Begbies Traynor Group plc

ANNUAL REPORT AND ACCOUNTS 2022

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
£110.0m
(+31%)
(2021: £83.8m)

ADJUSTED PROFIT BEFORE TAX[1]
£17.8m
(+55%)
(2021: £11.5m)

ADJUSTED BASIC EPS[2]
9.1p
(+32%)
(2021: 6.9p)

PROPOSED TOTAL DIVIDEND
3.5p
(+17%)
(2021: 3.0p)

NET CASH
£4.7m
(2021: £3.0m)

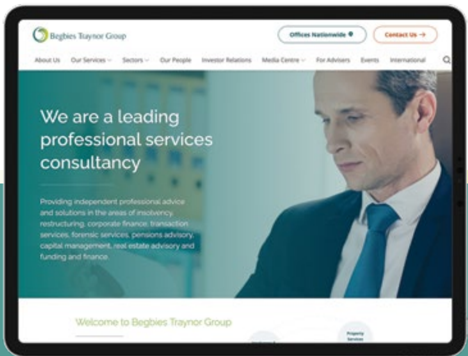
PROFIT BEFORE TAX
£4.0m
(2021: £1.9m)

BASIC EPS
(0.3)p
(2021: 0.1p)

1 Profit before tax £4.0m (2021 £1.9m) plus transaction costs £8.3m (2021: £6.5m) and amortisation of intangible assets arising on acquisitions £5.5m (2021: £3.1m)

2 See reconciliation in note 10

Contents



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

Debt advisory, due diligence and transactional support, accelerated corporate finance, pensions advisory, business and financial restructuring, forensic accounting and investigations, finance broking.

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.

Property consultancy, planning and management

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

Our businesses

Begbies Traynor

BTG Advisory

Springboard Corporate Finance

maf finance group

Eddisons

Pugh
Part of Eddisons

EST.1956
Ernest Wilson
THE PREMIER BUSINESS AGENT

Why invest?

Strong track record of cash-generative, profitable growth with a well-established progressive dividend policy

→ KPIs on page 10

Diverse income streams provide multiple sources of growth across the economic cycle in fragmented markets

→ Business model on page 6

AIM listed since 2004:

- highly experienced board and senior management team
- long-established corporate structure with separation of equity, management and fee earners

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

Strongly positioned in counter-cyclical activities, representing 70% of total revenue

→ Business model on page 6

Strong referral network across the group leading to high levels of repeat business

Growth strategy of organic investment and value-accretive acquisitions across our service lines

→ Strategy on page 8

Chairman's statement

Ric Traynor
Executive chairman

Introduction

I am pleased to deliver my annual report to shareholders on a further successful year for the group, with financial performance comfortably ahead of original market expectations due to acquisitions and improved trading. These results reflect the material increase in our scale and service offerings and a continuation of the strong financial track record we have built over recent years, resulting from our organic and acquisitive growth strategy.

Since 2018 we have increased revenue from £52.4m to £110.0m, operating margins from 11.6% to 16.9%, adjusted profit before tax from £5.6m to £17.8m and adjusted earnings per share from 4.0p to 9.1p, respectively, from a combination of acquisitions and organic growth. Last year was no exception, as all areas of the group have delivered strong growth. Over the same period, we have also increased dividends by 10% CAGR and moved from net debt to net cash.

Our business recovery activities achieved significant growth, following on from the acquisitions of CVR Global and David Rubin & Partners late in the previous financial year. In addition, organic activity increased over the course of the financial year as the Government's pandemic support measures were gradually removed. UK insolvency numbers have now returned to pre-pandemic levels and we have increased our market share (by volume).

Our advisory services have been broadened and enhanced following the acquisition of the finance broker MAF Finance Group at the start of the financial year. The addition of finance broking complements our advisory and transactional services, increasing the range of services and advice we can provide to our clients.

Our property services division reported growth in revenue and operating margins, resulting from recent acquisitions, our expanding valuation and consulting services, and the recovery in activity levels compared to the lockdown-impacted comparative period. We are continuing to invest in and develop this service line with two acquisitions completed in the financial year, and one following the year end.

The group has continued to generate substantial free cash flow, ending the year with a net cash balance of £4.7m (2021: £3.0m). This is after £8.2m of acquisition and deferred consideration payments and paying dividends of £4.6m. Our strong financial position enables us to propose a 17% increase in the total dividend for the year, representing our fifth consecutive year of dividend growth.

Overall, the group remains in a strong position at the start of our new financial year. Our scale, capabilities and breadth of expertise provide us with the ability to continue to assist our clients as they face the challenges of the forthcoming year.

Results

Group revenue in the year increased by 31% to £110.0m (2021: £83.8m), 7% of which was organic. Adjusted[1] profit before tax[2] increased by 55% to £17.8m (2021: £11.5m). Statutory profit before tax was £4.0m (2021: £1.9m).

Adjusted[1] basic earnings per share[3] increased by 32% to 9.1p (2021: 6.9p). Basic loss per share was 0.3p (2021: earnings of 0.1p), reflecting a one-off non-cash deferred tax charge.

As at 30 April 2022 the group had net cash of £4.7m (2021: £3.0m).

Dividend

The board is pleased to recommend (subject to shareholder approval at the company's annual general meeting scheduled for 22 September 2022) a 17% increase in the total dividend for the year to 3.5p (2021: 3.0p), representing our fifth consecutive year of dividend growth. This comprises the interim dividend already paid of 1.1p (2021: 1.0p) and a proposed final dividend of 2.4p (2021: 2.0p).

This reflects the board's confidence in the group's financial position and prospects, whilst retaining capacity for our continued organic and acquisitive growth strategy. We remain committed to our long-term progressive dividend policy, which takes account of the group's earnings growth, investment plans and cash requirements, together with the market outlook.

The final dividend will be paid on 3 November 2022 to shareholders on the register on 7 October 2022, with an ex-dividend date of 6 October 2022.

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 £4.0m (2021: £1.9m) plus transaction costs £8.3m (2021: £6.5m) and amortisation of intangible assets arising on acquisitions £5.5m (2021: £3.1m)

3 See reconciliation in note 10

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.

People

Our ongoing success is reliant on the quality of advice and service delivered to our clients by our people. I would like to thank all of our colleagues for their contribution over the course of the last financial year. Following the successful acquisitions, we are pleased with the way our teams are working together and our new colleagues have integrated into our culture. We have continued to support hybrid working arrangements during the year, as working patterns begin to normalise following the pandemic.

Sustainability

The board is committed to developing the business in a sustainable way for the benefit of all our stakeholders. We look to minimise our impact on the environment; have a positive impact for our people and the communities we serve; and operate with a culture of strong governance and responsible behaviour.

During the year under review we have made progress in a number of areas including the appointment of a new People Director to lead our human capital initiatives and the appointment of external consultants to advise the board on material areas of focus for sustainability. We also initiated a salary sacrifice car scheme to enable employees to purchase a low emission vehicle in a tax efficient manner and encourage the transition of our employees to more environmentally friendly vehicles. Further information on our sustainability policies and progress is detailed on pages 18 to 21.

Outlook

We have started our new financial year in a strong position and are confident of delivering our plans for further growth. At this early stage of the year, we anticipate result being towards the top end of current market expectations, with cost inflation more than offset by revenue growth.

The development of the group in recent years, and the extensive expertise we have built across our national office network, leaves us well positioned to respond to the challenging economic backdrop.

The insolvency market (by volume) has returned to pre-pandemic activity levels and is expected to increase further in the current year and beyond. Although to date this increase has been through liquidations (typically smaller companies) rather than administrations (typically larger and more complex instructions), we anticipate administrations will also increase to normal levels over the course of the new financial year.

Our advisory team has an encouraging pipeline of organic growth and acquisition opportunities, giving confidence on further development being achieved in the new financial year.

In the property division, we anticipate further progress as we continue to develop our broad range of services through organic growth and acquisitions, having completed the purchase of Budworth Hardcastle in June 2022.

Our healthy balance sheet and cash generation underpin our capacity to progress our pipeline of acquisitions and deliver organic growth initiatives, thereby continuing our track record of growth. We will provide an update on trading at the annual general meeting in September 2022.

Ric Traynor
Executive chairman
18 July 2022

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 our team of fee earners operating within the local business community from offices across the UK.

Our market-leading business recovery practice, which takes the largest number of corporate insolvency appointments in the UK, and our growing complementary service lines enable us to offer wide-ranging solutions for our clients.

Our key strengths

People

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

Clients and relationships

- Diverse client base
- Enduring relationships
- Trusted brand 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
- Growing 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
- Valuation and sale of distressed assets (property, machinery and other business assets)
- Specialist insurance and vacant property risk management

Cyclical activities (20%)

- Corporate finance
- Finance broking
- Valuation of commercial properties
- Commercial property agency
- Asset sales
- Business sales
- Transport planning and design

Uncorrelated activities (10%)

- Due diligence and transaction support
- Forensic accounting and investigations
- Pensions advisory
- Property auctions
- Building consultancy
- Commercial property management
- Lease advisory

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

Delivering value through growth.

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 scale and quality

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

2

Shareholder value

Deliver sustainable profitable growth, enabling increased shareholder value

3

Effective capital structure

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

4

Strong corporate governance

Continue to ensure high standards of corporate governance and responsibility

Acquiring for growth

The group has a well-defined process for the identification, valuation, acquisition and integration of target businesses.

Our acquisition process

1 Target identification

The group maintains a pipeline of acquisition opportunities through both internally managed search exercises and responding to external sales processes.

We 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.

2 Valuation and pricing strategy

The group has a standard process for assessing the value of a target business.

We require an appropriate ongoing commitment to the business from vendors.

Opportunities that do not meet the pricing, valuation and commercial parameters are quickly rejected.

3 Effective transaction process

The group has an established legal and financial due diligence process which combines in-house and external operational and commercial due diligence and integration planning.

