million (including £4.2 million accounted for as deemed remuneration) completion accounts payments of £2.5 million (including £0.9 million accounted for as deemed remuneration) offset by cash acquired of £3.4 million.

In addition, deferred consideration payments of £4.4 million (including £3.7 million accounted for as deemed remuneration) were made in the year.

The value of net assets acquired exceeds the accounting value of consideration (as a result of the majority of consideration being accounted for as deemed remuneration) and consequently a gain of £2.2 million has been recognised within transaction costs in the year.

Liquidity

The group is in a strong financial position. At the year end the group had cash balances of £7.2 million (2019: £4.0 million) together with undrawn, committed borrowing facilities of £15.0 million (2019: £15.0 million) providing significant liquidity entering the new financial year.

Our borrowing facilities mature in August 2023 and comprise a £25 million unsecured, committed revolving credit facility and a £5 million uncommitted acquisition facility.

Net debt at 30 April 2020 was £2.8 million (2019: £6.0 million), represented by cash balances (as noted above) of £7.2 million (2019: £4.0 million) net of drawn borrowing facilities of £10.0 million (2019: £10.0 million). As a result of the reduced levels of debt together with increased profits, our leverage[3] reduced to 0.3 times (2019: 0.7 times). All bank covenants were comfortably met during the year.

3 Calculated as net debt to operating profit (before transaction costs, amortisation, depreciation on tangible assets, software amortisation and after finance charge on lease liabilities)

Cash flow

Net debt reduced by £3.2 million (2019: £1.5 million) due to strong levels of free cash flow of £7.7 million and net proceeds from the share placing of £7.8 million which funded acquisition and deferred consideration payments of £9.1 million and dividends of £3.2 million.

Cash flow in the year is summarised as follows:

	2020 £'000	2019 £'000
Net cash from operating activities (before deemed remuneration)	**10,428**	9,475
Capital expenditure	**(789)**	(1,000)
Capital element of lease payments	**(1,934)**	(2,148)
Free cash flow	**7,705**	6,327
Net proceeds from share issues*	**7,818**	10
Acquisition payments	**(4,710)**	(1,167)
Deferred consideration payments	**(4,390)**	(1,030)
Dividends	**(3,185)**	(2,649)
Reduction in net debt	**3,238**	1,491

* Share placing of 11,041,440 new ordinary shares completed on 26 July 2019.

Net assets

At 30 April 2020 net assets were £65.6 million (2019: £58.1 million). The movement in assets reflects an increase of £4.0 million, from post-tax adjusted earnings of £7.2 million net of dividends of £3.2 million; £9.8 million from the issue of new shares (resulting from the placing and acquisition consideration in the period); offset by the post-tax impact of acquisition-related transaction and amortisation costs of £6.3 million.

Going concern

The group is in a strong financial position and has significant liquidity as detailed above. The majority of the group's service lines have operated remotely during the period of the COVID-19 lockdown.

In carrying out their duties in respect of going concern, the directors have completed a review of the group's financial forecasts for a period exceeding 12 months from the date of approving these financial statements. This review included sensitivity analysis and stress tests to determine the potential impact on the group of reasonably possible downside scenarios, including those arising from the COVID-19 pandemic and the resultant increase in risks for the group. Under all modelled scenarios, the group's banking facilities were sufficient and all associated covenant measures were forecast to be met.

As such, 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, the financial information in these financial statements is prepared on the going concern basis.

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 below.

The group's strategic objectives (see page 8) include increasing the scale and quality of our businesses and the delivery of sustainable profitable growth. The board encourages an appetite of measured risk taking in the delivery of these objectives, which is balanced by a process of risk identification, evaluation and management.

The board has ultimate responsibility for the group's risk management process and is supported in this by the audit committee. The executive directors and operational management teams are responsible for the identification and evaluation of risks and the subsequent implementation of specific risk management activities.

The directors have carried out a robust assessment of the material and emerging risks facing the group. Outlined below are the current principal risks and uncertainties faced by the operations of the group and the implementation of its strategy. The list is not exhaustive and other, as yet unidentified, factors may have an adverse effect. The group's controls are designed to manage rather than eliminate risk and can only provide reasonable and not absolute assurance against material misstatement or loss.

COVID-19

Risk
The COVID-19 outbreak and subsequent actions by authorities to control the outbreak has implications both for our people and our operations, together with an increase in other key business risks, notably operational gearing, liquidity risk and business continuity.

Mitigating activities
Our top priority is the health, safety and well-being of our colleagues. We have the ability for the majority of our employees to work remotely and securely, enabling us to meet the Government's recommendations on working practices.

The mitigation of other principal risks impacted by the COVID-19 outbreak are detailed below.

Change in risk
NEW

Business continuity

Risk
Significant non-IT events may impact on our service to clients and access to operating locations with a potential adverse effect on operational performance and reputation.

Mitigating activities
We have business continuity plans in place across the business which include the ability to work from alternate operating locations. In the case of the COVID-19 operating restrictions, the majority of our teams have successfully worked from home.

Change in risk
NEW

Operational gearing

Risk
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.

Mitigating activities
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.

Change in risk
▲

Liquidity risk

Risk
The group's ability to generate cash from its 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.

Mitigating activities
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 if required.

Change in risk
▲

Marketplace

Risk	Mitigating activities	Change in risk
The group's markets are susceptible to macroeconomic movements, such as interest rates, GDP changes and indebtedness levels.	The group's service lines have differing exposure to the macroeconomic environment as detailed in the business model on page 6 providing mitigation of this risk at a consolidated level.	
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 financial institutions, investors and other professional intermediaries.	

Reliance on key personnel

Risk	Mitigating activities	Change in risk
The business is dependent upon the professional development, recruitment and retention of 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

Risk	Mitigating activities	Change in risk
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 insurance policies in place.	

Failure or interruption in IT systems

Risk	Mitigating activities	Change in risk
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 is Cyber Essentials Plus accredited. 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.	

Stakeholder engagement

Section 172 statement

The following disclosure forms the directors' statement required under section 414CZA of the Companies Act 2006 on how the directors have had regard to the matters set out in section 172 (1) (a) to (f) in performing their duties. The board recognises that engagement with its stakeholders is fundamental to the long-term success of the company and considers the views and interests of all key stakeholders in its decision making.

Who are our key stakeholders and why we focus on them	How do we engage with them?
Our people The business is dependent on the professional development, recruitment and retention of our highly experienced partners and staff who are responsible for delivering a high quality service to our clients. The directors recognise that the quality, motivation and commitment of our people is fundamental to the group's success.	Employee engagement and interaction is encouraged through a variety of means including: • corporate intranets including a group-wide communication tool BTG Insight; • team meetings; and • staff one-to-one appraisals throughout the year. As a result of the period of remote working during the COVID outbreak we accelerated the roll out of Microsoft Teams to enable continued communication and interaction across the business and between colleagues. The group's financial performance is communicated on a six monthly basis by the executive chairman. We believe in the value of developing future talent within the group. We continue to invest in our people through providing financial support for employees who are undertaking professional training to gain the qualifications required to progress with their careers. In addition, for our qualified staff we have the BTG Academy programme to assist in developing the range of skills required to undertake more senior roles in the organisation. Employees can share in the group's success through membership of our sharesave (save-as-you-earn) scheme. We have appointed a third party agency to conduct a group-wide employee engagement survey which will be completed in autumn 2020.
Shareholders Access to capital is of vital importance to the long-term success of our business. Through our engagement activities, we aim to obtain investor support for our strategic objectives and our execution of them. We believe that delivering value for our shareholders ensures that the business continues to be successful in the long term and continues to deliver value for all our stakeholders.	The executive chairman and group finance director have primary responsibility for investor relations (IR) and lead a regular programme of engagement. This includes presentations following the announcement of the financial results, which are also published on the group's IR website to ensure they can be accessed by all shareholders. The IR programme maintains ongoing communication with shareholders and helps to ensure that the board is aware of shareholders' views. The board also normally receives feedback twice each year from its corporate brokers on investors' and the market's perceptions of the company. In addition, the company makes announcements using the regulatory news service (RNS) throughout the financial year so that all investors are aware of current developments and financial performance of the group. The annual general meeting of the company, which is generally attended by all directors, provides an opportunity for all shareholders to ask questions and to meet the directors.
Clients Our clients are key to the success of our business.	The group has a diverse client base across its service lines. Our client facing teams are in continuous contact with their client base and have responsibility for both understanding their expectations and managing the delivery of our service.
Community and environment We believe that through our community engagement activities we can make a beneficial impact on the areas where our people live and work.	Our offices operate in the heart of the local business communities and engage in numerous activities in support of local charities together with financial support and sponsorship initiatives. We aim to provide opportunities for people to gain valuable work experience, which can enhance employment prospects. We do this through various means including work experience and university placements. We also have a number of employees on apprenticeship schemes, which provide an opportunity for the individuals to gain valuable work experience together with training and qualifications. In many circumstances this can lead to full-time employment opportunities with the group. The group's impact on the environment and our plans to improve this are detailed in the directors' report.

The principal decisions made by the board during the year are summarised below:

Principal decisions made in the year	Considerations by the board
COVID-19 response Detailed in chairman's statement on page 4.	The implications resulting from the COVID-19 pandemic had a potential impact across all stakeholders. Our initial response was focussed on the health, safety and well-being of our people and following HM Government's advice on working practices. The resolutions made by the board which impacted on our key stakeholders included: • all employees paid in line with contractual terms for the two months of the lockdown period (April–May 2020) regardless of ability to complete work with the restrictions in place; • no claim made under the Government's Coronavirus Job Retention Scheme as a result of the group's overall financial performance in the year and strong financial position; • supplier payments made in line with normal contractual terms; • interim dividend paid and final dividend recommended in line with our progressive dividend policy, having considered the group's liquidity and the balanced treatment of all other stakeholders in response to the COVID-19 crisis; • for certain employees in our cyclical activities where we anticipate a lower level of activity and pricing for the foreseeable future, we have adjusted the cost base for the new year through a reduction in team size or remuneration basis; and • executive remuneration was considered (as detailed in the remuneration report on page 26) in the context of group financial performance in the year, financial outlook for the new financial year and the balanced treatment of other stakeholders in response to COVID-19.
Share placing Detailed in finance review on page 12.	The share placing was completed on a non pre-emptive basis. The board agreed that this was in the best interests of all shareholders, as the funds raised enabled the group to accelerate acquisition opportunities in line with our strategic objectives.
Acquisitions Detailed in operating review and finance review on pages 10 and 12.	Having completed the share placing noted above the group completed three acquisitions in the year. The transactions were in line with our acquisition strategy which the board believe increases value for all stakeholders and is for the long-term benefit of the group.
Governance Board appointment detailed in corporate governance statement on page 22.	The board believes that it is important for it to contain the right mix of skills and experience in order to deliver its strategy for the benefit of all stakeholders. Peter Wallqvist was appointed to the board to deepen the knowledge and understanding of IT at board level and in particular IT application within the group.

Approval

The strategic report on pages 1 to 19 was approved by the board and signed on its behalf by

Ric Traynor
Executive chairman
20 July 2020

Nick Taylor
Group finance director
20 July 2020

Board of directors

Executive directors

Ric Traynor

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

Group finance director

Appointment date:
December 2010

Experience

Nick was appointed to the board 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

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.

Non-executive directors

John May
Non-executive director

Appointment date:
October 2007

Experience

John was appointed to the board in 2007 as a non-executive director. He was previously an executive director of Caledonia Investments plc and 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. John has extensive non-executive experience, having been a director of more than 40 listed and private companies operating both in the UK and globally.

Graham McInnes
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. Graham is also a director of Newton Technology Group plc, a group specialising in the engineering technology sector.

Mark Stupples
Non-executive director

Appointment date:
July 2017

Experience

Mark was appointed to the board in 2017 as a non-executive director. He has significant property services experience as a result of his senior roles in major firms, including King Sturge as UK managing partner, when he negotiated the sale of the business to JLL. Following the acquisition, Mark was appointed as JLL's UK chief operating officer until leaving the business in December 2016. During this time, he completed a number of UK acquisitions. Mark now runs his own consultancy business focussing on strategy and change in professional services businesses, and is the chairman of Jones Lang LaSalle Pension Trustees Limited.

Peter Wallqvist
Non-executive director

Appointment date:
December 2019

Experience

Peter was appointed to the board in December 2019 as a non-executive director. Peter has spent his career in information technology. In 2010, he co-founded and became chief executive officer at the AI company RAVN Systems which delivered digital transformation initiatives in the professional services industry. RAVN Systems was acquired by iManage, a leading vendor of document and email management systems for the legal and professional services industries in 2017. Following the acquisition, Peter served as VP of strategy and global practice director for iManage, until he left the business in October 2019.

Chairman's introduction

Ric Traynor
Executive chairman

The board is committed to maintaining high standards of corporate governance. As chairman, it is my role to ensure that these standards are promoted by the board and to ensure that the group is managed in the best interests of shareholders and our broader stakeholder group.

We recognise that a positive culture, together with a robust approach to governance, is key to the success of the organisation. As a professional services consultancy the group's services are regulated by externally governed codes of practice and ethical behaviour. These regulatory professional standards are reinforced by the board which sets the culture of the group in promoting entrepreneurial growth against the background of sound regulatory compliance and ethical standards and a measured approach to risk taking.

> *"The board is committed to maintaining high standards of governance"*

We seek to be a trusted advisor to all of our clients, to act with integrity at all times and to take pride in the advice and solutions we provide.

We have a clear approach to governance and risk management with a highly experienced leadership team in executive and senior management positions together with robust compliance and governance procedures. In December 2019, Peter Wallqvist joined the board as a non-executive director. Peter brings significant experience of the use of information technology in professional services firms, in the context of improving working practices and strategic business development.

We are committed to a culture which ensures that our people enjoy working for the group, can develop their talents and fulfil their potential with us.

In the following sections we have provided details on our approach to governance and application of the QCA Code, including reports from the audit and remuneration committees. I believe that the framework provided by the QCA Code contributes to our ability to deliver long-term shareholder value and assists the board in managing the business for all of its stakeholders, whilst maintaining a flexible, efficient and effective management framework within an entrepreneurial environment.

Further detail on our compliance with the QCA Code can be found on our website at https://www.begbies-traynorgroup.com/investor-relations/corporate-governance.

Ric Traynor
Executive chairman
20 July 2020

Corporate governance statement

Overview
The group has established specific committees and implemented certain policies, to ensure that:

- it is led by an effective board which is collectively responsible for creating and sustaining shareholder value through management of the business;
- the board and its committees have the appropriate balance of skills, experience, independence, and knowledge of the group to enable them to discharge their respective duties and responsibilities effectively;
- the board have a formal and transparent arrangement for considering how to apply the corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the group's auditors; and
- there is a dialogue with shareholders based on the mutual understanding of objectives.

In addition, the group has adopted policies in relation to anti-corruption and bribery; anti-money laundering and economic crime; whistleblowing; health and safety; IT, communications and systems; and social media, so that all aspects of the group are run in a robust and responsible way.

Responsibilities of the board
The board is responsible for creating and sustaining shareholder value through management of the business. It does this by:

- setting the strategy and direction of the company;
- maintaining appropriate controls to ensure the effective operation of the company;
- approving revenue and capital budgets and plans;
- approving financial statements, material agreements and non-recurring projects;
- determining the financial structure of the company including treasury and dividend policy;
- overseeing control, audit and risk management; and
- setting and monitoring remuneration policies.

Specific responsibilities have been delegated to committees of the board, being the audit and remuneration committees. The terms of reference for these committees are available on the group's website.

In the absence of a formal nominations committee the board is responsible for ensuring that it retains an appropriate composition and balance of skills and expertise together with considering relevant succession.

Operational management of the group's respective divisions is delegated by the board to two principal operating boards (business recovery and advisory services and property services) which comprise relevant members of the group's executive and non-executive directors, together with senior partners and managers from the respective divisions.

Board members
It is important that the board contains the right mix of skills and experience in order to deliver the strategy of the group. As such, the board is comprised of the executive chairman, two other executive directors and four non-executive directors.

Role of the executive chairman
Ric Traynor, who established the business and led the group's introduction to AIM, fulfils the role of executive chairman being responsible for the workings and leadership of the board together with managing the business with the support of the other executive directors.

Whilst the QCA Code requires the chairman to have adequate separation from the day to day business, the board believes the current role is appropriate and in the best interests of the group. In recognition of this non-compliance with the QCA Code the board has a majority of non-executive directors and Graham McInnes, one of its non-executive directors, acts as the senior independent director.

Executive directors
The group has two executive directors, in addition to the executive chairman, who are responsible for managing the delivery of the business plans within the strategy set by the board.

Non-executive directors
The group has four non-executive directors ('NEDs'). The NEDs' role is to provide oversight and scrutiny of the performance of the executive directors, helping the business to develop, communicate and execute its agreed strategy within the defined risk management framework.

The NEDs are expected to attend all board meetings, any committee meetings of which they are a member and the annual general meeting. In addition, Mark Stupples is the non-executive chairman of the property services operating board. NEDs are expected to dedicate sufficient time to the group's affairs to enable them to fulfil their duties as directors.

The board considers that the four NEDs are independent of management and have no business or other relationship which could interfere materially with the exercise of their judgement.

Company secretary
The company secretary provides advice and guidance to the extent required by the board on the legal and regulatory environment and assists the chairman in preparing for and running effective board meetings, including the timely dissemination of appropriate information. 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. The company secretary also acts as the link between the company and shareholders on matters of governance and investor relations.

Corporate governance statement *continued*

Election of directors

Each director serves on the board until the annual general meeting following his or her election or appointment where the director must stand for re-election. In accordance with the group's articles of association one third of the directors are re-elected on an annual basis, with those directors who have been in office the longest being subject to this requirement.

In addition, in accordance with the QCA Code, any independent non-executive directors who have served for more than nine years will stand for re-election at each AGM.

Board evaluation

The most recent evaluation of board performance was conducted in April 2019 facilitated by the company secretary, which involved the completion of a questionnaire by each director focussed on the ten principles of the QCA Code. During the year the board has focussed on the following areas for development which were agreed as follows:

- A strategy review was completed at the December 2019 board meeting which reiterated the group's long-term vision and strategic objectives.
- An increased focus on investor relations which included presentations and meetings with non-shareholders and a new investor relations website. Following this, we were pleased to welcome a number of new financial institutions as shareholders in our placing in July 2019.
- The group's CSR initiatives are being reviewed as an ongoing project including areas for environmental efficiency across our office network.

The board will complete a further evaluation of its performance in the new financial year.

Board meetings

The full board meets formally on a quarterly basis and informally where relevant throughout the year. Agendas for these meetings formalise the matters reserved for decision by the board with papers circulated in advance for consideration and comment. Meetings are structured to allow for the open discussion and debate of the key issues.

Attendance at board and committee meetings during the financial year is shown in the table below:

	Board meetings		Audit committee meetings		Remuneration committee meetings	
Director	attended	eligible to attend	attended	eligible to attend	attended	eligible to attend
Ric Traynor	6	6	— [1]	— [1]	— [2]	— [2]
Nick Taylor	6	6	— [3]	— [3]	—	—
Mark Fry	6	6	—	—	—	—
John May	6	6	4	4	2	2
Graham McInnes	5	6	4	4	2	2
Mark Stupples	6	6	—	—	—	—
Peter Wallqvist	2	2	—	—	—	—

1 The executive chairman attended three audit committee meetings by invitation

2 The executive chairman attended two remuneration committee meetings by invitation

3 The group finance director attended four audit committee meetings by invitation

Audit committee report

Graham McInnes

Chairman of the audit committee

On behalf of the board I am pleased to present the audit committee report for the year ended 30 April 2020.

Members of the audit committee

The audit committee has two members, each of whom is an independent, non-executive director. I am the chairman of the committee and John May is the other current member of the committee. The group company secretary is at the disposal of the committee to advise and assist both of the members.

The executive chairman, the group finance director and a representative of the group's external auditors are permitted to attend meetings of the committee by invitation only. The committee meets at least three times a year, in accordance with its terms of reference.

The committee's terms of reference are available on the group's website. Its principal responsibilities are to review and discuss governance, financial reporting and internal control and risk management.

Duties

During the year the committee discharged its responsibilities by:

- approving the external auditor's plan for the audit of the group's annual financial statements, including key audit matters, key risks, confirmation of auditor independence and terms of engagement and audit fees;
- reviewing the group's draft annual report and accounts and the external auditor's detailed audit completion report including the consideration of key audit matters and risks;
- reviewing the group's half year and full year results announcements;
- reviewing a report by management relating to the adoption of IFRS 16 'Leases' in this financial year. Following discussions with management and the external auditor the committee approved the adoption and disclosures of this revised accounting policy;
- reviewing the performance of the external auditor;
- appointment of a group internal audit manager to enhance the group's control environment; and
- reviewing the group's risk management process including the group's key risks and mitigations.

Role of the external auditor

The committee monitors the relationship with the external auditor, BDO, to ensure that auditor independence and objectivity are maintained. BDO has been the company's auditor since 2017, which followed a tender process. The committee will keep under review the need for a further external tender. Any instruction for BDO to provide non-audit services to the group must be approved in advance by the committee. Fees payable to BDO for non-audit services provided during the year were £37,500.

Having reviewed the auditor's independence and performance, the committee has concluded that these are effective and recommends that BDO be reappointed at the next AGM.

Audit process

The auditor prepares an annual planning report for consideration by the committee, which details areas of audit focus and anticipated key audit risks, together with the anticipated level of materiality. This is reviewed and approved by the committee. Following the audit the auditor presented its findings to the committee. No significant areas of concern were raised by the external auditor.

Internal audit

Having considered the increase in size and complexity of the group in recent years, the committee decided to appoint an internal audit manager in the year. The initial area of focus has been a review of the group's risk and internal control framework together with initial testing of key controls. In future years the committee will agree areas of focus for review and testing as part of a programme of internal audit reviews.

Internal controls and risk management

The systems of internal control and risk management are the ultimate responsibility of the board, which sets and reviews appropriate policies. The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. 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. Controls and processes are reviewed on a periodic basis by the group's finance, compliance and internal audit teams with any issues and recommendations reported to the audit committee.

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.

The principal risks and uncertainties faced by the group, together with mitigating activities, are disclosed in the strategic report on pages 16 and 17.

Graham McInnes

Chairman of the audit committee

20 July 2020

Remuneration committee report

John May

Chairman of the remuneration committee

I am pleased to present this remuneration report, which sets out the remuneration policy and the remuneration paid to the directors for the year.

Members of the remuneration committee

The remuneration committee has two members, each of whom is an independent, non-executive director. I am the chairman of the committee and Graham McInnes is the other current member of the committee. The group company secretary is at the disposal of the committee to advise and assist both of the members.

The executive chairman is invited to attend meetings of the committee for discussion on executive remuneration matters save for those relating to himself. The committee meets at least once a year, in accordance with its terms of reference.

The members of the remuneration committee have nominated Mark Stupples, one of the group's non-executive directors, to be an additional member of the remuneration committee and this appointment was approved by the board of directors in July 2020, increasing the number of members to three.

The committee's terms of reference are available on the group's website. Its principal responsibilities are to determine the remuneration payable to the executive directors and approve any management long-term incentive and share-based payment schemes.

Policy

The remuneration policy of the group is driven by our approach to align the best interests of shareholders and management.

The committee looks to set remuneration for executive directors at appropriate market levels, with reference to the roles and responsibilities of those directors. Incentive arrangements which provide appropriate reward and incentive are implemented and measured against key performance criteria designed to promote the best interests of shareholders.

Directors' remuneration

The remuneration arrangements for Ric Traynor and Nick Taylor consist of a 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. During the year, the fixed element of the remuneration was reviewed for the first time since 2016 and was increased by 10% with effect from 1 July 2019.

The executive bonus scheme, which is applicable to Ric Traynor and Nick Taylor, pays a percentage of salary/fixed profit share based on maintaining or growing the group's adjusted earnings per share in the year, with a maximum bonus of 100% of base salary payable for earnings growth of at least 40%. The level of bonus payable in the year is disclosed in the table of directors' emoluments.

Mark Fry is a member of Begbies Traynor (London) LLP ('the LLP'), a subsidiary of the group. During the financial year, he received a fully variable profit share, determined as a proportion of the profits of the LLP which is in line with the comparative period. In addition Mark Fry receives a fixed director's fee and the provision of a company car.

None of the directors participate in the group's defined contribution pension scheme.

COVID-19 considerations on directors' remuneration

In light of the COVID-19 emergency the committee has considered the level and basis of executive remuneration for the year being reported and the new financial year. As noted in the strategic review, the group has performed well in the financial year and in spite of the adverse impact of the changes in operating conditions resulting from the pandemic the group is in a strong financial position.

The directors' remuneration (as laid out in the tables below) contains a significant weighting to variable remuneration for the executive directors and the quantum reflects the strong financial performance of the group in recent years.

As part of the group's COVID-19 response (as laid out in the strategic report): all employees were paid in line with contractual terms for the two months of the lockdown period (April–May 2020) regardless of ability to complete work with the restrictions in place; the group has not made any applications under the Government's Coronavirus Job Retention Scheme; and the group has maintained its dividend policy. These decisions have been taken with due regard to the group's wider stakeholders and are possible due to the our strong financial position.

The committee have therefore determined that the remuneration policies for directors remain appropriate and have approved bonuses/variable pay as detailed in the table opposite.