This enables the group to complete transactions in an effective, cost-efficient and timely manner.

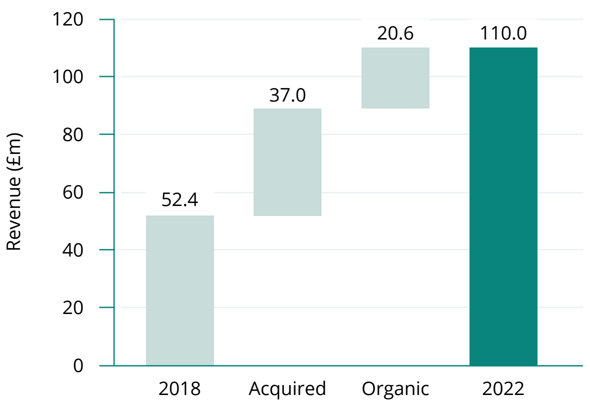
4 Integration and value delivery

There is a clear post-acquisition integration strategy and plan to ensure shareholder value is delivered.

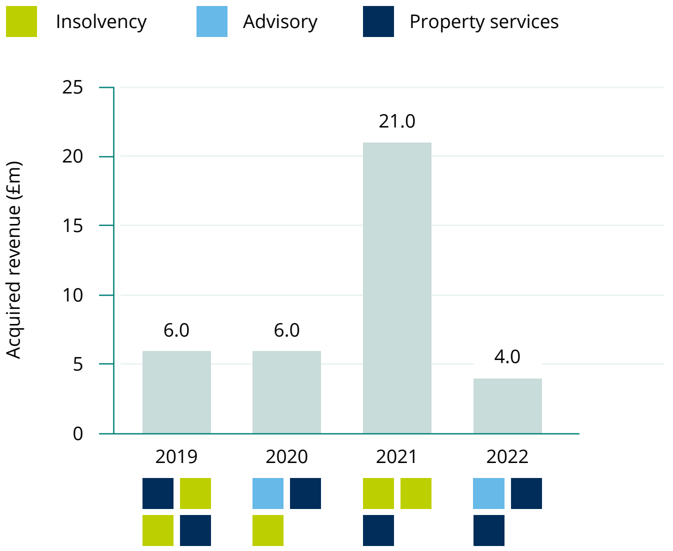
The integration model is based on:

- clear communication to key stakeholders;
- integration of support services;
- alignment of processes; and
- brand alignment where appropriate.

Revenue growth since 2018



Acquired revenue of £37m by year of acquisition

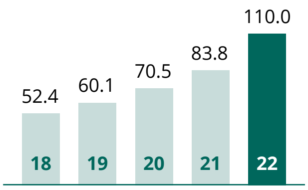


Key performance indicators

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

REVENUE (£m)

£110.0m
(2021: £83.8m)

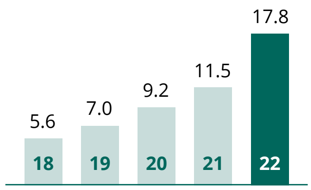


The measure
Revenue generated from operating activities in the financial year.

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)

£17.8m
(2021: £11.5m)

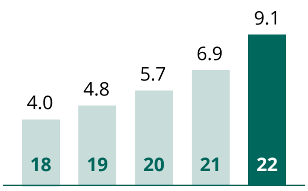


The measure
Profit before tax generated by the business in the year, adjusted to exclude items which arise due to acquisitions, which are charged to the income statement under IFRS 3 and are not influenced by the day-to-day operations of the group.

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

ADJUSTED BASIC EPS (p)

9.1p
(2021: 6.9p)

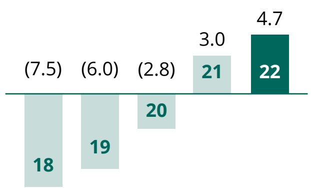


The measure
Adjusted EPS is calculated by dividing adjusted profits by the weighted average number of shares in issue.

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

NET CASH (DEBT) (£m)

£4.7m
(2021: £3.0m)



The measure
Cash net of borrowings (pre-IFRS 16).

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.

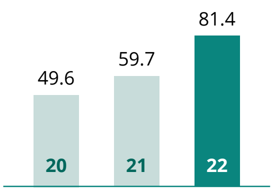
Commentary on financial performance on these KPIs and other financial information is included in the finance review on page 13.

Operating review

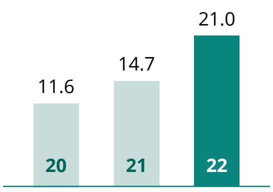
Ric Traynor
Executive chairman

Business recovery and financial advisory

REVENUE (£m)
£81.4m
(2021: £59.7m)



SEGMENTAL PROFITS (£m)
£21.0m
(2021: £14.7m)



Financial summary

Revenue increased by 36% (5% organic) to £81.4m (2021: £59.7m), reflecting the benefit from recent acquisitions combined with an increase in activity levels.

Operating costs increased by £15.4m to £60.4m (2021: £45.0m), principally from costs associated with acquired businesses. However, these costs reduced as a percentage of revenue which resulted in improved operating margins of 25.8% (2021: 24.6%).

Segmental profits[1] increased by 43% to £21.0m (2021: £14.7m).

Business recovery

The results for the year reflect the significant increase in the scale of our business recovery activities, which resulted from the acquisitions of CVR Global and David Rubin & Partners late in the previous financial year. The teams have integrated well into the group and delivered strong results over the last twelve months.

Over the course of the financial year, the measures introduced by the Government to protect companies during the pandemic were gradually removed. As a result, UK insolvency numbers returned to pre-pandemic levels, having been at historically low levels during most of the prior period, and we expect them to increase further in the current year and beyond.

Corporate insolvencies[2] nationally increased by 50% to 16,648 (2021: 11,134), with the increase to date being from liquidations (which are typically routine insolvencies of smaller companies) rather than administrations (typically larger and more complex instructions).

We have increased activity across all case sizes: smaller, more routine appointments growing through our extensive regional network and digital marketing expertise; larger and more complex appointments growing, as anticipated, following the successfully integrated acquisitions.

We remain the market leader (by volume of appointments) with an increased market share resulting from organic development of 14% (prior year 12% reflecting the additional market share of the acquired businesses).

Our order book of committed future insolvency revenue has increased to £29.5m (2021: £28.3m), leaving the division well placed to continue its track record of growth in the new financial year.

Financial advisory

At the start of the financial year, we acquired the finance broker MAF Finance Group ('MAF'). MAF supports its broad client base through arranging facilities for investment in new asset purchases together with refinancing and restructuring existing facilities. Finance broking complements the group's other advisory and transactional services and deepens the group's existing relationships with banks and other lenders.

The business traded well in its first year as part of the group and has grown in line with its earn out targets. Total lending arranged for clients in the financial year increased to £330m from £150m in the year prior to acquisition. This growth has been delivered from developing its healthcare and renewables financing expertise as well as continuing growth in asset and property finance solutions.

Our Springboard corporate finance team had a successful year, providing buy and sell-side advice and benefitting from an M&A market which continued to be very active.

People

The number of people employed in the division has increased to 590 on 30 April 2022 from 555 at the start of the financial year, following the MAF acquisition. We continue to consider further recruitment to build capacity for long-term growth and to develop our service offering.

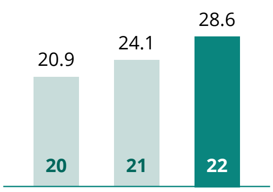
1 See note 4

2 Source: The Insolvency Service quarterly statistics on the number of corporate insolvencies (excluding compulsory liquidations) in England and Wales on a seasonally adjusted basis

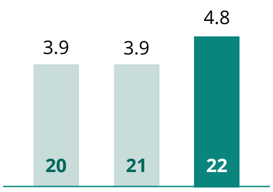
Operating review *continued*

Property advisory and transactional services

REVENUE (£m)
£28.6m
(2021: £24.1m)



SEGMENTAL PROFITS (£m)
£4.8m
(2021: £3.9m)



Financial summary

Revenue increased by 19% (10% organic) to £28.6m (2021: £24.1m), reflecting organic growth of key service lines, the recovery in activity levels compared to the lockdown-impacted comparative period and the first-time contribution from acquisitions.

Operating costs increased to £23.8m (2021: £20.2m), principally due to costs of acquired businesses.

Segmental profits[1] were £4.8m (2021: £3.9m), with operating margins having increased to 16.8% (2021: 16.2%).

Operating review

The division was created through the acquisition of Eddisons in December 2014, since when it has increased substantially in scale from annual revenue of c.£13m at inception to a current annualised run rate in excess of £30m, together with strong and growing profitability.

Our professional services team had a strong year providing real estate valuation services to secured lenders. This reflects the benefit of investment in the team in recent years, which has resulted in a business now operating as a national practice providing services to the clearing banks together with a broad range of specialist lenders. Revenue growth in the year has come from an increased number of instructions together with higher average fees, reflecting our enhanced reputation and expertise.

The building consultancy team continued to grow its national offering to the education sector and its broad range of corporate clients. The team now has a national footprint and an excellent reputation, which provides strong foundations for continuing growth.

As previously reported, we have experienced a sustained recovery in activity levels in our business sales agency, commercial property agency, valuation and auction businesses compared to the lockdown-impacted comparative period.

Acquisitions

We completed two acquisitions during the year in line with our strategy to enhance and broaden our service offerings and geographical coverage.

In January 2022, we acquired Daniells Harrison, a valuation and property consultancy practice operating across the south coast of England, which extended our coverage into a new geography. In addition, we expanded our operations in South Yorkshire through the acquisition of the team from Fernie Greaves Chartered Surveyors in October 2021, who joined our existing Sheffield team.

People

The number of people employed in the division has increased to 326 on 30 April 2022 from 306 at the start of the financial year, following the above acquisitions.