Long-term incentive plans

The share-based incentive scheme which has been put in place for some of the executive directors seeks to incentivise the relevant executive directors to enhance shareholder value through growing the group's share price. Details of the group's share-based incentive schemes are set out on page 64 with a proportion of such awards also being conditional on delivering sustained growth in earnings and total shareholder return. No additional awards under this scheme were made in the year.

Non-executive directors

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 £	**2020 total £**	Fixed pay £	Variable pay £
Executive							
Ric Traynor	322,483	—	226,000	28,332	**576,815**	350,815	226,000
Nick Taylor	215,833	—	140,000	1,042	**356,875**	216,875	140,000
Mark Fry	15,000	595,008	—	30,000	**640,008**	45,000	595,008
Non-executive							
John May	40,000	—	—	—	**40,000**	40,000	—
Graham McInnes	40,000	—	—	—	**40,000**	40,000	—
Mark Stupples	40,000	—	—	—	**40,000**	40,000	—
Peter Wallqvist[1]	20,000	—	—	—	**20,000**	20,000	—
Aggregate emoluments	693,316	595,008	366,000	59,374	**1,713,698**	752,690	961,008

1 Directors' fees from date of appointment on 10 December 2019

Name of director	Directors' fees and profit share/salary £	Variable profit share £	Bonus £	Benefits in kind £	**2019 total £**	Fixed pay £	Variable pay £
Executive							
Ric Traynor	323,312	—	225,000	26,683	**574,995**	349,995	225,000
Nick Taylor	200,000	—	95,000	1,183	**296,183**	201,183	95,000
Mark Fry	15,000	958,920	—	30,000	**1,003,920**	45,000	958,920
Non-executive							
John May	40,000	—	—	—	**40,000**	40,000	—
Graham McInnes	40,000	—	—	—	**40,000**	40,000	—
Mark Stupples	40,000	—	—	—	**40,000**	40,000	—
Aggregate emoluments	658,312	958,920	320,000	57,886	**1,995,098**	716,178	1,278,920

Remuneration committee report *continued*

Directors' share options

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 awards for directors who served during the year are as follows:

Name of director	Number at 1 May 2019	Granted in year	Exercised in year	Expired in year	Number at 30 April 2020	Exercise price (pence)	Earliest exercise date	Expiry date
Mark Fry	1,000,000	—	—	—	**1,000,000**	36.7	30 April 2016	25 October 2023
Nick Taylor	250,000	—	—	—	**250,000**	51.0	25 July 2017	25 July 2024
	500,000	—	—	—	**500,000**	63.1	31 October 2020	31 October 2028

The market price of the company's shares at the end of the financial year was 104 pence and the range of market prices during the year was 60 pence to 105 pence.

Details of share options granted by the company at 30 April 2020 are given in note 22. None of the terms and conditions of the share options were varied in the year. No options were exercised in the year.

Directors' interests

The directors who held office at 30 April 2020 had the following interests in the shares of the group:

		30 April 2020		1 May 2019	
Name of directors	Description of shares	**number**	**%**	number	%
Ric Traynor	Ordinary shares	**27,178,980**	**21.26**	27,178,980	23.77
Nick Taylor	Ordinary shares	**117,540**	**0.09**	117,540	0.10
Mark Fry	Ordinary shares	**734,390**	**0.57**	127,466	0.11
John May	Ordinary shares	**309,036**	**0.24**	276,574	0.24
Graham McInnes	Ordinary shares	**917,432**	**0.72**	917,432	0.80
Mark Stupples	Ordinary shares	**30,727**	**0.02**	30,727	0.03
Peter Wallqvist	Ordinary shares	**30,000**	**0.02**	—	—

No changes took place in the interests of directors between 30 April 2020 and 20 July 2020.

John May

Chairman of the remuneration committee

20 July 2020

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 2020. The chairman's statement, strategic report, directors' remuneration report and corporate governance statement form part of the directors' report and are incorporated into it by cross-reference.

The stakeholder engagement section of the strategic report contains information in respect of the group's key stakeholders and business relationships, including employees, clients, shareholders, and the community and environment.

Directors

The names and brief biographical details of the directors are shown on page 20.

Risks and uncertainties

The principal business risks and uncertainties to which the company is exposed are detailed on page 16 of the strategic report.

Dividends

The directors recommend a final dividend of 1.9 pence (2019: 1.8 pence per ordinary share) to be paid on 5 November 2020 to shareholders on the register on 9 October 2020. This, together with the interim dividend of 0.9 pence paid on 11 May 2020 (2019: 0.8 pence), makes a total dividend of 2.8 pence for the year (2019: 2.6 pence).

Substantial shareholdings

On 6 July 2020, 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	9,621,418	7.52
OVMK Vermogensbeheer	7,190,119	5.63
Amati Global Investors	6,888,178	5.37
Close Brothers Asset Management	6,852,949	5.36

Other than the above holdings and those of the directors (see page 28), the board is not aware of any beneficial holdings in excess of 3% of the issued share capital of the company.

Financial instruments

The financial risk management objectives and policies of the group are shown in note 20.

Capital structure

Details of the issued share capital, together with details of the movements in share capital during the year, are shown in note 21.

Political donations

The company made no political donations during the year.

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.

Greenhouse gas (GHG) emissions report

The following table provides details of the group's GHG emissions for the year.

	Tonnes of CO_2e	Energy consumed (kWh)
Combustion of gas and consumption of fuel for the purposes of transport	401	1,618,000
Purchase of electricity for our own use	216	846,000
Total emissions above per full-time equivalent member of staff	0.96	3,838

The emission factors used were from the UK Government's GHG Conversion Factors for Company Reporting 2020.

During the year the group engaged third party consultants to complete its ESOS report. As a result of the operating restrictions imposed by the Government lockdown the consultants have been unable to complete the report. The report will be completed in the new financial year and the group will review the recommendations contained in the report to identify potential actions to reduce GHG emissions.

Employees

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.

For details on employee engagement refer to stakeholder engagement in the strategic report on page 18.

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 (as defined in the Companies Act 2006) 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.

In accordance with section 489 of the Companies Act 2006, a resolution will be proposed at the annual general meeting that BDO LLP be reappointed as auditors.

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

John Humphrey
Company secretary
20 July 2020

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; and
- 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.

Independent auditor’s report

to the members of Begbies Traynor Group plc

Opinion

We have audited the financial statements of Begbies Traynor Group plc (the ‘Parent Company’) and its subsidiaries (the ‘Group’) for the year ended 30 April 2020 which comprise the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement, the Company balance sheet, the Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

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 the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard in the United Kingdom and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the Parent Company’s affairs as at 30 April 2020 and of the Group’s profit 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 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group’s or the Parent Company’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report *continued*

to the members of Begbies Traynor Group plc

Key audit matters continued

Carrying value of goodwill	How we addressed the key audit matter in the audit
The Group's goodwill measurement and valuation policy is set out in note 2 of these financial statements, with a summary of goodwill set out on page 56. In accordance with IAS 36, an annual impairment review of goodwill (see note 11) is required at each year end. The impairment assessment is performed by management based on comparing the value in use to the carrying value of goodwill. This calculation involves a number of management judgements and estimates, and as such holds the potential for bias or error. Furthermore, the £50.2 million goodwill figure held in the balance sheet at the year end is highly material and there is a risk that this value may not be supported. Hence we treated this a key audit matter. Management prepared impairment calculations based on the forecasts of the insolvency cash-generating unit (CGU), to which all the goodwill belongs. They also applied sensitivity analysis to the assumptions used in the calculations, as set out in note 11. Management's assessment found significant headroom and concluded no impairment was required.	• We reviewed the methodology applied by management to ensure consistency with prior year calculations. • We reviewed the allocation of goodwill to ensure it was correctly allocated to the insolvency CGU. • We reviewed the assumptions used within the forecast figures for the insolvency CGU. We compared these to the actual results of this CGU in the financial year ended 30 April 2020, investigating and challenging management on any unusual or significant movements expected going forward based on our understanding of the business. We also checked for consistency with the forecasts used in the going concern assessment. • We reviewed the key assumptions made within the calculation. The key assumptions are considered to be the weighted average cost of capital (WACC), the growth rate applied to the calculations and the economic cycles assumed in the model (based on historical trends) as this drives volumes forecast for the insolvency practice, which is counter-cyclical to the general economic environment in the UK. • We engaged the use of an internal auditor's expert to consider the appropriateness of management's WACC estimate, and whether it was reasonable for use in this calculation. • We tested the sensitivity calculations and applied our own sensitivity analysis to the key assumptions to consider the headroom available. **Key observations:** • As a result of performing the above procedures we did not identify any material misstatements in respect of goodwill.

Revenue and unbilled income recognition	How we addressed the key audit matter in the audit
The Group's revenue recognition policy is set out in note 2 of these financial statements. In line with auditing standards, there is a presumed significant risk of fraud in relation to revenue recognition. We have considered the application of the Group revenue recognition policies and determined that the significant risk in the period is that of the overstatement of unbilled income recorded using stage of completion calculations at year end through either the manipulation of provisions for unrecoverable amounts or cut-off of employee costs incurred around year end, from which unbilled income balances are calculated. As noted in the accounting policies (note 2 (j)), judgements are formed over a large portfolio of cases meaning individual judgements are not material; however, as a result of the large number of insolvency cases being handled by the Group, the aggregate balance of unbilled income is significant. As a result of the significant level of estimation involved in the balance there is potential for material misstatement and significant audit work was performed in this area.	• We tested the operating effectiveness of a key control to ensure that there is sufficient challenge placed by the group finance team on monthly unbilled income estimates and judgements, including provisions. Group finance review and challenge that key estimates and provisions against unbilled income are appropriately calculated, each month, by individual insolvency practitioners and fee earners. We have attended a sample of monthly finance review meetings and observed the level of challenge and follow-up of individual cases, which provides assurance over the internal control in place. • A sample of year end unbilled income balances was tested through questionnaires being issued to the fee earners and then reviewing their responses and associated evidence, e.g. creditors' resolutions, property valuations and balances held in bank accounts, against the year end position set out. This included questions on the impact of COVID-19 on realisations and asset values held for the case. • We reperformed the stage of completion calculations as at year end for a sample of cases and robustly challenged the judgements and estimates made by management in relation to the status of cases by looking at the costs to complete for each of the cases. We also challenged recoverability of the fees by looking at the value of assets held within each of the case which supported fee estimate. • We also reviewed the stage of completion estimates made in the prior year for a sample of cases and assessed their accuracy based on actual outcomes. • We performed cut-off testing around the year end for employee costs to ensure revenue had been recognised in the correct period. • We performed a high level review of the ageing of year end unbilled income, to evaluate movements in ageing from the prior year and confirm the ageing profile is in line with our understanding of the business. **Key observation:** • As a result of performing the above procedures we did not identify any material misstatements in respect of revenue recognition or unbilled income.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed.

Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Performance materiality has been set at 70% of materiality. This has been assessed on criteria such as historic adjustment levels, complexity and the controls of the Group.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£450,000 (2019: £350,000)
Group performance materiality	£315,000 (2019: £245,000)
Parent Company materiality	£337,500 (2019: £260,000)
Parent Company performance materiality	£236,250 (2019: £182,000)
Basis for Group materiality	5% of adjusted profit before tax
Basis for Parent Company materiality	Based on net assets and restricted to 75% of Group materiality
Rationale for the benchmark adopted	Begbies Traynor Group plc is AIM listed, with profit making intentions and significant investors external to the Group. Adjusted profit is considered to be the key KPI for the Group and as such a profit-based materiality basis is considered appropriate. We adjusted for amortisation and transaction costs as these costs do not specifically relate to any underlying operating activities. The adjusted figure gives a more appropriate basis in line with a benchmark used for business decision making and used by the investor/shareholder community.

For each significant component in the Group audit we allocated a materiality within the range of £390,000 to £50,000 (2019: £260,000 to £36,000).

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £18,000 (2019: £14,000). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

For the five significant components we identified, we performed a full scope audit of the complete financial information. For the remaining components, we performed analytical reviews and other audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements, either because of the size of these accounts or their risk profile.

Audits of the components were performed at a materiality level calculated by reference to a proportion of Group materiality appropriate to the relative scale of the business concerned.