1 See note 4

Finance review

Nick Taylor
Group finance director

Financial summary

	2022 £m	2021 £m
Revenue	**110.0**	83.8
Operating profit (before transaction costs and amortisation)	**18.6**	12.4
Finance costs	**(0.8)**	(0.9)
Adjusted profit before tax	**17.8**	11.5
Transaction costs	**(8.3)**	(6.5)
Amortisation of intangible assets arising on acquisitions	**(5.5)**	(3.1)
Profit before tax	**4.0**	1.9
Tax on profits on ordinary activities	**(2.7)**	(1.7)
Deferred tax charge due to change in tax rate	**(1.8)**	—
(Loss) profit for the year	**(0.5)**	0.2

Operating result (before transaction costs and amortisation)

Revenue in the year increased by £26.2m to £110.0m (2021: £83.8m), an overall increase of 31%, of which 7% was organic and 24% was acquired[1]. Operating profit increased by 50% to £18.6m (2021: £12.4m).

Operating margins improved to 16.9% (2021: 14.8%), due to profit growth and margin enhancement in both divisions. In addition, shared and central costs as a percentage of group revenue reduced to 6.5% (2021: 7.4%), reflecting the benefits of increased scale.

Adjusted profit before tax increased by 55% to £17.8m (2021: £11.5m).

Transaction costs

Transaction costs arise due to acquisitions in accordance with IFRS 3 and include the following:

- deemed remuneration, which relates to acquisition consideration, where the vendors have obligations in the sale and purchase agreement to provide post-acquisition services for a fixed period. This consideration is charged to profit over the period of service;
- gains on acquisitions, where the fair value of assets acquired exceeds the consideration (due to elements of consideration being accounted for as deemed remuneration and charged to income as detailed above); and
- Legal and professional fees incurred on acquisitions.

These costs (detailed in note 5) increased to £8.3m (2021: £6.5m) in the year. This reflects an increase in deemed remuneration charges from both current and prior year acquisitions, partially offset by a gain on acquisition.

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

Finance review *continued*

Tax

The overall tax charge for the year was £4.5m (2021: £1.7m) as detailed below:

	2022			
	Profit before tax £m	**Tax £m**	**Profit after tax £m**	**Effective rate**
Adjusted	**17.8**	**(3.7)**	**14.1**	**20%**
Transaction costs	**(8.3)**	**—**	**(8.3)**	**—**
Amortisation	**(5.5)**	**1.0**	**(4.5)**	**19%**
Statutory (before one-off charge)	**4.0**	**(2.7)**	**1.3**	**68%**
Deferred tax charge from change in rate	**—**	**(1.8)**	**(1.8)**	**—**
Statutory	**4.0**	**(4.5)**	**(0.5)**	**113%**

	2021			
	Profit before tax £m	Tax £m	Profit after tax £m	Effective rate
Adjusted	11.5	(2.3)	9.2	20%
Transaction costs	(6.5)	—	(6.5)	—
Amortisation	(3.1)	0.6	(2.5)	19%
Statutory	1.9	(1.7)	0.2	89%

The deferred tax charge from the change in rate of £1.8m is a one-off non-cash charge, resulting from an increase in deferred tax liabilities following the legislation to increase the UK corporation tax rate to 25% being enacted during the year.

Earnings per share

Adjusted basic earnings per share[1] increased by 32% to 9.1p (2021: 6.9p). Basic loss per share of 0.3p (2021: earnings per share of 0.1p), resulting from the one-off non-cash deferred tax charge noted above.

Partners and employees

On 30 April 2022 the group had 1,000 partners and employees (2021: 940), the increase being principally due to acquisitions.

The average number of full-time equivalent ('FTE') partners and employees working in the group during the year is detailed below.

	2022			
	Business recovery and financial advisory	**Property advisory and transactional services**	**Shared and support teams**	**Total**
Partners	**85**	**—**	**—**	**85**
Staff	**395**	**268**	**—**	**663**
Fee earners	**480**	**268**	**—**	**748**
Support teams	**68**	**7**	**77**	**152**
Total	**548**	**275**	**77**	**900**

	2021			
	Business recovery and financial advisory	Property advisory and transactional services	Shared and support teams	Total
Partners	70	—	—	70
Staff	285	237	—	522
Fee earners	355	237	—	592
Support teams	45	5	68	118
Total	400	242	68	710

The ratio of our support teams to fee earning partners and staff is 4.9 (2021: 5.0).

Acquisitions

During the financial year, the group made the following acquisitions:

- MAF Property Limited ('MAF') on 9 May 2021 for initial consideration of £3.0m (£2.0m cash and £1.0m in shares – cash free and debt free); potential earn out of up to £8.75m subject to delivering material growth in profits over the four year period post-acquisition.

  In its financial year ended 31 December 2020, MAF reported revenue of £3.1m and normalised pre-tax profits of £0.3m when reported on the same basis as the group.

1 See reconciliation in note 10

- Daniells Harrison Surveyors LLP ('Daniells Harrison') on 9 January 2022 for initial consideration of £1.0m (£0.75m cash and £0.25m in shares – cash free, debt free); potential earn out of up to £8.75m subject to delivering material growth in profits over the four year period post-acquisition.

  In its financial year ended 31 March 2021, Daniells Harrison reported revenue of £2.1m and normalised pre-tax profits of £0.4m when reported on the same basis as the group.

In addition, in October 2021, we expanded our property services team in South Yorkshire through the acquisition of the team from Fernie Greaves Chartered Surveyors for consideration of £0.25m.

The net cash outflow from acquisitions was £8.2m, comprising current year acquisitions of £2.9m and prior year acquisitions of £5.3m.

The value of net assets acquired exceeds the accounting value of consideration (as a result of the elements of consideration being accounted for as deemed remuneration) and consequently a gain of £2.0m has been recognised within transaction costs in the year.

Liquidity

The group remains in a very strong financial position. At 30 April 2022, the group had net cash of £4.7m (2021: £3.0m), represented by cash balances of £9.7m (2021: £8.0m) net of drawn borrowing facilities of £5.0m (2021: £5.0m). All bank covenants were comfortably met during the year.

We have extended our borrowing facilities with HSBC which now mature in August 2024 and comprise a £25m unsecured, committed revolving credit facility (of which £5m was drawn at 30 April 2022) and a £5m uncommitted acquisition facility. We have significant levels of headroom in these facilities to fund organic investment and acquisition opportunities.

Cash flow

The group remains strongly cash generative and increased its free cash flow to £14.0m (2021: £12.3m).

Cash flow in the year is summarised as follows:

	2022 £m	2021 £m
Net cash from operating activities (before deemed remuneration)	**18.2**	16.2
Capital expenditure	**(1.0)**	(1.2)
Capital element of lease payments	**(3.2)**	(2.7)
Free cash flow	**14.0**	12.3
Net proceeds from share issues	**0.5**	20.9
Acquisition and deferred consideration payments	**(8.2)**	(23.9)
Dividends	**(4.6)**	(3.6)
Increase in net cash	**1.7**	5.7

Net assets

At 30 April 2022 net assets were £84.5m (2021: £86.3m). The £1.8m reduction in net assets reflects the post-tax impact of acquisition-related transaction and amortisation costs of £12.8m and the one-off deferred tax charge of £1.8m, which offset post-tax adjusted earnings of £14.1m net of dividends of £4.6m, a £1.5m credit for equity-settled share-based payments and £1.8m from the issue of new shares to satisfy share options and acquisition consideration.

Going concern

The group is in a strong financial position and has significant liquidity as detailed above.

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 this statement. This review included sensitivity analysis and stress tests to determine the potential impact on the group of reasonably possible downside scenarios. Under all modelled scenarios, the group's banking facilities were sufficient and all associated covenant measures were forecast to be met.

As a result, 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.

Ric Traynor
Executive chairman
18 July 2022

Nick Taylor
Group finance director
18 July 2022

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.

The principal decisions made by the board during the year are as follows:

COVID-19 response

During the year, we continued to manage the impact of Government guidance on office work and the resulting impact on our teams, where the majority of our employees have worked remotely when required. Following the conclusion of Government restrictions, we have been able to allow our teams to return to our offices as required.

Acquisitions

During the financial year the group completed three acquisitions, in line with our strategy to increase the scale, quality and range of the group's services. The board believe this strategy increases value for all stakeholders and is for the long-term benefit of the group.

Sustainability

The board has continued to develop its sustainability strategy in the year with key developments and an ESG action plan being agreed as detailed on pages 18 to 21.

Capital structure

The board reviewed its capital structure during the year and extended the group's committed banking facilities with HSBC which now mature in August 2024. This is a long-running relationship which commenced in 2010. The board believes that this facility provides the group with the flexibility required to enable continuing investment in the business, including acquisitions, funding operational requirements and making dividend distributions to shareholders.

Our people

Shareholders

Clients

Community

Why we engage	How we engage
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 are fundamental to the group's success.	We engage and interact with our teams both on a local office level and nationally as detailed on page 20. The senior management teams across all the group's operations meet both formally and informally on a regular basis with the executive directors.
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 chairman and finance director have primary responsibility for investor relations ('IR') and lead a regular programme of engagement. This includes results announcements, which are also available on the group's IR website. The IR programme maintains ongoing communication with shareholders and helps to ensure that the board is aware of shareholders' views. The board also receives feedback from its brokers on investors' and the market's perceptions of the company. The company makes announcements using the regulatory news service ('RNS') throughout the financial year on major developments. The AGM provides an opportunity for all shareholders to ask questions and to meet the directors.
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.
We believe that through our community engagement activities we can make a beneficial impact on the areas where our people live and work. We are conscious of the impact we have on the environment and are committed to making positive changes to minimise this where possible.	Our sustainability commitment, as detailed on pages 18 to 21, aims to add value to the communities in which we operate, whilst minimising our impact on the environment.