The group audit team conducted the audit of all components of the business and no component auditors were used during the audit process.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report *continued*

to the members of Begbies Traynor Group plc

Opinions 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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the 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 in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Langford (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
Leeds, United Kingdom
20 July 2020

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 2020

	Notes	2020 £'000	Restated 2019 £'000
Revenue	3	**70,503**	60,058
Direct costs		**(40,317)**	(34,246)
Gross profit		**30,186**	25,812
Other operating income		**363**	393
Administrative expenses		**(26,697)**	(21,850)
Operating profit (before amortisation and transaction costs)		**10,119**	7,999
Transaction costs	5	**(3,163)**	(1,283)
Amortisation of intangible assets arising on acquisitions		**(3,104)**	(2,361)
Operating profit		**3,852**	4,355
Finance costs	7	**(968)**	(1,006)
Profit before tax		**2,884**	3,349
Tax	8	**(1,953)**	(1,102)
Profit and total comprehensive income for the year		**931**	2,247
Earnings per share			
Basic	10	**0.7 pence**	2.0 pence
Diluted	10	**0.7 pence**	1.9 pence

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

Consolidated statement of changes in equity

for the year ended 30 April 2020

	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
At 1 May 2018 as previously reported	5,508	22,789	20,248	304	8,852	57,701
Restatement (see note 2 (t))	—	(603)	—	—	(855)	(1,458)
At 1 May 2018 as restated	5,508	22,186	20,248	304	7,997	56,243
Total comprehensive income for the year as restated	—	—	—	—	2,247	2,247
Dividends	—	—	—	—	(2,649)	(2,649)
Credit to equity for equity-settled share-based payments	—	—	—	—	99	99
Shares issued as consideration for acquisitions	74	—	834	—	—	908
Shares issued as deferred consideration	93	—	1,107	—	—	1,200
SIP shares issued	1	7	—	—	—	8
Shares issued for share-based payments	43	—	—	—	(43)	—
At 30 April 2019	5,719	22,193	22,189	304	7,651	58,056
Total comprehensive income for the year	—	—	—	—	931	931
Dividends	—	—	—	—	(3,185)	(3,185)
Credit to equity for equity-settled share-based payments	—	—	—	—	102	102
Shares issued as consideration for acquisitions	73	—	1,177	—	—	1,250
Shares issued as deferred consideration	38	—	561	—	—	599
Placing shares issued	552	7,266	—	—	—	7,818
Shares issued for share-based payments	4	—	—	—	(4)	—
At 30 April 2020	**6,386**	**29,459**	**23,927**	**304**	**5,495**	**65,571**

A description of the nature and purpose of each reserve is included within note 29.

Consolidated balance sheet

at 30 April 2020

	Notes	2020 £'000	Restated 2019 £'000	Restated 2018 £'000
Non-current assets				
Intangible assets	11	**59,437**	59,392	59,061
Property, plant and equipment	12	**1,800**	1,766	1,512
Right of use assets	13	**7,021**	7,399	7,210
Trade and other receivables	14	**4,586**	3,220	1,759
		72,844	71,777	69,542
Current assets				
Trade and other receivables	14	**36,460**	32,332	28,816
Cash and cash equivalents		**7,247**	4,009	3,518
		43,707	36,341	32,334
Total assets		**116,551**	108,118	101,876
Current liabilities				
Trade and other payables	15	**(22,223)**	(22,048)	(16,381)
Current tax liabilities		**(1,878)**	(1,976)	(1,548)
Lease liabilities	16	**(2,232)**	(1,927)	(2,147)
Provisions	18	**(883)**	(478)	(576)
		(27,216)	(26,429)	(20,652)
Net current assets		**16,491**	9,912	11,682
Non-current liabilities				
Trade and other payables		**—**	—	(1,093)
Borrowings	17	**(10,000)**	(10,000)	(11,000)
Lease liabilities	16	**(6,137)**	(6,667)	(6,079)
Provisions	18	**(1,935)**	(2,070)	(2,187)
Deferred tax	19	**(5,692)**	(4,896)	(4,622)
		(23,764)	(23,633)	(24,981)
Total liabilities		**(50,980)**	(50,062)	(45,633)
Net assets		**65,571**	58,056	56,243
Equity				
Share capital	21	**6,386**	5,719	5,508
Share premium		**29,459**	22,193	22,186
Merger reserve		**23,927**	22,189	20,248
Capital redemption reserve		**304**	304	304
Retained earnings		**5,495**	7,651	7,997
Equity attributable to owners of the company		**65,571**	58,056	56,243

The financial statements of Begbies Traynor Group plc, registered number 5120043, were approved by the board of directors and authorised for issue on 20 July 2020. 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 2020

	Notes	2020 £'000	Restated 2019 £'000
Cash flows from operating activities			
Cash generated by operations	24	**4,734**	8,016
Income taxes paid		**(2,186)**	(1,362)
Interest paid on borrowings		**(436)**	(491)
Interest paid on lease liabilities		**(454)**	(460)
Net cash from operating activities (before deemed remuneration payments)		**10,428**	9,475
Deemed remuneration payments		**(8,770)**	(3,772)
Net cash from operating activities		**1,658**	5,703
Investing activities			
Purchase of intangible fixed assets	11	**(103)**	(216)
Purchase of property, plant and equipment	12	**(686)**	(784)
Acquisition of businesses		**(2,970)**	(1,778)
Deferred consideration payments		**(720)**	—
Cash acquired in acquisition of businesses	23	**3,360**	3,353
Net cash (used in) from investing activities		**(1,119)**	575
Financing activities			
Dividends paid	9	**(3,185)**	(2,649)
Proceeds on issue of shares		**7,818**	10
Capital element of lease payments		**(1,934)**	(2,148)
Repayment of loans		**—**	(1,000)
Net cash generated from (used in) financing activities		**2,699**	(5,787)
Net increase in cash and cash equivalents		**3,238**	491
Cash and cash equivalents at beginning of year		**4,009**	3,518
Cash and cash equivalents at end of year		**7,247**	4,009

Notes to the consolidated financial statements

for the year ended 30 April 2020

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 IFRS Interpretations Committee.

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, apart from those affected by the implementation of IFRS 16 'Leases' as noted in (t) below.

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, the principal risks and uncertainties, its cash flows, liquidity position and borrowing facilities are described in the strategic report.

Furthermore, notes 17 and 20 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 million, of which £2.8 million was utilised (£10 million drawn less £7.2 million of cash balances) at 30 April 2020.

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, including those arising from the COVID-19 pandemic.

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.

Adjusted performance measures

Management believes that adjusted performance measures provide meaningful information to the users of the accounts on the operating performance of the business and are the performance measures used by the board to monitor operational performance and determine remuneration levels (including bonuses) for executives and senior management. Accordingly, adjusted measures of operating profit, profit before tax, net cash from operating activities and earnings per share exclude, where applicable, transaction costs, amortisation of intangible assets arising on acquisitions and related tax effects on these items. These terms are not defined terms under IFRSs and may therefore not be comparable with similarly titled profit measures reported by other companies. They are not intended to be a substitute for, or superior to, GAAP measures.

The items excluded from adjusted results are those which arise due to acquisitions and are charged to the consolidated statement of comprehensive income in accordance with IFRS 3. They are not influenced by the day-to-day operations of the group.

(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) Business combinations

The acquisition of subsidiaries and businesses is accounted for using the acquisition method.

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2020

2. Accounting policies continued

(c) Business combinations continued

Measurement of consideration

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.

Contingent consideration is initially measured at fair value at the date of the business combination. Any subsequent adjustment to this fair value (such as meeting an earnings target), where the consideration is payable in cash, is recognised in the consolidated statement of comprehensive income.

Deemed remuneration

In accordance with the IFRS Interpretations 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 service obligation.

Payments paid in advance of the service obligation being delivered are recognised as an asset within trade and other receivables. The balance is disclosed within current assets for service obligations in less than 12 months and in non-current assets for service obligations after more than 12 months. In the event that the service obligations have been delivered in advance of the payment being made, the resultant liability is recognised within trade and other payables.

Fair value assessment

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.

Gain on acquisition or goodwill

A gain on acquisition arises where 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. This typically arises where there are post-acquisition service obligations in relation to the contractual consideration payments which results in these payments being excluded from consideration under IFRS 3. A gain on acquisition is recognised immediately in the consolidated statement of comprehensive income.

Goodwill arises where the cost of the business combination exceeds the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. This is recognised as an asset and is subject to impairment tests as noted in 2 (d).

Acquisition costs

Acquisition costs are recognised in the consolidated statement of comprehensive income as incurred and separately disclosed due to the nature of this expense.

(d) 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	10%–33% of cost
Intangible assets arising on acquisitions	10%–50% of fair value at acquisition

2. Accounting policies continued

(e) 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.

(f) 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.

(g) 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 (excluding unbilled income and deemed remuneration)

Trade receivables are initially recognised at their transaction price, and then subsequently stated at amortised cost less impairment provision for estimated irrecoverable amounts.

The group applies the simplified approach to providing for expected credit losses ('ECLs') under IFRS 9, which permits the use of the lifetime expected loss provision for trade receivables. The group makes specific provisions for lifetime expected credit losses against trade receivables where additional information is known regarding the recoverability of those balances. For the remaining trade receivables balances, the group has established an ECL model using provision matrices for recognising ECLs on its trade receivables, based on its historical credit loss experience over a two year period, adjusted (where appropriate) for forward-looking factors.

Trade receivables are written off where there is no expectation of recovery.

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.

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2020

2. Accounting policies continued

(g) Financial instruments continued

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.

(h) 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.

(i) Leases

The group enters into lease agreements for the use of buildings, motor vehicles and office equipment.

Leases are accounted for at inception by recognising a right of use asset, lease liability and dilapidations liability.

The lease liability is measured at the present value of fixed payments under the lease. IFRS 16 requires payments to be discounted using the interest rate implicit in the lease. Where that rate cannot be readily determined, which is generally the case for the group's leases, the group's incremental borrowing rate is used, being the rate that the group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

The initial value of the right of use asset is the present value of the fixed payments under the lease, any initial direct costs and an estimate of dilapidation costs under the terms of the lease. Depreciation of the right of use asset is recognised in the income statement on a straight-line basis over the term of the lease. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Lease liabilities increase as a result of the finance cost charged to the income statement over the lease period, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period, and the liabilities are reduced for lease payments made. Lease payments are allocated between principal and interest cost.

The group has taken advantage of the exemptions available under IFRS 16 not to apply the recognition and requirements of the standard to leases with a term of 12 months or less, or leases for which the underlying asset value is low. For these leases, a charge is recognised in the income statement based on straight-line recognition of the lease payments payable on each lease, after adjustment for lease incentives received.

The group sometimes negotiates break clauses in its property leases, with the typical factor in deciding to negotiate a break clause being the length of the lease term. The carrying amounts of lease liabilities are not reduced by payments that would be avoided from exercising break clauses because, as at the point of lease inception, it was considered reasonably certain that the group would not exercise its right to exercise any break in the lease.

(j) Revenue recognition

Revenue is recognised when control of a service or product provided by the group is transferred to the customer, in line with the group's performance obligations in the contract, and at an amount reflecting the consideration the group expects to receive in exchange for the service or product.

There are no significant judgements required in determining the group's performance obligations in its contracts as the significant majority of contracts contain only one performance obligation.

The group recognises revenue from the following activities:

- insolvency and advisory services;
- corporate finance services;
- commercial property management;
- property consultancy services; and
- commercial property and other business asset disposals.

Insolvency and advisory services

For the group's formal insolvency appointments and other advisory engagements, where remuneration is typically determined based on hours worked by professional partners and staff, the group transfers control of its services over time and recognises revenue over time if the group:

- provides services for which it has no alternative use or means of deriving value; and
- has an enforceable right to payment for its performance completed to date, and for formal insolvency appointments has approval from creditors to draw fees which will be paid from asset realisations.

2. Accounting policies continued

(j) Revenue recognition continued

Insolvency and advisory services continued

On certain contracts the group may not have enforceable rights to payment at the start of the contract and revenue will not be recognised until these rights are in place. This may occur on insolvency appointments where the recovery of assets is subject to litigation or the realisation of assets is uncertain.

Progress on each assignment is measured using an input method based on costs incurred to date as a percentage of total anticipated costs.

In determining the amount of revenue and the related balance sheet items (such as trade receivables, unbilled income and deferred income) to recognise in the period, management is required to form a judgement on each individual contract of the total expected fees and total anticipated costs.

These estimates and judgements may change over time as the engagement 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 contracts and are therefore unlikely to be individually material.

Invoices on formal insolvency appointments are generally raised having achieved approval from creditors to draw fees. This is typically settled on a timely basis from case funds. On advisory engagements, invoices are generally raised in line with contract terms.

Where revenue is recognised in advance of the invoice being raised (in line with the recognition criteria above) this is disclosed as unbilled income within trade and other receivables. Where an invoice is raised in advance of the revenue being recognised, this is disclosed as deferred income within trade and other payables.

Corporate finance services

Generally, revenue is recognised at a point in time on the date of completion of the transaction or when unconditional contracts have been exchanged. Fees are typically a fixed percentage of the transaction value and are invoiced to the client (and typically payable) on completion.

Commercial property management

The group manages commercial properties for owners. The primary performance obligation relates to the ongoing management of the property and revenue is recognised over time on a straight-line basis as the services are performed in line with the contract terms. The majority of customers are invoiced quarterly in advance, with a deferred income balance recognised for services still to be delivered.

Property consultancy services

The group provides a wide range of professional property services including valuation, building consultancy, planning and insurance broking. Revenue will typically be recognised at a point in time following satisfaction of the performance obligation(s) in the contract, at which point the group is typically entitled to invoice the customer, and payment will be due.

Commercial property and other business asset disposals

The group is appointed to sell properties, businesses, machinery and other business assets for clients through physical and online auctions, commercial property agency and business sales agency. Generally, revenue is recognised at a point in time on the date of completion of the asset sale or when unconditional contracts for the sale have been exchanged. Fees are typically a fixed percentage of the transaction value and are invoiced to the client (and typically payable) on completion.

Financing component

In line with IFRS 15, the group does not adjust the promised amount of consideration for the effects of a significant financing component if the group expects, at contract inception, that the period between the group transferring its product or services to a customer and when the customer pays will be one year or less.

(k) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(l) 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.

(m) Share-based payments

Equity-settled share-based payments 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 22.

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.

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2020

2. Accounting policies continued

(n) 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.

(o) Taxation

The tax expense represents the sum of current tax and deferred tax.

Current tax

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 tax

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.

(p) Charge arising under Begbies Traynor London (LLP) put and call option

The liability to the group under this option (as detailed in note 28) is charged to the consolidated statement of comprehensive income over the period of the contractual obligation, and included as a transaction cost within administrative expenses.

(q) 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.

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 business combinations, 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 require 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 11.

(r) 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 and the discount rate would change the valuation of the intangible assets, and the estimate of expected contingent consideration payable affects the resulting gain on acquisition recognised. Details in relation to current year acquisitions are in note 23.

2. Accounting policies continued

(s) 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 Financial Reporting Standards ('IFRSs')	Effective date (year end commencing on or after)
Definition of a business (Amendments to IFRS 3 'Business Combinations')	1 January 2020
Amendments to IAS 1 and IAS 8 'Definition of Material'	1 January 2020

Other new amended standards and interpretations issued by the IASB that apply to the financial statements do not impact the group as they are either not relevant to the group's activities or require accounting which is consistent with the group's current accounting policies.

(t) Restatement of prior year financial statements

Adoption of new accounting standards

The group has adopted IFRS 16 'Leases' with effect from the start of this financial year, which replaces IAS 17 'Leases' and its related interpretations. IFRS 16 seeks to align the presentation of leased assets more closely to owned assets. Under IAS 17 all the group's leases where the group is a lessee were operating leases. The group recognised a lease charge in the income statement based on straight-line recognition of the lease payments payable on each lease, after adjustment for lease incentives received.

IFRS 16 requires lessees to recognise a right of use asset and lease liability at lease inception, with liabilities recognised at present value. The initial value of the right of use asset is the present value of the fixed payments under the lease, any initial direct costs and an estimate of dilapidation costs under the terms of the lease.

In the income statement, the operating lease charge as recognised under IAS 17 is replaced with a straight-line depreciation charge on the right of use asset and an interest cost on the lease liability. This therefore results in an increase in operating profit, which is reported prior to interest charges. The depreciation on the asset is charged evenly over the term of the lease; however, the interest charge will be higher in the initial years of a lease and reduce over time. In aggregate over the lease term the charge to profit will be the same under both accounting standards.

The cash flow statement will reflect the lease payments previously included within cash generated by operations as interest payments (within net cash from operating activities) and repayments of obligations under leases (within net cash used in financing activities). There is no impact on total cash flow by year from adoption of the standard.

The group has taken advantage of the exemptions available under IFRS 16 not to apply the recognition and requirements of the standard to leases with a term of 12 months or less, or leases for which the underlying asset value is low. The recognition of these exempted leases will therefore continue unchanged – a charge will be recognised in the income statement based on straight-line recognition of the lease payments payable on each lease, after adjustment for lease incentives received.

As part of the adoption of IFRS 16, the group has reviewed its policy for the recognition of dilapidation obligations arising on leases. Previously the group recognised a dilapidation provision when it was considered probable that an obligation would crystallise through the group exiting the property at any forthcoming lease break or end of lease ('relevant date'). All leases were reviewed at least two years prior to any relevant date to determine the requirement for any provision. In addition, any onerous property commitments provided for under IAS 37 'Provisions' included an assessment of dilapidation obligations. The provision under this policy at April 2019 was £0.6 million.

The group will now include an estimate of dilapidation costs at lease commencement, with the discounted value recognised as a provision and included within the initial cost of the right of use asset. As part of the IFRS 16 restatement at 1 May 2018 an adjustment of £1.7 million has been recorded to increase the dilapidation provision on the balance sheet, with a corresponding entry in retained earnings. There was no material impact on reported profits in prior years as a result of the previous assessment.

The standard has been adopted on a fully retrospective basis, which includes a full restatement of the comparative results in the financial year ended 30 April 2019.

In summary the adoption of IFRS 16 had the following impact on the group's financial results for the year ended 30 April 2019:

- increase in operating profit (before amortisation and transaction costs) of £0.4 million to £8.0 million;
- increase in finance costs of £0.5 million to £1.0 million;
- reduction in profit before tax of £0.1 million;
- reduction in net assets of £1.5 million arising from the recognition of right of use assets, lease liabilities and increase in dilapidations provisions, offset by the derecognition of IAS 17 working capital balances and onerous lease provisions (net of deferred tax); and
- no impact on total cash flow; however net cash from operating activities increased by £2.1 million and net cash used in financing activities increased by £2.1 million.

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2020

2. Accounting policies continued

(t) Restatement of prior year financial statements continued

Adjustment to provisional accounting estimates under IFRS 3

Following agreement of completion accounts for prior year acquisitions, there were some amendments to provisional estimates. In accordance with 2 (c) above, provisional values are adjusted retrospectively and comparative information is restated.

Reclassification of deemed remuneration payments

Deemed remuneration payments (see note 2 (c)) have been reclassified from investing cash flows to operating cash flows.

Reserves reclassification

The group has reclassified the premium on shares issued in relation to employee share schemes from share premium to retained earnings. At 1 May 2018 and 30 April 2019 the adjustments between share premium and retained earnings were £603,000 and £997,000 respectively.

The tables below show the impact of these restatements.

Consolidated statement of comprehensive income

	As reported 30 April 2019 £'000	IFRS 16 £'000	Adjustment to provisional estimates on acquisitions £'000	Restated 30 April 2019 £'000
Revenue	60,058	—	—	60,058
Direct costs	(34,276)	30	—	(34,246)
Gross profit	25,782	30	—	25,812
Other operating income	393	—	—	393
Administrative expenses	(22,163)	432	(119)	(21,850)
Operating profit before amortisation and transaction costs	7,553	446	—	7,999
Transaction costs	(1,180)	16	(119)	(1,283)
Amortisation	(2,361)	—	—	(2,361)
Operating profit	4,012	462	(119)	4,355
Finance costs	(486)	(520)	—	(1,006)
Profit before tax	3,526	(58)	(119)	3,349
Tax	(1,092)	(10)	—	(1,102)
Profit and total comprehensive income for the year	2,434	(68)	(119)	2,247
Earnings per share				
Basic	2.2 pence			2.0 pence
Diluted	2.1 pence			1.9 pence

Consolidated cash flow statement

	As reported 30 April 2019 £'000	IFRS 16 £'000	Reclassification of deemed remuneration payments £'000	Restated 30 April 2019 £'000
Net cash from operating activities	7,327	2,148	(3,772)	5,703
Net cash (used in) from investing activities	(3,197)	—	3,772	575
Net cash generated from (used in) financing activities	(3,639)	(2,148)	—	(5,787)
Net increase in cash and cash equivalents	491	—	—	491

2. Accounting policies continued

(t) Restatement of prior year financial statements continued

Consolidated balance sheet

	As reported 30 April 2019 £'000	IFRS 16 £'000	Adjustment to provisional estimates on acquisitions	Reserves reclassification £'000	Restated 30 April 2019 £'000
Non-current assets					
Intangible assets	59,392	—	—	—	59,392
Property, plant and equipment	1,766	—	—	—	1,766
Right of use assets	—	7,399	—	—	7,399
Trade and other receivables	3,220	—	—	—	3,220
	64,378	7,399	—	—	71,777
Current assets					
Trade and other receivables	32,653	(339)	18	—	32,332
Cash and cash equivalents	4,009	—	—	—	4,009
	36,662	(339)	18	—	36,341
Total assets	101,040	7,060	18	—	108,118
Current liabilities					
Trade and other payables	(22,664)	753	(137)	—	(22,048)
Current tax liabilities	(1,976)	—	—	—	(1,976)
Lease liabilities	—	(1,927)	—	—	(1,927)
Provisions	(588)	110	—	—	(478)
	(25,228)	(1,064)	(137)	—	(26,429)
Net current assets	11,434	(1,403)	(119)	—	9,912
Non-current liabilities					
Borrowings	(10,000)	—	—	—	(10,000)
Lease liabilities	—	(6,667)	—	—	(6,667)
Provisions	(763)	(1,307)	—	—	(2,070)
Deferred tax	(5,348)	452	—	—	(4,896)
	(16,111)	(7,522)	—	—	(23,633)
Total liabilities	(41,339)	(8,586)	(137)	—	(50,062)
Net assets	59,701	(1,526)	(119)	—	58,056
Equity					
Share capital	5,719	—	—	—	5,719
Share premium	23,190	—	—	(997)	22,193
Merger reserve	22,189	—	—	—	22,189
Capital redemption reserve	304	—	—	—	304
Retained earnings	8,299	(1,526)	(119)	997	7,651
Equity attributable to owners of the company	59,701	(1,526)	(119)	—	58,056

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2020

2. Accounting policies continued

(t) Restatement of prior year financial statements continued

Consolidated balance sheet

	As reported 1 May 2018 £'000	IFRS 16 £'000	Reserves reclassification £'000	Restated 1 May 2018 £'000
Non-current assets				
Intangible assets	59,061	—	—	59,061
Property, plant and equipment	1,512	—	—	1,512
Right of use assets	—	7,210	—	7,210
Trade and other receivables	1,759	—	—	1,759
	62,332	7,210	—	69,542
Current assets				
Trade and other receivables	29,041	(225)	—	28,816
Cash and cash equivalents	3,518	—	—	3,518
	32,559	(225)	—	32,334
Total assets	94,891	6,985	—	101,876
Current liabilities				
Trade and other payables	(17,268)	887	—	(16,381)
Current tax liabilities	(1,548)	—	—	(1,548)
Lease liabilities	—	(2,147)	—	(2,147)
Provisions	(783)	207	—	(576)
	(19,599)	(1,053)	—	(20,652)
Net current assets	12,960	(1,278)	—	11,682
Non-current liabilities				
Trade and other payables	(1,093)	—	—	(1,093)
Borrowings	(11,000)	—	—	(11,000)
Lease liabilities	—	(6,079)	—	(6,079)
Provisions	(414)	(1,773)	—	(2,187)
Deferred tax	(5,084)	462	—	(4,622)
	(17,591)	(7,390)	—	(24,981)
Total liabilities	(37,190)	(8,443)	—	(45,633)
Net assets	57,701	(1,458)	—	56,243
Equity				
Share capital	5,508	—	—	5,508
Share premium	22,789	—	(603)	22,186
Merger reserve	20,248	—	—	20,248
Capital redemption reserve	304	—	—	304
Retained earnings	8,852	(1,458)	603	7,997
Equity attributable to owners of the company	57,701	(1,458)	—	56,243

3. Revenue

Revenue recognised in the year of £70,503,000 (2019: £60,058,000) was exclusively from contracts with customers recognised in accordance with IFRS 15. An analysis of revenue by nature of activity and recognition method is detailed in note 4.

The contract balances recognised are:

	2020 £'000	2019 £'000
Contract assets		
Trade receivables	**5,487**	6,485
Unbilled income	**24,492**	21,310
	29,979	27,795
Contract liabilities		
Deferred income	**(4,168)**	(3,338)

The movement in contract assets in the year comprises: £1.4 million increase from acquisitions in the year and £0.8 million increase due to organic growth in the year. The movement in contract liabilities in the year comprises: £0.6 million increase from acquisitions in the year and £0.2 million increase arising from formal insolvency appointments.

Revenue recognised in the year that was included in deferred income at the beginning of the year was £1.3 million (2019: £1.1 million).

For the group's formal insolvency contracts, which are expected to be completed within three years, the aggregate amount of the overall transaction price which has been allocated to performance obligations that are unsatisfied (or only partially satisfied) at 30 April 2020 is £19.1 million (2019: £15.4 million).

For other contracts, the group has taken the practical expedients available under IFRS 15 not to disclose any amounts relating to contracts which had an expected duration of one year or less.

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2020

4. Segmental analysis

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 group is managed as two operating segments: business recovery and financial advisory services, and property advisory and transactional services.

The performance of the group's operating segments is assessed by the chief operating decision maker on the basis of revenue and operating profit (before amortisation and transaction costs), which is presented below. Revenue is presented by basis of recognition and by service line, in accordance with IFRS 15.