Sustainability

Our commitment to a sustainable future

The board is committed to developing the business in a sustainable way for the benefit of all our stakeholders. We look to minimise our impact on the environment; have a positive impact for our people and the communities we serve; and operate with a culture of strong governance and responsible behaviour.

Our environmental, social and governance ('ESG') goals

We will work to deliver sustainability outcomes for the group that are relevant, achievable and verifiable, including:

- compliance with ESG laws, regulations and reporting;
- excellence in the management and empowerment of our human capital – including diversity, equity and inclusion practices for our workforce;
- a transition plan for the group to meet the UK's target of achieving net zero carbon emissions by 2050;
- a commitment to maintaining high standards of corporate governance; and
- transparent disclosure of data that underpin our stated commitments.

ESG developments

We have made progress in the following areas since the last annual report:

- appointed external consultants to advise the board on material areas of focus for sustainability and our ESG strategy;
- ESG goals and action plan approved by the board;
- sustainability group formed and met on five occasions. Proposed initiatives were approved by the board in December 2021 to target emissions reductions and efficiency drives across our office network;
- targeted reductions in scope 1 and 3 emissions through commencing a transition to ultra-low emission vehicles across the group:
  - fleet car policy updated to be exclusively electric or plug-in hybrid electric vehicles. This will reduce CO_2e emissions over the next three years as existing cars are replaced at the end of lease with ultra-low emission vehicles; and
  - introduced a salary sacrifice car scheme to enable all employees to purchase a low emission vehicle in a tax efficient manner and encourage the transition of our employees to more environmentally friendly vehicles;
- created a new senior group role of people director and appointed a highly experienced HR professional to the role to enhance our human capital management including actions on diversity, equity and inclusion; and
- maintained our strong governance environment.

ESG action plan

We will progress our sustainability strategy via a five-step process summarised as follows:

1) **Establish an effective internal ESG governance and management body.** The committee will report to the board with the purpose of:
   a) providing a focus on sustainability within the group;
   b) delivering the group's sustainability strategy;
   c) highlighting ESG compliance issues, risks and opportunities; and
   d) contributing to the group's evolution and transformation through ensuring that it remains aligned with the principles of sustainability.
2) **Enhance the group's resilience.** We will develop robust contingency plans to strengthen our response to a range of risk factors within the ESG landscape which could impact on the long-term viability of our business.
3) **Monitor our ESG performance.** We will identify the key ESG performance indicators that apply to the group and monitor our performance against these measures.
4) **Rectify shortcomings and innovate.** Based on the evidence gathered regarding our ESG performance, we will rectify any shortcomings through taking opportunities to improve and innovate through the insights we gain. Analysis of the data we gather will also inform our work to produce a transition plan for the 2050 net zero carbon target. As part of this important step we will identify the resources required to invest in our transition to a more sustainable future.
5) **Disclose and communicate.** We will disclose and communicate our ESG data to all our stakeholders openly and transparently and we will be clear about the measures we take to enhance our sustainability performance.

Our sustainability agenda focusses on the three ESG pillars, each built on robust and ethical business practices:

- environmental;
- social; and
- governance.

Environment

Environmental commitment

As a professional services business, we believe that the group has a low environmental impact when compared to many other industries. However, we are conscious of the impact we do have on the environment and are committed to making positive changes to minimise this where possible.

We believe the measures required to limit the effects of climate change, including meeting the Net Zero Carbon challenge, are fundamental to our long-term business interests and entirely consistent with our vision and values.

Sustainability group

We have a sustainability group made up of employees from across the business who look to develop and manage our plans to reduce emissions and waste across our office network.

Greenhouse gas emissions ('GHG') statement

During the year, the group's emissions have increased in absolute terms, reflecting the increase in scale of the group and its operations, but remain below the pre-pandemic year of 2020. The emissions per FTE have remained at 2021 levels reflecting a 33% decrease on pre-pandemic levels in 2020.

	Unit	2022	2021	2020
GHG emissions				
Scope 1	Tonnes of CO_2e	**193**	147	208
Scope 2	Tonnes of CO_2e	**164**	162	216
Scope 3	Tonnes of CO_2e	**222**	143	194
Total group emissions	**Tonnes of CO_2e**	**579**	**452**	**618**
Intensity measure				
Emissions by full-time equivalent member of staff	Tonnes of CO_2e/FTE	**0.64**	0.64	0.96
Emissions by group revenue	Tonnes of CO_2e/£m group revenue	**5.26**	5.39	8.77
Energy consumption				
Scope 1	kWh	**810,000**	655,000	865,000
Scope 2	kWh	**773,000**	764,000	846,000
Scope 3	kWh	**900,000**	576,000	753,000
Total	**kWh**	**2,483,000**	**1,995,000**	**2,464,000**

Scope 1 are direct emissions from fuel consumption in either buildings or from company leased or owned vehicles.

Scope 2 are indirect emissions from the purchase of electricity in our offices.

Scope 3 are emissions from the use of personal or privately hired vehicles used for company business where employees are reimbursed based on claims for business mileage.

Emissions which result from train travel, flights and taxi journeys are not included in the emissions table.

The carbon dioxide equivalent ('CO_2e') emissions data for 2022 and 2021 has been calculated using the emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2021 published on 2 June 2021 (2020 using 2019 conversion factors).

Sustainability *continued*

Social

Social commitment

We are committed to a culture which ensures that:

- our people are valued and enjoy working for the group;
- can develop their talents and fulfil their potential; and
- share in corporate success through reward packages including share incentive schemes.

Employee engagement

During the year, we have continued to focus on our colleagues' safety and engagement. We have continued to support hybrid working arrangements as working patterns begin to normalise following the pandemic, taking advantage of technology.

We continue to engage and interact with our teams through a variety of means:

- corporate intranets including a group-wide communication tool, BTG Insight;
- regular team meetings;
- internal updates from the executive chairman on major corporate events including financial results announcements and acquisitions; and
- one-to-one appraisals throughout the year.

We have not completed an employee opinion survey during the year and are planning the next survey for the new financial year. The most recent survey in November 2020 (which was benchmarked against comparable companies) was completed by 64% of eligible employees (comparator average 70%) with an overall engagement score of 75% (comparator average 71%).

Development and potential

We believe in the value of investing in and developing future talent within the group. We provide support to enable our colleagues to develop, and in many cases gain professional qualifications, to further their chosen career progression.

We provide this support through apprenticeships, work experience and financing study programmes. This enables our people to gain professional qualifications in accountancy, insolvency, chartered surveying, business banking and asset finance. We also provide work placement opportunities for undergraduates, which in many cases will lead to a graduate employment opportunity in the group.

During the year we have provided support to 93 of our team to gain their professional qualifications.

In addition, for our qualified colleagues the BTG Academy programme assists them in developing the range of skills required to undertake more senior roles in the organisation, together with support for continuing professional development.

Retention

We aim to provide a positive environment and culture for our teams and benefit from good employee and partner retention levels. The retention rate[1] over the last financial year was 90% (2021: 92%).

Sharing our success

We aim to provide market competitive reward packages for our people, which comprise a competitive salary, together with a bonus and other benefits where applicable.

We believe that it is important for our people to share in the success of the group and we have share incentive schemes in place. These include an all-employee save as you earn ('SAYE') scheme and share option schemes.

In total 24% (2021: 48%) of our colleagues currently participate in either SAYE or share option schemes. The decrease in participation reflects the maturity of the 2018 SAYE scheme during the financial year and the significant increase in employees following recent acquisitions. A new SAYE scheme is planned for release in the new financial year, which will be the first opportunity for employees who have joined the group since October 2020 to join a share incentive scheme.

Equal opportunities

The group is an equal opportunities employer and its policy 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.

As at 30 April 2022 our total workforce of 1,000 colleagues comprised 585 males and 415 females. In common with other professional services firms, there are a greater proportion of male employees and partners in qualified and executive roles. The gender mix at this level was 322 males and 103 females.

In accordance with the Equality Act 2010, Begbies Traynor Limited, as an employer with 250 or more UK employees publishes its gender pay statistics (calculated in accordance with the published requirements) on the Begbies Traynor website.

1 Calculated as annual leavers with more than one year service divided by average headcount over the year

The board recognises the importance of diversity across the organisation and at board level, and diversity will form part of our considerations in the ongoing development and succession of the board.

Health and safety

The group is committed to ensuring the well-being and safety of its employees in its offices and places of work. Our policies and procedures are designed to ensure compliance with relevant legislation and the group employs external consultants to both review our policies and provide recommendations on areas for improvement.

The group's response to COVID-19 over the last two years has been to focus on the health, safety and well-being of our people, which involved the majority of people working remotely and the provision of a safe working environment for those that required access to our offices. In recent months there has been a progressive return of people to our offices on a regular basis.

Community involvement

Our clients include commercial organisations, financial institutions, government and public sector bodies. We provide them with advice and transactional support, often in challenging situations, to protect, enhance and realise the value of their assets, investments and people, throughout the economic cycle.

Our offices operate in the heart of their local communities. We support these communities through charity and fundraising work as well as working with local schools, colleges and universities to support young people in establishing a career in professional services using apprenticeships, work experience and graduate placement schemes.

Governance

Governance commitment

The board is committed to maintaining high standards of corporate governance. We recognise that a positive culture, together with a robust approach to governance, is key to the success of the organisation.

We have a clear approach to governance and risk management with a highly experienced leadership team, together with robust compliance and governance procedures.

Many of the group's service lines are regulated by externally governed codes of practice and ethical behaviour. This is reinforced by group policies in the following areas:

Whistleblowing

We are committed to maintaining high ethical standards and take any malpractice very seriously. All our employees should feel able to raise any matters of concern to their manager. If they are not able to do so, we have a whistleblowing policy in place which applies across the group.

Anti-bribery and corruption

We have a zero-tolerance approach to bribery and other forms of corruption and our policies are designed to ensure compliance with relevant laws wherever we do business.

Modern slavery

The Modern Slavery Act came into force in 2015. We have a zero-tolerance approach to modern slavery and believe that the risk of slavery or human trafficking in the recruitment and engagement of our employees is low. This is further enhanced by our approved supplier process to mandate this approach across suppliers. The group's Modern Slavery and Human Trafficking Statement is available on the group's website.

Data protection and information security

The group has policies in place to protect personal data held by the group, which meet the requirements of the Data Protection Act 2018 (incorporating GDPR). In addition, annual data protection compliance training is completed by our employees and partners.

We have information security policies in place which are Cyber Essentials Plus accredited. There is an ongoing programme of online training for all employees, which highlights key areas of information security risk and raises awareness of this critical risk area. During the year, no data breaches arose from the group's managed IT infrastructure, which would have required formal notification to the Information Commissioner.

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.

Managing our risks

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.

Risk management framework

Board of directors

- Responsibility for risk management, setting strategic objectives and risk appetite
- Accountable for the effectiveness of the internal control and risk management processes

Audit committee

- Supports the board by overseeing the internal control and risk management processes

Divisional management teams

- Responsible for the identification and evaluation of risks, notably in relation to client engagements
- Implementation of specific risk management activities through divisional risk committees

Principal risks and mitigating activities

The directors have carried out a robust assessment of the material and emerging risks facing the group. Outlined on the following page 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.

Risk	Mitigating activities
Recruitment and retention of high-calibre partners and employees	
The business is dependent upon the professional development, recruitment and retention of partners and employees.	The group manages this risk through providing: • a competitive reward structure; • benefits including all-employee share schemes and salary sacrifice car schemes; • support to develop careers and gain professional qualifications; and • selective use of share-based and other long-term incentive awards to incentivise and retain key people.
Business continuity	
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.	We have business continuity plans in place across the business which include the ability to work from alternate operating locations. During the COVID-19 operating restrictions, the majority of our teams successfully worked from home.
Operational gearing	
The business is operationally geared with a high proportion of salary and property costs, which cannot be immediately varied. Consequently, the group's profitability is liable to short-term fluctuations dependent on activity levels.	This risk is managed through flexing our resource levels, where possible, to align with current and anticipated levels of activity, together with the control of other discretionary items of expenditure. A prudent level of spare capacity is retained to facilitate peaks in activity.
Liquidity 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.	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.
Marketplace	
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.

Principal risks and uncertainties *continued*

Risk	Mitigating activities
Legal and regulation	
The group operates in regulated markets. Failure to comply with, or changes in, regulation or legislation may have an adverse impact on the activities of the business.	To ensure compliance with relevant legislation in performing regulated activities, the group has dedicated compliance functions which maintain procedures and policies in line with current legislation.
In the ordinary course of business, certain aspects of the group's services are opinion based and may be subject to challenge.	The group has robust processes in place including divisional risk committees and appropriate internal review processes. Where appropriate, the group may seek third-party professional corroboration. In addition, the group has appropriate insurance policies in place.
Failure or interruption in IT systems	
A major failure in the group's IT systems may result in either a loss or corruption of data or an interruption in client service, which may have a consequential impact on our reputation and profitability. There is a risk that an attack on our IT systems by a malicious individual or group may be successful and impact on the availability of these systems.	Specific off-site back-up and resilience requirements have been built into our IT systems which have been set up, as far as reasonably practicable, to prevent unauthorised access and mitigate the impact and likelihood of a major IT failure or cyber attack. The group is Cyber Essentials Plus accredited. The group has disaster recovery plans in place to cover residual risks which cannot be mitigated and maintains appropriate cyber response insurance. The group is constantly reviewing its processes and resilience in this area due to the increasing threat landscape.
Acquisition risk	
The valuation, structuring and integration of acquisitions is critical to realising the benefits from the transactions.	The group has well-established processes in place to evaluate, structure and subsequently complete appropriate acquisitions. We have a clear post-acquisition integration strategy and plan to ensure shareholder value is delivered. Post-acquisition management reporting keeps the board updated on progress against plan.

Approval

The strategic report on pages 1 to 24 was approved by the board and signed on its behalf by:

Ric Traynor
Executive chairman
18 July 2022

Nick Taylor
Group finance director
18 July 2022

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.

We seek to be a trusted advisor to all 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.

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
18 July 2022

Board of directors

Ric Traynor
Executive chairman

C

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 in 2010, having originally joined the group as financial controller in 2007. He is a chartered accountant with broad experience of M&A, financial reporting and operational management. He qualified with KPMG in Manchester 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 and he led our London and South East region prior to his board appointment.

He is the national head of our business recovery and advisory services, is an experienced insolvency practitioner, and has been appointed on numerous complex and high-profile assignments. Mark is also a former president of the Insolvency Practitioners Association.

C **Chair**

A **Audit committee**

R **Remuneration committee**

I **Independent**

John May

Non-executive director

A R I

Appointment date:
October 2007

Experience

John was appointed to the board in 2007 as a non-executive director. He was an executive director of Caledonia Investments plc from 2003-2011 prior to which he 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 also 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

A R I

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

R I

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, and JLL as UK chief operating officer until leaving the business in December 2016. During this time, Mark had responsibility for the operation of the business working closely with Finance, HR, and IT, and was responsible for the UK sustainability strategy. Mark now runs his own consultancy focussing on business strategy and change.

Mark is an experienced Trustee, chairing both the JLL Retirement Benefits Scheme and the JLL UK Foundation. In this latter role, the Foundation is focused on social mobility in the real estate sector. This has strengthened Mark's belief in the need for inclusion alongside diversity.

Peter Wallqvist

Non-executive director

I

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.

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 group applies appropriate 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. These policies are regularly reviewed and updated to ensure continued compliance.

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. 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 NED's 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 act as independent directors 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.

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 2022, facilitated by the company secretary. This involved reviewing developments since the previous board evaluation session through the completion of a questionnaire based on the ten principles of the QCA Code. This enabled progress made by the board to be accurately assessed.

During the year the group continued to make progress in the areas of shareholder and employee engagement, as well as ensuring the successful integration of the recent acquisitions to the group.

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	5	5	—[1]	—[1]	—[2]	—[2]
Nick Taylor	5	5	—[3]	—[3]	—	—
Mark Fry	5	5	—	—	—	—
John May	5	5	4	4	2	2
Graham McInnes	4	5	4	4	1	2
Mark Stupples	5	5	—	—	2	2
Peter Wallqvist	5	5	—	—	—	—

1 The executive chairman attended four 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 2022.

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 the performance of the external auditor;
- reviewing the group's risk management process including the group's key risks and mitigations; and
- commissioning an external, independent review of certain key risk areas and acting on the findings.

Role of the external auditor
The committee monitors the relationship with the external auditor, Crowe, to ensure that auditor independence and objectivity are maintained. Crowe has been the company's auditor since 2021, which followed a tender process. The committee will keep under review the need for a further external tender. Any instruction for Crowe to provide non-audit services to the group must be approved in advance by the committee. No fees were payable to Crowe for non-audit services during the year.

Having reviewed the auditor's independence and performance, the committee has concluded that these are effective and recommends that Crowe 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
The committee has reviewed the group's processes for the review and testing of its internal control framework, considering the size and complexities of the group. It concluded that assurance on the adequacy and effectiveness of internal controls can be obtained through the group's compliance and finance teams, supported where necessary by external, independent review.

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 and compliance 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 22 to 24.

Graham McInnes
Chairman of the audit committee
18 July 2022

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 three members, each of whom is an independent, non-executive director. I am the chairman of the committee and Graham McInnes and Mark Stupples are the other current members of the committee. The group company secretary is at the disposal of the committee to advise and assist 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 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 and are reviewed annually.

Directors' remuneration

The remuneration arrangements for the three executive directors 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.

The executive bonus scheme 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 bonus payable in the year is disclosed in the table of directors' emoluments.

In the prior year Mark Fry's remuneration consisted of a fully variable profit share, determined as a proportion of the profits of Begbies Traynor (London) LLP ('the LLP'), a subsidiary of the group. In addition he received 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.

Long-term incentive plans

The long-term incentive plans in place for Nick Taylor and Mark Fry seek to incentivise them to enhance shareholder value. Performance criteria for the full award of the performance share plan 2020 require total shareholder return equal or exceeding the median position of the FTSE AIM All Share Index over the three year period, and growth in adjusted earnings per share of 20% CAGR over the three year period.

Non-executive directors

Non-executive directors' remuneration is determined by the board.

Remuneration committee report *continued*

Directors' emoluments

Name of director	Directors' fees and profit share/salary £	Bonus £	Benefits £	**2022 total £**	Fixed pay £	Variable pay £
Executive						
Ric Traynor	346,625	310,500	21,253	**678,378**	367,878	310,500
Nick Taylor	219,000	188,000	778	**407,778**	219,778	188,000
Mark Fry	448,800	391,000	15,856	**855,656**	464,656	391,000
Non-executive						
John May	40,000	—	—	**40,000**	40,000	—
Graham McInnes	40,000	—	4,636	**44,636**	44,636	—
Mark Stupples	40,000	—	—	**40,000**	40,000	—
Peter Wallqvist	40,000	—	—	**40,000**	40,000	—
Aggregate emoluments	1,174,425	889,500	42,523	**2,106,448**	1,216,948	889,500

Name of director	Directors' fees and profit share/salary £	Variable profit share £	Bonus £	Benefits £	2021 total £	Fixed pay £	Variable pay £
Executive							
Ric Traynor	330,521	—	236,000	21,612	588,133	352,133	236,000
Nick Taylor	219,000	—	182,000	880	401,880	219,880	182,000
Mark Fry	15,000	665,000	—	—	680,000	15,000	665,000
Non-executive							
John May	40,000	—	—	—	40,000	40,000	—
Graham McInnes	40,000	—	—	5,276	45,276	45,276	—
Mark Stupples	40,000	—	—	—	40,000	40,000	—
Peter Wallqvist	40,000	—	—	—	40,000	40,000	—
Aggregate emoluments	724,521	665,000	418,000	27,768	1,835,289	752,289	1,083,000

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 options held by directors who served during the year are as follows:

Name of director	Scheme	Number at 1 May 2021	Exercised in year	**Number at 30 April 2022**	Exercise price (pence)	First vesting date
Mark Fry	Share option scheme 2013	1,000,000	—	**1,000,000**	36.7	30 April 2016
	Performance share plan 2020	250,000	—	**250,000**	5.0	31 July 2023
Nick Taylor	Share option scheme 2014	250,000	(250,000)	**—**	51.0	25 July 2017
	Share option scheme 2017	476,300	(60,000)	**416,300**	63.1	30 April 2020
	SAYE 2018	15,203	(15,203)	**—**	59.0	1 January 2022
	Performance share plan 2020	250,000	—	**250,000**	5.0	31 July 2023

The market price of the company's shares at the end of the financial year was 118p and the range of market prices during the year was 100p to 149p.