	Business recovery and financial advisory services 2020 £'000	Property advisory and transactional services 2020 £'000	Shared and central costs 2020 £'000	Consolidated 2020 £'000
Revenue				
Total revenue from rendering of professional services	49,630	21,021	—	70,651
Inter-segment revenue	—	(148)	—	(148)
Revenue from external customers	49,630	20,873	—	70,503
Over time	45,977	2,439	—	48,416
At a point in time	3,653	18,434	—	22,087
Revenue from external customers by basis of recognition	49,630	20,873	—	70,503
Insolvency and advisory services	45,977	—	—	45,977
Corporate finance	3,653	—	—	3,653
Commercial property management	—	2,439	—	2,439
Property consultancy services	—	10,717	—	10,717
Commercial property, businesses and other asset disposals	—	7,717	—	7,717
Revenue from external customers by service line	49,630	20,873	—	70,503
Operating profit before amortisation and transaction costs	11,588	3,860	(5,329)	10,119

	Business recovery and financial advisory services 2020 £'000	Property advisory and transactional services 2020 £'000	Unallocated corporate amounts 2020 £'000	Consolidated 2020 £'000
Balance sheet				
Assets	91,696	17,608	7,247	116,551
Liabilities	(31,689)	(6,503)	(12,788)	(50,980)
Net assets	60,007	11,105	(5,541)	65,571

Unallocated amounts include current and deferred tax liabilities, cash and borrowings.

4. Segmental analysis continued

	Business recovery and financial advisory services 2019 £'000	Property advisory and transactional services 2019 £'000	Shared and central costs 2019 £'000	Restated Consolidated 2019 £'000
Revenue				
Total revenue from rendering of professional services	43,313	16,903	—	60,216
Inter-segment revenue	—	(158)	—	(158)
Revenue from external customers	43,313	16,745	—	60,058
Over time	40,459	2,098	—	42,557
At a point in time	2,854	14,647	—	17,501
Revenue from external customers by basis of recognition	43,313	16,745	—	60,058
Insolvency and advisory services	40,459	—	—	40,459
Corporate finance	2,854	—	—	2,854
Commercial property management	—	2,098	—	2,098
Property consultancy services	—	8,921	—	8,921
Commercial property and other business asset disposals	—	5,726	—	5,726
Revenue from external customers by service line	43,313	16,745	—	60,058
Operating profit before amortisation and transaction costs	8,889	3,826	(4,716)	7,999

	Business recovery and financial advisory services 2019 £'000	Property advisory and transactional services 2019 £'000	Unallocated corporate amounts 2019 £'000	Consolidated 2019 £'000
Balance sheet				
Assets	88,933	15,176	4,009	108,118
Liabilities	(31,415)	(6,065)	(12,582)	(50,062)
Net assets	57,518	9,111	(8,573)	58,056

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 2020

5. Profit for the year

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

	2020 £'000	Restated 2019 £'000
Depreciation of property, plant and equipment	**718**	563
Depreciation of right of use assets	**2,137**	2,094
Impairment of right of use asset	**—**	369
Amortisation of intangible assets	**3,315**	2,558
Loss on disposal of property, plant and equipment	**31**	—
Staff costs (note 6)	**41,313**	34,673
Short-term lease expense	**332**	337
Impairment of receivable balances (note 14)	**304**	276
Reversal of impairment losses recognised on trade receivables (note 14)	**(44)**	(195)

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

	2020 £'000	2019 £'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	**92**	82
Total audit fees	**122**	112
– other advisory services	**38**	34
Total non-audit fees	**38**	34

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

	2020 £'000	Restated 2019 £'000
Deemed remuneration	**3,908**	2,806
Acquisition costs	**583**	154
Gain on acquisition (note 23)	**(2,217)**	(2,806)
Charge arising under Begbies Traynor London (LLP) put and call option (note 28)	**889**	1,129
Total transaction costs	**3,163**	1,283

These transaction costs are all included within administrative expenses.

6. Staff costs

The average total number of partners and staff (including executive directors) working within the group during each year was:

	2020 number	2019 number
Partners	**65**	55
Staff	**636**	552
	701	607

	2020 £'000	2019 £'000
Their aggregate remuneration comprised:		
Wages, salaries and partners' profit share	**36,323**	30,917
Social security costs	**2,697**	2,257
Pension costs (note 27)	**2,191**	1,400
Share-based payments	**102**	99
	41,313	34,673

Directors' remuneration

	2020 £'000	2019 £'000
Short-term benefits	**1,714**	1,995
Share-based payments	**2**	2
	1,716	1,997

	number	number
The average number of directors who:		
Had awards receivable in the form of shares under a long-term incentive scheme	**2**	2

No directors participated in the group's defined contribution pension scheme during either year.

7. Finance costs

	2020 £'000	Restated 2019 £'000
Interest on borrowings	**454**	486
Finance charge on lease liabilities	**454**	460
Finance charge on dilapidation provisions	**60**	60
Total finance costs	**968**	1,006

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2020

8. Tax

	2020 £'000	Restated 2019 £'000
Current tax charge	**2,048**	1,313
Adjustment in respect of prior year	**(271)**	—
Total current tax charge	**1,777**	1,313
Deferred tax credit (note 19)	**(686)**	(211)
Adjustments in respect of prior year	**247**	—
Impact of change in tax rate	**615**	—
Total deferred tax charge (credit)	**176**	(211)
Total income tax charge	**1,953**	1,102

Corporation tax is calculated at 19% (2019: 19%) 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:

	2020 £'000	Restated 2019 £'000
Profit before tax	**2,884**	3,349
Notional tax charge at the UK corporation tax rate of 19% (2019: 19%)	**548**	636
Adjustments in respect of current income tax of prior years	**(6)**	—
Non-deductible impact of transaction costs	**601**	244
Impact of change in tax rate on deferred tax balances	**615**	—
Tax effect of expenses that are not deductible in determining taxable profit	**195**	222
Total tax expense reported in the consolidated statement of comprehensive income	**1,953**	1,102

At summer Budget 2015, the Government announced a reduction in the corporation tax rate from 20% to 19% for the fiscal years beginning 1 April 2017, 1 April 2018 and 1 April 2019, with a further reduction from 19% to 18% for the fiscal year beginning 1 April 2020. At Budget 2016, the Government announced an additional 1% reduction to 17% for the fiscal year beginning 1 April 2020. These rates were reflected in the group's deferred tax calculations at 30 April 2019.

In March 2020 the Government announced that the rate from 1 April 2020 onwards would remain at 19% rather than reduce to 18% and subsequently 17%. Accordingly, the deferred tax provision at 30 April 2020 has been calculated using a future tax rate of 19%, resulting in a charge to the income statement of £615,000.

9. Dividends

	2020 £'000	Restated 2019 £'000
Amounts recognised as distributions to equity holders in the year		
Interim dividend for the year ended 30 April 2019 of 0.8 pence (2018: 0.7 pence) per share	**914**	771
Final dividend for the year ended 30 April 2019 of 1.8 pence (2018: 1.7 pence) per share	**2,271**	1,878
	3,185	2,649
Amounts proposed as distributions to equity holders		
Interim dividend for the year ended 30 April 2020 of 0.9 pence (2019: 0.8 pence) per share	**1,149**	914
Final dividend for the year ended 30 April 2020 of 1.9 pence (2019: 1.8 pence) per share	**2,426**	2,271
	3,575	3,185

The proposed final dividend is subject to approval by shareholders at the annual general meeting in September 2020. The interim dividend for 2020 was not paid until 11 May 2020 and, accordingly, has not been included as a liability in these financial statements nor as a distribution to equity shareholders.

10. Earnings per share

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

	2020 £'000	Restated 2019 £'000
Earnings		
Profit for the year attributable to equity holders	**931**	2,247

	2020 number '000	2019 number '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**125,652**	112,548
Effect of:		
Share options	**1,477**	404
Contingent shares as consideration for capital transactions	**144**	3,476
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**127,273**	116,428

	2020 pence	Restated 2019 pence
Basic earnings per share	**0.7**	2.0
Diluted earnings per share	**0.7**	1.9

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

	2020 £'000	Restated 2019 £'000
Earnings		
Profit for the year attributable to equity holders	**931**	2,247
Amortisation of intangible assets arising on acquisitions	**3,104**	2,361
Transaction costs	**3,163**	1,283
Tax effect of above items	**(590)**	(449)
Impact of change in tax rate on deferred tax balances	**615**	—
Adjusted earnings	**7,223**	5,442

	2020 pence	Restated 2019 pence
Adjusted basic earnings per share	**5.7**	4.8
Adjusted diluted earnings per share	**5.7**	4.7

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2020

11. Intangible assets

	Goodwill £'000	Software £'000	Intangible assets arising on acquisitions £'000	Total £'000
Cost				
At 1 May 2018	50,213	1,806	21,731	73,750
Arising on acquisitions	—	—	2,673	2,673
Additions	—	216	—	216
At 30 April 2019	50,213	2,022	24,404	76,639
Arising on acquisitions	—	—	3,257	3,257
Additions	—	103	—	103
At 30 April 2020	**50,213**	**2,125**	**27,661**	**79,999**
Amortisation and impairment				
At 1 May 2018	—	1,367	13,321	14,689
Amortisation during the year	—	197	2,361	2,558
At 30 April 2019	—	1,564	15,683	17,247
Amortisation during the year	—	211	3,104	3,315
At 30 April 2020	**—**	**1,775**	**18,787**	**20,562**
Carrying amount				
At 30 April 2020	**50,213**	**350**	**8,874**	**59,437**
At 30 April 2019	50,213	458	8,721	59,392
At 30 April 2018	50,213	439	8,409	59,061

The carrying value of intangible assets arising on acquisitions comprises brands of £2,987,000 (2019: £2,852,000), customer relationships of £4,835,000 (2019: £4,456,000), order books of £866,000 (2019: £1,197,000) and websites of £186,000 (2019: £216,000). The remaining useful economic lives of intangible assets arising on acquisition are 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.

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.

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 9.4% (2019: 10.0%), 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 majority of the group's activities this has been used as the discount rate for the purpose of the value in use calculation.

11. Intangible assets continued

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. Over the last economic cycle between calendar years 2008 and 2019 insolvency numbers (source: The Insolvency Service quarterly statistics on the number of corporate insolvencies in England and Wales) ranged between 14,500 per annum and 23,500 per annum.

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 over the extrapolation period range between 21% and 26%, which are 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.

12. Property, plant and equipment

	Leasehold improvements £'000	Office equipment £'000	Computers £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 May 2018	4,101	1,506	3,479	52	9,138
Arising on acquisitions	—	29	4	—	33
Additions	355	37	392	—	784
At 30 April 2019	4,456	1,572	3,875	52	9,955
Arising on acquisitions	13	—	19	65	97
Additions	111	15	560	—	686
Disposals	(219)	(6)	(263)	(25)	(513)
Reallocation	24	(24)	—	—	—
At 30 April 2020	**4,385**	**1,557**	**4,191**	**92**	**10,225**
Depreciation and impairment					
At 1 May 2018	3,397	1,336	2,889	4	7,626
Charge for the year	197	71	278	17	563
At 30 April 2019	3,594	1,407	3,167	21	8,189
Charge for the year	219	74	402	23	718
Disposals	(203)	(4)	(261)	(14)	(482)
At 30 April 2020	**3,610**	**1,477**	**3,308**	**30**	**8,425**
Carrying amount					
At 30 April 2020	**775**	**80**	**883**	**62**	**1,800**
At 30 April 2019	862	165	708	31	1,766
At 30 April 2018	704	170	590	48	1,512

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2020

13. Right of use assets

	Property £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
Cost				
At 1 May 2018	9,762	1,680	597	12,039
Arising on acquisitions	798	—	—	798
Additions	1,293	561	—	1,854
At 30 April 2019	11,853	2,241	597	14,691
Arising on acquisitions	481	—	—	481
Additions	235	602	577	1,414
Disposals	—	—	(597)	(597)
At 30 April 2020	**12,569**	**2,843**	**577**	**15,989**
Depreciation and impairment				
At 1 May 2018	3,709	876	244	4,829
Charge for the year	1,358	582	154	2,094
Impairment	369	—	—	369
At 30 April 2019	5,436	1,458	398	7,292
Charge for the year	1,373	556	208	2,137
Disposals	—	—	(461)	(461)
At 30 April 2020	**6,809**	**2,014**	**145**	**8,968**
Carrying amount				
At 30 April 2020	**5,760**	**829**	**432**	**7,021**
At 30 April 2019	6,417	783	199	7,399
At 30 April 2018	6,053	804	353	7,210

The impairment charge recognised in the prior year was in respect of an onerous property lease, to reduce the carrying value of the asset to nil.

14. Trade and other receivables

	2020 £'000	2019 £'000
Non-current		
Deemed remuneration	**4,586**	3,220
Current		
Trade receivables	**6,879**	7,823
Less: impairment provision	**(1,392)**	(1,338)
Trade receivables – net	**5,487**	6,485
Unbilled income	**24,492**	21,310
Other debtors and prepayments	**1,987**	2,058
Deemed remuneration	**4,494**	2,479
	36,460	32,332

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 20 for disclosures on credit risk.