Details of share options granted by the company at 30 April 2022 are given in note 22. None of the terms and conditions of the share options were varied in the year.

Directors' interests

The directors who held office at 30 April 2022 had the following interests in the shares of the group:

		30 April 2022		30 April 2021	
Name of director	Description of shares	number	%	number	%
Ric Traynor	Ordinary shares	**27,178,980**	**17.72**	27,178,980	18.00
Nick Taylor	Ordinary shares	**200,238**	**0.13**	136,240	0.09
Mark Fry	Ordinary shares	**661,610**	**0.43**	734,390	0.49
John May	Ordinary shares	**343,976**	**0.22**	343,976	0.23
Graham McInnes	Ordinary shares	**917,432**	**0.60**	917,432	0.61
Mark Stupples	Ordinary shares	**30,727**	**0.02**	30,727	0.02
Peter Wallqvist	Ordinary shares	**30,000**	**0.02**	30,000	0.02

No changes took place in the interests of directors between 30 April 2022 and 18 July 2022.

John May
Chairman of the remuneration committee
18 July 2022

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 2022. 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 26.

Risks and uncertainties

The principal business risks and uncertainties to which the company is exposed are detailed on page 22 of the strategic report.

Dividends

The directors recommend a final dividend of 2.4p (2021: 2.0p per ordinary share) to be paid on 3 November 2022 to shareholders on the register on 7 October 2022. This, together with the interim dividend of 1.1p paid on 6 May 2022 (2021: 1.0p), makes a total dividend of 3.5p for the year (2021: 3.0p).

Substantial shareholdings

On 8 July 2022, 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
Amati Global Investors	11,311,005	7.35
Close Brothers Asset Management	11,008,126	7.16
OVMK Vermogensbeheer	6,579,666	4.28
Slater Investments	6,097,548	3.97
River and Mercantile Asset Management	6,000,000	3.90
Gresham House Asset Management	5,626,933	3.66

Other than the above holdings and those of the directors (see page 33), 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 statement

Details of the group's GHG emissions for the year are detailed on page 19 of the strategic report.

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 pages 16 and 20.

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 Crowe U.K. LLP be reappointed as auditors.

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

John Humphrey
Company secretary
18 July 2022

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 UK-adopted international accounting standards 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 UK-adopted international accounting standards, 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 2022 which comprise:

- the Group income statement and statement of comprehensive income for the year ended 30 April 2022;
- the Group and parent company statements of financial position as at 30 April 2022;
- the Group statement of cash flows for the year then ended;
- the Group and parent company statements of changes in equity for the year then ended; and
- the 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 UK adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 applicable in the UK 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 2022 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- 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 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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting included obtaining and reviewing management's assessment of going concern. This involved gaining an understanding of management's basis for the identification of events or conditions that may cast a significant doubt on the ability of the Group to continue as a going concern, and whether a material uncertainty related to going concern exists.

Furthermore, we performed specific audit procedures around going concern; whereby we obtained and reviewed actual financial results against budgeted results, assessed the reasonableness of budgets and forecasts for successive financial years, evaluated the feasibility of management's plans in respect of going concern as well as considered whether new facts or information have become available since management made their assessment.

We also considered explicitly whether there was any evidence of management bias in the preparation of the going concern assessment. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

Group materiality	£800,000
Group performance materiality	£560,000
Parent Company materiality	£600,000
Parent Company performance materiality	£420,000
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 and are in line with the Directors' KPIs. 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.

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 £40,000. We also agreed to report differences below these thresholds that, in our view, were warranted on qualitative grounds.

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 six 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.

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) that we identified. These matters included 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.

This is not a complete list of all risks identified by our audit.

Independent auditor's report *continued*

to the members of Begbies Traynor Group plc

Overview of our audit approach continued

Key Audit Matters continued

Key audit matter	How the scope of our audit addressed the key audit matter
Carrying value of goodwill	
Refer to note 2(d) (accounting policy), and note 11 (Intangible assets). The Group carries a value of slightly over £60 million for goodwill in the balance sheet at the year end. This is material to the group and the assessment of its recoverability performed by management involves the application of a number of judgements and estimates which therefore holds the potential for bias or error. In accordance with IAS 36, an annual impairment review of goodwill (see note 11) is required at each year end. 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 59. 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. Due to the potential significance and subjectivity of the above judgements to the group this is deemed to be a key audit matter.	We assessed the methodology applied by management to ensure consistency with prior year calculations. We evaluated the allocation of goodwill to ensure it was correctly allocated to the insolvency CGU. We checked 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 2022, 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 also assessed 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 recent trends in numbers of entities on the register and liquidation rates) as this drives the forecast future sales volumes for the insolvency practice, which is counter-cyclical to the general economic environment in the UK. We engaged the use of an 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 to the key assumptions to consider the headroom available.
Revenue and unbilled income recognition	
Refer to note 2(k) (accounting policy), notes 3 and 4 (Revenue), and note 14 (Unbilled income). 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 the manipulation of provisions for unrecoverable amounts. As noted in the accounting policies (note 2 (r)), 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 quarter, 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 were 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 cases which supported the fee estimate. We also reviewed the unbilled revenue estimates made in the prior year in relation to their recovery for a sample of cases and assessed their accuracy based on actual outcomes. 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.

Other information

The directors are responsible for the other information contained within the annual report. 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.

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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our 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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 35, 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the Group and Parent Company operates. We also considered and obtained an understanding of the UK legal and regulatory framework which we considered in this context were the Companies Act 2006 and UK taxation legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, and sample testing on the posting of journals. We reviewed and challenged accounting estimates and assumptions used by management for the valuation of goodwill, intangible assets and unbilled revenue, in order to verify that the calculations and models were reasonable and free of biases.

Independent auditor's report *continued*

to the members of Begbies Traynor Group plc

Auditor's responsibilities for the audit of the financial statements continued

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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

Michael Jayson (Senior Statutory Auditor)
for and on behalf of
Crowe U.K. LLP
Statutory Auditor
Manchester
18 July 2022

Consolidated statement of comprehensive income

for the year ended 30 April 2022

	Notes	2022 £'000	2021 £'000
Revenue	3	**110,002**	83,831
Direct costs		**(62,167)**	(48,281)
Gross profit		**47,835**	35,550
Other operating income		**155**	179
Administrative expenses		**(43,106)**	(32,939)
Operating profit (before amortisation and transaction costs)		**18,594**	12,394
Transaction costs	5	**(8,224)**	(6,546)
Amortisation of intangible assets arising on acquisitions		**(5,486)**	(3,058)
Operating profit		**4,884**	2,790
Finance costs	7	**(835)**	(883)
Profit before tax		**4,049**	1,907
Tax (before one-off deferred tax charge)	8	**(2,732)**	(1,754)
Deferred tax charge due to change in tax rate	8	**(1,817)**	—
(Loss) profit and total comprehensive income for the year		**(500)**	153
(Loss) earnings per share			
Basic and diluted	10	**(0.3)p**	0.1p

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 2022

	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
At 1 May 2020	6,386	29,459	23,927	304	5,495	65,571
Total comprehensive income for the year	—	—	—	—	153	153
Dividends	—	—	—	—	(3,579)	(3,579)
Transfer from share premium account	—	(20,000)	—	—	20,000	—
Credit to equity for equity-settled share-based payments	—	—	—	—	1,031	1,031
Shares issued as consideration for acquisitions	95	—	1,905	—	—	2,000
Shares issued as deferred consideration	8	—	142	—	—	150
Placing shares issued	1,043	19,852	—	—	—	20,895
Shares issued for share-based payments	15	14	—	—	—	29
At 30 April 2021	7,547	29,325	25,974	304	23,100	86,250
Total comprehensive income for the year	—	—	—	—	(500)	(500)
Dividends	—	—	—	—	(4,553)	(4,553)
Credit to equity for equity-settled share-based payments	—	—	—	—	1,544	1,544
Shares issued as consideration for acquisitions	52	—	1,198	—	—	1,250
Shares issued for share-based payments	72	462	—	—	—	534
At 30 April 2022	**7,671**	**29,787**	**27,172**	**304**	**19,591**	**84,525**

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

Consolidated balance sheet

at 30 April 2022

	Notes	2022 £'000	Restated 2021 £'000
Non-current assets			
Intangible assets	11	**75,307**	77,887
Property, plant and equipment	12	**1,967**	2,069
Right of use assets	13	**5,492**	7,502
Trade and other receivables	14	**4,175**	3,970
		86,941	91,428
Current assets			
Trade and other receivables	14	**49,666**	44,856
Cash and cash equivalents		**9,685**	7,986
		59,351	52,842
Total assets		**146,292**	144,270
Current liabilities			
Trade and other payables	15	**(37,163)**	(32,884)
Current tax liabilities		**(1,767)**	(2,612)
Lease liabilities	16	**(1,747)**	(2,975)
Provisions	18	**(1,474)**	(566)
		(42,151)	(39,037)
Net current assets		**17,200**	13,805
Non-current liabilities			
Borrowings	17	**(5,000)**	(5,000)
Lease liabilities	16	**(4,598)**	(5,846)
Provisions	18	**(1,992)**	(2,609)
Deferred tax	19	**(8,026)**	(5,528)
		(19,616)	(18,983)
Total liabilities		**(61,767)**	(58,020)
Net assets		**84,525**	86,250
Equity			
Share capital	21	**7,671**	7,547
Share premium		**29,787**	29,325
Merger reserve		**27,172**	25,974
Capital redemption reserve		**304**	304
Retained earnings		**19,591**	23,100
Equity attributable to owners of the company		**84,525**	86,250

The financial statements of Begbies Traynor Group plc, registered number 5120043, were approved by the board of directors and authorised for issue on 18 July 2022. 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 2022

	Notes	2022 £'000	2021 £'000
Cash flows from operating activities			
Cash generated by operations	24	**14,235**	16,162
Income taxes paid		**(3,621)**	(2,273)
Interest paid on borrowings		**(328)**	(342)
Interest paid on lease liabilities		**(460)**	(506)
Net cash from operating activities (before deemed remuneration payments)		**18,096**	16,236
Deemed remuneration payments	23	**(8,270)**	(3,195)
Net cash from operating activities		**9,826**	13,041
Investing activities			
Purchase of intangible fixed assets	11	**(188)**	(307)
Purchase of property, plant and equipment	12	**(876)**	(997)
Proceeds on disposal of property, plant and equipment		**40**	—
Acquisition of businesses	23	**(250)**	(22,033)
Deferred consideration payments	23	**(36)**	(150)
Cash acquired in acquisition of businesses	23	**397**	1,522
Net cash used in investing activities		**(913)**	(21,965)
Financing activities			
Dividends paid	9	**(4,553)**	(3,579)
Proceeds on issue of shares		**504**	20,923
Capital element of lease payments		**(3,165)**	(2,681)
Repayment of loans		**—**	(5,000)
Net cash used in financing activities		**(7,214)**	9,663
Net increase in cash and cash equivalents		**1,699**	739
Cash and cash equivalents at beginning of year		**7,986**	7,247
Cash and cash equivalents at end of year		**9,685**	7,986

Notes to the consolidated financial statements

for the year ended 30 April 2022

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 International Accounting Standards ('IAS') in conformity with the requirements of the Companies Act 2006 and UK-adopted IAS.

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

Going concern

The group's business activities, together with factors likely to affect its future development, performance and position, are set out in the chairman's statement and strategic report. The financial position of the group, 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.

At the year end the group had cash balances of £9.7m (2021: £8.0m) together with undrawn, committed borrowing facilities of £20.0m (2021: £20.0m) providing significant liquidity entering the new financial year.

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 of two years from the year end. This review included sensitivity analysis and stress tests to determine the potential impact on the group of reasonably possible downside scenarios. Under all modelled scenarios, the group's banking facilities were sufficient and all associated covenant measures were forecast to be met.

As a result, 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 UK-adopted international accounting standards, 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.

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2022

2. Accounting policies continued

(c) Business combinations

The acquisition of subsidiaries and businesses is accounted for using the acquisition method. The definition of a business combination was revised by the amendment to IFRS 3, applicable to accounting periods starting 1 January 2020, and this amendment is applied by the group when considering classification of acquisitions.

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 to former owners 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. Deemed remuneration payments are disclosed within cash flows from operating activities within the cash flow statement.

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 within transaction costs.

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 note 11.

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.

2. Accounting policies continued

(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

(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.

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2022

2. Accounting policies continued

(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 ('CGU') 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) 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 CGU) 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 CGU) 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.

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.

2. Accounting policies continued

(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) Professional indemnity insurance claims

Insurance cover is maintained in respect of professional negligence claims. There is judgement in the recognition and quantification of the liability associated with claims and regulatory proceedings. Recognition is based on the assessed likelihood of an individual claim's success. Where an outflow is both probable and can be estimated reliably, a liability is recognised for the best estimate of the gross liability with a separate asset recognised for any portion that the group will recover from its insurers. Where a payment is not probable or cannot be estimated reliably no liability is recognised. Gross liability is recognised in other payables and the related asset is recognised in other receivables.

(j) 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.

(k) 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 and finance broking;
- commercial property management;
- property consultancy services; and
- commercial property and other business asset disposals.

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2022

2. Accounting policies continued

(k) Revenue recognition continued

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.

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 and finance broking

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.

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.

2. Accounting policies continued

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

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

(n) Share-based payments
Equity-settled share-based payments 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.

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

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

Current 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.

(q) 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.

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2022

2. Accounting policies continued

(r) Critical accounting judgements and 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 that have the most significant impact on the annual results under UK-adopted IAS are as set out below.

Key sources of estimation uncertainty

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 CGUs. This requires an estimate of the future cash flows expected to arise from the CGU and a suitable discount rate to calculate present value. Details of the assumptions made are provided in note 11.

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 asset 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, with a resultant impact on the goodwill or gain on acquisition recognised. Details in relation to current year acquisitions are in note 23.

Unbilled income

As detailed in note 2(k), in determining the amount of revenue to recognise in the period, management is required to form an estimate on each individual contract of the total expected fees and total anticipated costs.

These estimates may change over time as the engagement completes. These estimates are formed over a large portfolio of contracts and are therefore unlikely to be individually material.

Provisions and claims

As detailed in note 2(h) and 2(i), there is judgement in the recognition and quantification of potential liabilities recognised as provisions and claims.

(s) Recently issued accounting pronouncements

UK-adopted IAS

At the date of authorisation of these financial statements, there are no amended standards and interpretations issued by the UK Endorsement Board that 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.

2. Accounting policies continued

(t) Restatement of prior year financial statements

Adjustment to provisional accounting estimates under IFRS 3

The provisional estimates made in relation to acquisitions completed in the year ended 30 April 2021 were finalised during the year. In accordance with 2 (c) above, provisional values are adjusted retrospectively and comparative information is restated. See table below for further details.

	As reported 30 April 2021 £'000	Adjustment to provisional estimates on CVR acquisition £'000	Adjustment to provisional estimates on DRP acquisition £'000	Restated 30 April 2021 £'000
Non-current assets				
Intangible assets	77,637	(529)	779	77,887
Property, plant and equipment	2,069	—	—	2,069
Right of use assets	7,502	—	—	7,502
Trade and other receivables	3,970	—	—	3,970
	91,178	(529)	779	91,428
Current assets				
Trade and other receivables	45,425	(124)	(445)	44,856
Cash and cash equivalents	7,986	—	—	7,986
	53,411	(124)	(445)	52,842
Total assets	144,589	(653)	334	144,270
Current liabilities				
Trade and other payables	(33,273)	751	(362)	(32,884)
Current tax liabilities	(2,612)	—	—	(2,612)
Lease liabilities	(2,975)	—	—	(2,975)
Provisions	(566)	—	—	(566)
	(39,426)	751	(362)	(39,037)
Net current assets	13,985	627	(807)	13,805
Non-current liabilities				
Borrowings	(5,000)	—	—	(5,000)
Lease liabilities	(5,846)	—	—	(5,846)
Provisions	(2,609)	—	—	(2,609)
Deferred tax	(5,458)	(98)	28	(5,528)
	(18,913)	(98)	28	(18,983)
Total liabilities	(58,339)	653	(334)	(58,020)
Net assets	86,250	—	—	86,250
Equity				
Share capital	7,547	—	—	7,547
Share premium	29,325	—	—	29,325
Merger reserve	25,974	—	—	25,974
Capital redemption reserve	304	—	—	304
Retained earnings	23,100	—	—	23,100
Equity attributable to owners of the company	86,250	—	—	86,250

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2022

3. Revenue

Revenue recognised in the year of £110.0m (2021: £83.8m) 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:

	2022 £'000	Restated 2021 £'000
Contract assets		
Trade receivables	**9,066**	8,215
Unbilled income	**35,208**	31,717
	44,274	39,932
Contract liabilities		
Deferred income	**(5,611)**	(5,520)

The movement in contract assets in the year comprises: £1.4m increase from acquisitions in the year and £2.9m increase due to organic growth in the year. The movement in contract liabilities in the year comprises £0.1m increase arising from formal insolvency appointments.

Revenue recognised in the year that was included in deferred income at the beginning of the year was £4.0m (2021: £2.4m).

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 at 30 April 2022 is £29.5m (2021: £28.3m).

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.

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 2022 £'000	Property advisory and transactional services 2022 £'000	Shared and central costs 2022 £'000	Consolidated 2022 £'000
Revenue				
Total revenue from rendering of professional services	**81,383**	**28,649**	**—**	**110,032**
Inter-segment revenue	**—**	**(30)**	**—**	**(30)**
Revenue from external customers	**81,383**	**28,619**	**—**	**110,002**
Over time	**73,861**	**2,777**	**—**	**76,638**
At a point in time	**7,522**	**25,842**	**—**	**33,364**
Revenue from external customers by basis of recognition	**81,383**	**28,619**	**—**	**110,002**
Insolvency and advisory services	**73,861**	**—**	**—**	**73,861**
Corporate finance and finance broking	**7,522**	**—**	**—**	**7,522**
Commercial property management	**—**	**2,777**	**—**	**2,777**
Property consultancy services	**—**	**15,975**	**—**	**15,975**
Commercial property, businesses and other asset disposals	**—**	**9,867**	**—**	**9,867**
Revenue from external customers by service line	**81,383**	**28,619**	**—**	**110,002**
Operating profit before amortisation and transaction costs	**21,002**	**4,841**	**(7,249)**	**18,594**

4. Segmental analysis continued

	Business recovery and financial advisory services 2022 £'000	Property advisory and transactional services 2022 £'000	Unallocated corporate amounts 2022 £'000	Consolidated 2022 £'000
Balance sheet				
Assets	**121,923**	**14,684**	**9,685**	**146,292**
Liabilities	**(45,296)**	**(9,704)**	**(6,767)**	**(61,767)**
Net assets	**76,627**	**4,980**	**2,918**	**84,525**

Unallocated amounts include current tax liabilities, cash and borrowings.