14. Trade and other receivables continued

The impairment provision comprises a specific loss allowance provision of £1,039,000 (2019: £927,000) and an expected credit loss provision of £353,000 (2019: £411,000). The expected loss provision for trade receivables is calculated on the gross carrying amount of trade receivables less any specific loss allowance, and is detailed as follows:

	Days past due					
30 April 2020	**<30 days £'000**	**<60 days £'000**	**<90 days £'000**	**<180 days £'000**	**>180 days £'000**	**Total £'000**
Expected loss rate	**1%**	**1%**	**3%**	**9%**	**42%**	**6%**
Gross amount less specific loss provision	**2,858**	**1,080**	**604**	**709**	**589**	**5,840**
Expected credit loss provision	**12**	**16**	**21**	**61**	**243**	**353**

	Days past due					
30 April 2019	<30 days £'000	<60 days £'000	<90 days £'000	<180 days £'000	>180 days £'000	Total £'000
Expected loss rate	1%	2%	4%	10%	31%	6%
Gross amount less specific loss provision	3,841	1,109	444	686	816	6,896
Expected credit loss provision	39	26	19	72	255	411

Movement in the impairment provision

	2020 £'000	2019 £'000
Balance at beginning of the year	**1,338**	1,082
Adoption of IFRS 9 using the retrospective application method	**—**	359
Amounts arising on acquisition	**2**	20
Amounts written off during the year	**(208)**	(204)
Amounts recovered during the year	**(44)**	(195)
Impairment charge in the year	**304**	276
Balance at end of the year	**1,392**	1,338

15. Trade and other payables

	2020 £'000	Restated 2019 £'000
Current		
Trade payables	**1,176**	953
Accruals	**7,055**	6,372
Other taxes and social security	**3,687**	3,308
Deferred income	**4,168**	3,338
Other creditors	**5,853**	4,980
Deferred consideration	**150**	772
Deemed remuneration liabilities	**134**	2,325
	22,223	22,048

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.

In addition to the deemed remuneration liabilities recognised above of £0.3 million, there are further anticipated obligations based on current forecasts of £7.0 million as a result of acquisitions where the service obligations of the selling shareholders have not yet been performed.

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2020

16. Lease liabilities

	Property £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
Cost				
At 1 May 2018	7,040	821	365	8,226
Finance charge	420	28	12	460
Additions – new leases	1,216	561	—	1,777
Arising on acquisitions	739	—	—	739
Lease payments	(1,830)	(612)	(166)	(2,608)
At 30 April 2019	7,585	798	211	8,594
Finance charge	411	27	16	454
Additions – new leases	236	601	577	1,414
Arising on acquisitions	427	—	—	427
Lease payments	(1,570)	(584)	(234)	(2,388)
Disposals	—	—	(132)	(132)
At 30 April 2020	**7,089**	**842**	**438**	**8,369**
Current liabilities	1,605	437	190	2,232
Non-current liabilities	5,484	405	248	6,137
At 30 April 2020	**7,089**	**842**	**438**	**8,369**

At the balance sheet date, the group had outstanding commitments for short-term leases as follows:

	2020 £'000	2019 £'000
Aggregate undiscounted commitments for short-term leases	**48**	121

17. Borrowings

	2020 £'000	2019 £'000
Non-current		
Unsecured loans at amortised cost	**10,000**	10,000

The group's principal banking facilities at 30 April 2020 comprise an unsecured, revolving credit facility ('RCF') of £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 £10 million was drawn at 30 April 2020 (2019: £10 million). The effective interest rate was 3.5%; together with
- uncommitted acquisition facility of £5 million provided by HSBC, which was undrawn at 30 April 2020 (2019: undrawn).

The group's banking facilities mature on 31 August 2023.

All borrowings and cash balances are denominated in sterling. The directors consider that the carrying amount of the group's borrowings approximates to their fair value.

18. Provisions

	Disposal provisions £'000	Dilapidation provisions £'000	Onerous contract provisions £'000	Total £'000
At 1 May 2019 as previously reported	260	611	480	1,351
Restatement (see note 1 (t))	—	1,677	(480)	1,197
At 1 May 2019 as restated	260	2,288	—	2,548
Interest expense	—	60	—	60
Charged	—	—	366	366
Arising on acquisition	—	78	—	78
Utilised	(110)	(124)	—	(234)
At 30 April 2020	**150**	**2,302**	**366**	**2,818**
Current liabilities	47	685	151	883
Non-current liabilities	103	1,617	215	1,935
At 30 April 2020	**150**	**2,302**	**366**	**2,818**

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

The non-current elements of the provisions are all expected to be utilised in the periods up to 30 April 2029.

19. 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	Total £'000
At 1 May 2018 as previously reported	(4,263)	(1,509)	348	(5,424)
Restatement (see note 1 (t))	—	—	452	452
At 1 May 2018 as restated	(4,263)	(1,509)	800	(4,972)
(Charge) credit to income	(27)	449	(211)	211
Arising on acquisitions	—	(475)	2	(473)
Adoption of IFRS 9 and IFRS 15 using the retrospective application method	—	—	338	338
At 30 April 2019	(4,290)	(1,535)	929	(4,896)
Credit (charge) to income	—	610	(171)	439
Arising on acquisitions	—	(620)	—	(620)
Income statement effect of change in tax rate	(492)	(142)	19	(615)
At 30 April 2020	**(4,782)**	**(1,687)**	**777**	**(5,692)**

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2020

19. Deferred tax continued

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:

	2020 £'000	Restated 2019 £'000
Deferred tax liabilities	**(6,597)**	(5,899)
Deferred tax assets	**905**	1,003
	(5,692)	(4,896)

20. 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 2020 and net assets at that date would decrease by £24,000 (2019: £37,000). This is attributable to the group's exposure to movements in interest rate on its variable rate borrowings.

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 does 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 (j).

20. Financial instruments continued

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 based on contractual payments:

	At 30 April 2020				Restated At 30 April 2019			
	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	**265**	**10,618**	**—**	**10,883**	275	10,905	—	11,180
Trade and other payables	**22,223**	**—**	**—**	**22,223**	22,048	—	—	22,048
Lease liabilities	**2,586**	**6,290**	**1,890**	**10,766**	2,247	6,506	2,561	11,314
	25,074	**16,908**	**1,890**	**43,872**	24,570	17,411	2,561	44,542

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:

	2020 £'000	Restated 2019 £'000
Shareholders' funds	**65,571**	58,056
Bank borrowings	**10,000**	10,000
At 30 April	**75,571**	68,056

Categories of financial instruments

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

	2020 £'000	2019 £'000
Financial assets at amortised cost		
Trade receivables	**5,487**	6,485
Cash at bank	**7,247**	4,009
	12,734	10,494
Financial liabilities at amortised cost		
Trade and other payables	**(22,223)**	(22,048)
Bank borrowings	**(10,000)**	(10,000)
	(32,223)	(32,048)

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2020

21. Share capital

	2020 thousand	2019 thousand	2020 £'000	2019 £'000
Allotted, called up and fully paid				
Ordinary shares of 5 pence				
At 1 May	**114,351**	110,127	**5,719**	5,508
Staff SIP scheme	**—**	13	**—**	1
Issue of shares for share-based payments	**79**	834	**4**	43
Shares issued as consideration for acquisitions	**1,460**	1,485	**73**	74
Shares issued as deferred consideration	**770**	1,892	**38**	93
Placing shares issued	**11,041**	—	**552**	—
At 30 April	**127,701**	114,351	**6,386**	5,719

A share placing of 11,041,440 new ordinary shares was completed on 26 July 2019.

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

22. Share-based payments

The group operated two equity-settled share-based payment arrangements in the year: a market value share option scheme for senior management and an HMRC approved save as you earn ('SAYE') scheme for qualifying employees.

The group recognised an expense relating to equity-settled share-based payment transactions of £102,000 (2019: £99,000), of which £72,000 relates to the market value share option scheme and £30,000 relates to the SAYE scheme.

The group also operated a cash-settled share-based arrangement in the year. The group recognised an expense of £150,000 in relation to the cash-settled share-based payment arrangement.

Details of movements in share options during the current and prior year are as follows:

	2020		2019	
	Number of share options thousand	Weighted average exercise price pence	Number of share options thousand	Weighted average exercise price pence
Outstanding at 1 May	**5,184**	**54**	5,137	43
Granted during the period	**1,500**	**88**	1,134	59
Forfeited during the period	**—**	**—**	(122)	—
Exercised during the period	**(223)**	**45**	(965)	10
Outstanding at 30 April	**6,461**	**62**	5,184	54
Exercisable at 30 April	**1,577**	**39**	1,800	40

The weighted average share price at the date of exercise for options exercised in the year was 83 pence.

22. Share-based payments continued

The table below shows details in relation to options outstanding at the period end:

Scheme	Exercise price pence	2020 Number of share options thousand	2020 Contractual life remaining years	2019 Number of share options thousand	2019 Contractual life remaining years
Share option scheme 2013	37	**1,327**	**3.5**	1,425	4.5
Share option scheme 2014	51	**250**	**4.2**	375	5.2
SAYE scheme 2018	59	**1,134**	**2.0**	1,134	3.0
Share option scheme 2017	63	**2,150**	**7.5**	2,150	8.5
Share option scheme 2018	68	**100**	**8.0**	100	9.0
Share option scheme 2019	88	**1,500**	**9.5**	—	—

The fair value of the equity-settled share-based payments was calculated using the Black-Scholes option pricing model with the following assumptions:

Grant date	Share option scheme 2013	Share option scheme 2014	Share option scheme 2017	Share option scheme 2018	SAYE scheme 2018	Share option scheme 2019
Share price at grant date (pence)	38	52	63	69	74	88
Exercise price (pence)	37	51	63	68	59	88
Vesting period (years)	3	3	3	3	3	5
Time to expiry (years)	10	10	10	10	4	10
Expected volatility (%)	23	25	17	17	17	29
Risk free rate (%)	0.8	0.8	0.5	0.5	0.5	0.4
Expected dividend yield (%)	6.2	6.2	3.6	3.5	3.4	3.5
Fair value per option (pence)	3.3	9.8	4.4	5.4	7.9	14.6

The expected volatility has been determined based on historical volatility of the group's share price in line with the vesting period of the option. 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.

Options granted during the year

1,500,000 market value share options were granted on 8 November 2019. The exercise of the grants is subject to the following performance conditions in the period from 1 May 2019 to 30 April 2024:

1. 50% require an increase in adjusted earnings per share of RPI plus 6%; and
2. 50% require total shareholder return to exceed that of a comparator group of AIM companies.

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2020

23. Acquisitions

Ernest Wilson

On 18 October 2019 the group acquired the entire issued share capital of Ernest Wilsons & Co Limited and of Ernest Wilson's (West Yorkshire) Limited, which trade collectively as Ernest Wilson, a business transfer agent.

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	—	1,108	1,108
Property, plant and equipment	97	—	97
Right of use assets	—	481	481
Trade and other receivables	99	(1)	98
Cash and cash equivalents	1,477	—	1,477
Trade and other payables	(298)	—	(298)
Provisions	—	(78)	(78)
Lease liabilities	—	(427)	(427)
Corporation tax	(179)	—	(179)
Deferred tax	—	(211)	(211)
Total identifiable assets	1,196	872	2,068
Satisfied by:			
Consideration under IFRS 3			—
Gain on acquisition			2,068
Consideration accounted for as deemed remuneration			
Cash consideration			3,000
Equity instruments (1,163,874 new ordinary shares)			1,000
Completion accounts payment			900
Final payment due following completion accounts adjustments			114
Contingent consideration subject to financial performance in three year post-acquisition period			1,630
			6,644
Cash outflows arising on acquisition			
Cash consideration			3,000
Completion accounts payment			900
Less: cash and cash equivalents acquired			(1,477)
			2,423

Fair value adjustments of £1,108,000 relating to the separate recognition of intangible assets have been recorded. Details of intangible assets recorded can be found in note 11.

As detailed above the consideration payable for this acquisition requires post-acquisition service obligations to be performed by the selling shareholders over a five year period. These amounts are accounted for as deemed remuneration (see note 2(c)).

Acquisition costs of £119,000 have been charged to the statement of comprehensive income as a transaction cost.

The acquisition contributed £825,000 of revenue and £80,000 to the group's operating profit (before amortisation and transaction costs) for the period between the date of acquisition and the balance sheet date.

23. Acquisitions continued

Alexander Lawson Jacobs

On 24 October 2019 the group acquired the entire issued share capital of Alexander Lawson Jacobs Limited, an insolvency practice based in London.

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	—	2,057	2,057
Property, plant and equipment	28	(28)	—
Trade and other receivables	60	835	895
Cash and cash equivalents	1,194	—	1,194
Trade and other payables	(83)	(776)	(859)
Corporation tax	(21)	—	(21)
Deferred tax	—	(391)	(391)
Total identifiable assets	1,178	1,697	2,875
Satisfied by:			
Consideration under IFRS 3:			
Cash consideration			1,400
Equity instruments (296,195 new ordinary shares)			250
Completion accounts payment			1,000
Final payment due following completion accounts adjustments			150
			2,800
Gain on acquisition			75
Consideration accounted for as deemed remuneration			
Cash consideration			700
Contingent consideration subject to financial performance in five year post-acquisition period			4,000
			4,700
Cash outflows arising on acquisition			
Cash consideration			2,100
Completion accounts payment			1,000
Less: cash and cash equivalents acquired			(1,194)
			1,906

Fair value adjustments of £2,057,000 relating to the separate recognition of intangible assets have been recorded. Details of intangible assets recorded can be found in note 11.

As detailed above, elements of the consideration payable for this acquisition requires post-acquisition service obligations to be performed by the selling shareholders over a five year period. These amounts are accounted for as deemed remuneration (see note 2(c)).

Acquisition costs of £313,000 have been charged to the statement of comprehensive income as a transaction cost.

The acquisition contributed £2,100,000 of revenue and £967,000 to the group's operating profit (before amortisation and transaction costs) for the period between the date of acquisition and the balance sheet date.

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2020

23. Acquisitions continued

Regeneratus

On 23 September 2019 the group acquired the entire issued share capital of Regeneratus Consulting 1 Limited, an Exeter-based advisory practice.

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	—	92	92
Trade and other receivables	8	—	8
Cash and cash equivalents	689	—	689
Trade and other payables	(7)	—	(7)
Corporation tax	(120)	—	(120)
Deferred tax	—	(18)	(18)
Total identifiable assets	570	74	644
Satisfied by:			
Consideration under IFRS 3:			
Completion accounts payment			570
Gain on acquisition			74
Consideration accounted for as deemed remuneration			
Cash consideration			500
Contingent consideration subject to financial performance in four year post-acquisition period			1,100
			1,600
Cash outflows arising on acquisition			
Cash consideration			500
Completion accounts payment			570
Less: cash and cash equivalents acquired			(689)
			381

Fair value adjustments of £92,000 relating to the separate recognition of intangible assets have been recorded. Details of intangible assets recorded can be found in note 11.

As detailed above, elements of the consideration payable for this acquisition requires post-acquisition service obligations to be performed by the selling shareholder over a five year period. These amounts are accounted for as deemed remuneration (see note 2(c)).

Acquisition costs of £40,000 have been charged to the statement of comprehensive income as a transaction cost.

The acquisition contributed £168,000 of revenue and £20,000 to the group's operating profit (before amortisation and transaction costs) for the period between the date of acquisition and the balance sheet date.

If the acquisitions had been completed on the first day of the financial year, the group revenues for the period would have been £73.3 million and group profit before tax would have been £3.6 million.

The amounts recognised above are provisional estimates.

In relation to prior year acquisitions, a reduction of £0.7 million was made to current estimates of consideration accounted for as deemed remuneration.

24. Reconciliation to the cash flow statement

	2020 £'000	Restated 2019 £'000
Profit for the year	**931**	2,247
Adjustments for:		
Tax	**1,953**	1,102
Finance costs	**968**	1,006
Amortisation of intangible assets	**3,315**	2,558
Depreciation of property, plant and equipment	**718**	563
Depreciation of right of use assets	**2,137**	2,094
Impairment of right of use asset	**—**	369
Gain on acquisition	**(2,217)**	(2,806)
Loss on disposal of fixed assets	**31**	—
Share-based payment expense	**102**	99
Increase in deemed remuneration receivable	**(1,782)**	(1,733)
(Decrease) increase in deemed remuneration liabilities	**(2,191)**	1,896
Operating cash flows before movements in working capital	**3,965**	7,395
Increase in receivables (excluding deemed remuneration)	**(1,177)**	(714)
Increase in payables (excluding deemed remuneration liabilities)	**1,813**	1,773
Increase (decrease) in provisions	**133**	(438)
Cash generated by operations	**4,734**	8,016

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.

25. Reconciliation of movement in net debt

	Cash and cash equivalents £'000	Non-current borrowings £'000	Net debt £'000
At 1 May 2019	4,009	(10,000)	(5,991)
Cash flows	(122)	—	(122)
Cash and cash equivalents acquired (note 23)	3,360	—	3,360
At 30 April 2020	**7,247**	**(10,000)**	**(2,753)**

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2020

26. Contingent liabilities
The group had no material contingent liabilities at 30 April 2020 or 30 April 2019.

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

The total cost charged to income of £2,191,000 (2019: £1,400,000) represents contributions payable to these schemes by the group. As at 30 April 2020, contributions of £202,000 (2019: £149,000) in respect of the current year, which were not yet due for payment, had not been paid over to the schemes.

28. 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:

A 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 £95,000 (2019: £95,000). At 30 April 2020 £nil (2019: £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 (2019: £24,000) was paid by entities within the group for this service during the year. At 30 April 2020 £6,000 (2019: £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 continues to provide a number of central support services to Red Flag for which £96,000 was payable by Red Flag during the year (2019: £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 A!ert quarterly statistics and was charged a fee of £150,000 for the year (2019: £150,000). At 30 April 2020 £80,000 (2019: £141,000) was owed by Red Flag A!ert LLP.

Two commercial properties used by members of the group during the prior year were 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 £nil (2019: £13,458). At 30 April 2020 £nil (2019: £nil) was payable in respect of these transactions.

Begbies Traynor (London) LLP option
There was 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, for £4 million (determined as an agreed multiple of average profit over the three year period ended 30 April 2019). The option was settled during the year.

The liability to the group under this option is accounted for in accordance with the group's policy for business combinations (note 2c) and charged to the consolidated statement of comprehensive income as a transaction cost as disclosed in note 5 to the financial statements. The charge in the current financial year was £0.9 million (2019: £1.1 million) with an asset of £0.9 million recognised at 30 April 2020 within current deemed remuneration.

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 27.

29. 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	Formation of the group in 2004, and premium for shares issued on acquisitions in accordance with Companies Act requirements.
Capital redemption reserve	Repurchase of own share capital.
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

Company balance sheet

at 30 April 2020

	Notes	2020 £'000	Restated 2019 £'000
Fixed assets			
Intangible assets		**8**	—
Investment in subsidiaries	5	**37,932**	36,682
		37,940	36,682
Current assets			
Trade and other receivables	6	**40,494**	32,033
Creditors: amounts falling due within one year			
Trade and other payables	7	**(67)**	(49)
Net current assets		**40,427**	31,984
Total assets less current liabilities		**78,367**	68,666
Creditors: amounts falling due after more than one year			
Trade and other payables	7	**(500)**	(500)
Net assets		**77,867**	68,166
Capital and reserves			
Called-up share capital	8	**6,386**	5,719
Share premium account		**29,459**	22,193
Merger reserve		**23,927**	22,189
Capital redemption reserve		**304**	304
Profit and loss account		**17,791**	17,761
Shareholders' funds		**77,867**	68,166

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 2020 of £3,117,000 (2019: £3,110,000).

The financial statements of Begbies Traynor Group plc, registered number 5120043, were approved by the board of directors and authorised for issue on 20 July 2020. 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 2020

	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
At 1 May 2018	5,508	22,789	20,248	304	16,356	65,205
Restatement (see note 1)	—	(603)	—	—	603	—
At 1 May 2018 as restated	5,508	22,186	20,248	304	16,959	65,205
Profit for the year	—	—	—	—	3,110	3,110
Dividends	—	—	—	—	(2,649)	(2,649)
Credit to equity for equity-settled share-based payments	—	—	—	—	38	38
Shares issued as consideration for acquisitions	74	—	834	—	—	908
Shares issued as deferred consideration	93	—	1,107	—	—	1,200
SIP shares issued	1	7	—	—	—	8
Shares issued for share-based payments	43	—	—	—	303	346
At 30 April 2019	5,719	22,193	22,189	304	17,761	68,166
Profit for the year	—	—	—	—	3,117	3,117
Dividends	—	—	—	—	(3,185)	(3,185)
Credit to equity for equity-settled share-based payments	—	—	—	—	102	102
Shares issued as consideration for acquisitions	73	—	1,177	—	—	1,250
Shares issued as deferred consideration	38	—	561	—	—	599
Placing shares issued	552	7,266	—	—	—	7,818
Shares issued for share-based payments	4	—	—	—	(4)	—
At 30 April 2020	**6,386**	**29,459**	**23,927**	**304**	**17,791**	**77,867**

Notes to the company financial statements

for the year ended 30 April 2020

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.

Investments

Fixed asset investments in subsidiaries are shown at cost less provision for impairment. The carrying value of fixed asset investments are 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 22 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.

Prior year restatement

The company has reclassified the premium on shares issued in relation to employee share schemes from share premium to retained earnings. At 1 May 2018 and 30 April 2019 the adjustments between share premium and retained earnings were £603,000 and £997,000 respectively.

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 auditor's remuneration for audit and other services is disclosed in note 5 to the consolidated financial statements.

4. Staff costs

The company has six employees (2019: five employees).

	2020 £'000	2019 £'000
Their aggregate remuneration comprised:		
Salaries	**619**	569
Social security costs	**90**	73
Pension costs	**21**	19
	730	661

Notes to the company financial statements *continued*

for the year ended 30 April 2020

5. Investment in subsidiaries

	£'000
Cost and net book value	
At 1 May 2018	35,737
Additions	945
At 30 April 2019	36,682
Additions	1,250
At 30 April 2020	**37,932**

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
Springboard Corporate Finance LLP	Corporate finance	England and Wales
BTG Corporate Finance LLP	Corporate finance	England and Wales
BTG Advisory (Investigations) Limited	Investigation agency	England and Wales
BTG Advisory LLP	Financial consulting	England and Wales
BTG Global Advisory Limited	International network organisation	England and Wales
BTG Corporate Solutions Limited	Business recovery	England and Wales
Alexander Lawson Jacobs Limited	Business recovery	England and Wales
Regeneratus Consulting 1 Limited	Financial consulting	England and Wales
IK (North East) Limited	Dormant	England and Wales
Dunion & Co Limited	Dormant	England and Wales
JSDNSW Limited[1]	Dormant	England and Wales
Insolvency Advice Limited[1]	Dormant	England and Wales
Begbies Traynor Legal Services LLP	Dormant	England and Wales
BTG Tax LLP	Dormant	England and Wales
Toronto Square, Toronto Street, Leeds LS1 2HJ		
Eddisons Commercial (Holdings) Limited[1]	Property consultancy	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
Ernest Wilsons & Co Limited	Property consultancy	England and Wales
Ernest Wilson's (West Yorkshire) Limited	Property consultancy	England and Wales
MMXI Limited	Property consultancy	England and Wales
BSMH Limited	Property consultancy	England and Wales
BSMSR Limited	Dormant	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
CJM Asset Management Limited	Property consultancy	England and Wales
Taylors Business Surveyors and Valuers Limited	Dormant	England and Wales
Theauctionpeople.co Limited	Dormant	England and Wales

5. 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

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

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 Consulting Limited
BTG Corporate Solutions Limited
BTG Corporate Finance LLP
BTG Advisory (Investigations) Limited
Springboard Corporate Finance LLP
Eddisons Commercial (Property Management) Limited
BSMH Limited
Ernest Wilson's (West Yorkshire) Limited
JSDNSW Limited
MMXI Limited

6. Trade and other receivables

	2020 £'000	2019 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	**40,471**	32,001
Other debtors	**23**	32
	40,494	32,033

7. Trade and other payables

	2020 £'000	2019 £'000
Amounts falling due within one year		
Other creditors	**67**	49
Amounts falling due after more than one year		
Other creditors	**500**	500

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 values 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.

Notes to the company financial statements *continued*

for the year ended 30 April 2020

8. Share capital

	2020 thousand	2019 thousand	2020 £'000	2019 £'000
Allotted, called up and fully paid				
Ordinary shares of 5 pence				
At 1 May	**114,351**	110,127	**5,719**	5,508
Staff SIP scheme	**—**	13	**—**	1
Issue of shares for share-based payments	**79**	834	**4**	43
Shares issued as consideration for acquisitions	**1,460**	1,485	**73**	74
Shares issued as deferred consideration	**770**	1,892	**38**	93
Other share issues	**11,041**	—	**552**	—
At 30 April	**127,701**	114,351	**6,386**	5,719

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

The company has issued share options as set out in note 22 to the consolidated financial statements.

Officers and professional advisors

Directors
R W Traynor
E N Taylor
M R Fry
R G McInnes
J M May
M Stupples
P W Wallqvist

Secretary
J A Humphrey

Company number
5120043

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Chartered accountants
and statutory auditor
Leeds, United Kingdom

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Begbies Traynor Group plc

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