	Business recovery and financial advisory services 2021 £'000	Property advisory and transactional services 2021 £'000	Shared and central costs 2021 £'000	Consolidated 2021 £'000
Revenue				
Total revenue from rendering of professional services	59,697	24,140	—	83,837
Inter-segment revenue	—	(6)	—	(6)
Revenue from external customers	59,697	24,134	—	83,831
Over time	54,613	2,569	—	57,182
At a point in time	5,084	21,565	—	26,649
Revenue from external customers by basis of recognition	59,697	24,134	—	83,831
Insolvency and advisory services	54,613	—	—	54,613
Corporate finance	5,084	—	—	5,084
Commercial property management	—	2,569	—	2,569
Property consultancy services	—	12,683	—	12,683
Commercial property, businesses and other asset disposals	—	8,882	—	8,882
Revenue from external customers by service line	59,697	24,134	—	83,831
Operating profit before amortisation and transaction costs	14,721	3,875	(6,202)	12,394

	Business recovery and financial advisory services 2021 £'000	Property advisory and transactional services 2021 £'000	Unallocated corporate amounts 2021 £'000	Restated Consolidated 2021 £'000
Balance sheet				
Assets	124,122	12,162	7,986	144,270
Liabilities	(43,609)	(6,799)	(7,612)	(58,020)
Net assets	80,513	5,363	374	86,250

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 2022

5. (Loss) profit for the year

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

	2022 £'000	2021 £'000
Depreciation of property, plant and equipment	**1,038**	841
Depreciation of right of use assets	**2,645**	2,617
Impairment of right of use asset (note 13)	**—**	579
Reversal of impairment of right of use asset (note 13)	**—**	(228)
Amortisation of intangible assets	**5,668**	3,180
Profit on disposal of property, plant and equipment	**(10)**	—
Staff costs (note 6)	**67,685**	52,344
Short-term lease expense	**880**	490
Impairment of receivable balances (note 14)	**306**	1,022
Reversal of impairment losses recognised on trade receivables (note 14)	**(61)**	(38)

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

	2022 £'000	2021 £'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	**100**	105
Total audit fees	**130**	135
– other advisory services	**—**	6
Total non-audit fees	**—**	6

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

	2022 £'000	2021 £'000
Deemed remuneration	**9,983**	5,449
Acquisition costs	**215**	439
Gain on acquisition (note 23)	**(1,974)**	(231)
Charge arising under Begbies Traynor London (LLP) put and call option (note 28)	**—**	889
Total transaction costs	**8,224**	6,546

These transaction costs are all included within administrative expenses.

6. Staff costs

The full time equivalent (FTE) number of partners and staff are disclosed within the finance review.

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

	2022 number	2021 number
Partners	**86**	71
Staff	**901**	719
	987	790

6. Staff costs continued

	2022 £'000	2021 £'000
Their aggregate remuneration comprised:		
Wages, salaries and partners' profit share	**58,384**	45,872
Social security costs	**4,614**	3,208
Pension costs (note 27)	**3,113**	2,233
Share-based payments	**1,574**	1,031
	67,685	52,344

Directors' remuneration

	2022 £'000	2021 £'000
Short-term benefits	**2,106**	1,835
Share-based payments	**142**	36
	2,248	1,871

	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

	2022 £'000	2021 £'000
Interest on borrowings	**375**	377
Finance charge on lease liabilities	**385**	441
Finance charge on dilapidation provisions	**75**	65
Total finance costs	**835**	883

8. Tax

	2022 £'000	2021 £'000
Total current tax charge	**2,733**	2,543
Deferred tax credit (note 19)	**(1)**	(789)
Impact of change in tax rate	**1,817**	—
Total deferred tax charge (credit)	**1,816**	(789)
Total income tax charge	**4,549**	1,754

Corporation tax is calculated at 19% (2021: 19%) of the estimated assessable profit for the year.

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2022

8. Tax continued

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

	2022 £'000	2021 £'000
Profit before tax	**4,049**	1,907
Notional tax charge at the UK corporation tax rate of 19% (2021: 19%)	**769**	362
Non-deductible impact of transaction costs	**1,545**	1,257
Impact of change in tax rate on deferred tax balances	**1,817**	—
Tax effect of expenses that are not deductible in determining taxable profit	**418**	135
Total tax charge reported in the consolidated statement of comprehensive income	**4,549**	1,754

The deferred tax charge of £1.8m results from an increase in deferred tax liabilities due to the cancellation of the previously enacted reduction in the UK corporation tax rate to 17%. The increase in rate from 19% to 25% was enacted on 24 May 2021.

9. Dividends

	2022 £'000	2021 £'000
Amounts recognised as distributions to equity holders in the year		
Interim dividend for the year ended 30 April 2021 of 1.0p (2020: 0.9p) per share	**1,509**	1,149
Final dividend for the year ended 30 April 2021 of 2.0p (2020: 1.9p) per share	**3,044**	2,430
	4,553	3,579
Amounts proposed as distributions to equity holders		
Interim dividend for the year ended 30 April 2022 of 1.1p (2021: 1.0p) per share	**1,687**	1,509
Final dividend for the year ended 30 April 2022 of 2.4p (2021: 2.0p) per share	**3,682**	3,044
	5,369	4,553

The proposed final dividend is subject to approval by shareholders at the annual general meeting in September 2022. The interim dividend for 2022 was paid on 6 May 2022 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:

	2022 £'000	2021 £'000
Earnings		
(Loss) profit for the year attributable to equity holders	**(500)**	153

	2022 number '000	2021 number '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**154,556**	132,963
Effect of:		
Share options	**5,968**	4,421
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**160,524**	137,384

	2022 pence	2021 pence
Basic and diluted (loss) earnings per share	**(0.3)**	0.1

10. Earnings per share continued

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

	2022 £'000	2021 £'000
Earnings		
Loss (profit) for the year attributable to equity holders	**(500)**	153
Amortisation of intangible assets arising on acquisitions	**5,486**	3,058
Transaction costs	**8,224**	6,546
Tax effect of above items	**(1,059)**	(581)
Change in deferred tax rate relating to goodwill and intangible assets	**1,990**	—
Adjusted earnings	**14,141**	9,176

	2022 pence	2021 pence
Adjusted basic earnings per share	**9.1**	6.9
Adjusted diluted earnings per share	**8.8**	6.7

11. Intangible assets

	Goodwill £'000	Software £'000	Intangible assets arising on acquisitions £'000	Total £'000
Cost				
At 1 May 2020	50,213	2,125	27,661	79,999
Arising on acquisitions	9,745	—	11,328	21,073
Additions	—	307	—	307
At 30 April 2021 as previously reported	59,958	2,432	38,989	101,379
Restatement	250	—	—	250
At 30 April 2021 as restated	60,208	2,432	38,989	101,629
Arising on acquisitions	—	—	2,900	2,900
Additions	—	188	—	188
At 30 April 2022	**60,208**	**2,620**	**41,889**	**104,717**
Amortisation and impairment				
At 1 May 2020	—	1,775	18,787	20,562
Amortisation during the year	—	122	3,058	3,180
At 30 April 2021	—	1,897	21,845	23,742
Amortisation during the year	—	182	5,486	5,668
At 30 April 2022	**—**	**2,079**	**27,331**	**29,410**
Carrying amount				
At 30 April 2022	**60,208**	**541**	**14,558**	**75,307**
At 30 April 2021 as restated	60,208	535	17,144	77,887
At 30 April 2020	50,213	350	8,874	59,437

The carrying value of intangible assets arising on acquisitions comprises brands of £3,695,000 (2021: £3,572,000), customer relationships of £7,672,000 (2021: £8,556,000), order books of £3,067,000 (2021: £4,862,000) and websites of £124,000 (2021: £154,000). 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 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.

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2022

11. Intangible assets continued

The recoverable amount of the CGU is based on a value in use calculation using cash flow projections over a five year period with a terminal value applied, including the latest one year forecast approved by the board. The one year forecast is prepared based on current market knowledge, numbers of new engagements and the pipeline of opportunities. The remaining years are based on anticipated growth rates in registered companies and the current liquidation rate of active companies.

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 weighted average cost of capital and cost of debt have been used to calculate a group pre-tax discount rate of 9.5% (2021: 9.4%), 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.

Revenue

Revenue assumptions in the one year forecast are based on current market knowledge, numbers of new engagements and the pipeline of opportunities. Future year revenue levels are based on anticipated growth rates in registered companies and the current liquidation rate of active companies.

Insolvency CGU EBITDA margins

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 are 28%, in line with the current year and expectations of future 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 2020	4,385	1,557	4,191	92	10,225
Arising on acquisitions	—	20	62	31	113
Additions	21	35	941	—	997
At 30 April 2021	4,406	1,612	5,194	123	11,335
Arising on acquisitions	5	26	38	21	90
Additions	81	23	772	—	876
Disposals	—	—	(2)	(55)	(57)
At 30 April 2022	**4,492**	**1,661**	**6,002**	**89**	**12,244**
Depreciation and impairment					
At 1 May 2020	3,610	1,477	3,308	30	8,425
Charge for the year	215	49	569	8	841
At 30 April 2021	3,825	1,526	3,877	38	9,266
Charge for the year	186	34	763	55	1,038
Disposals	—	—	—	(27)	(27)
At 30 April 2022	**4,011**	**1,560**	**4,640**	**66**	**10,277**
Carrying amount					
At 30 April 2022	**481**	**101**	**1,362**	**23**	**1,967**
At 30 April 2021	581	86	1,317	85	2,069
At 30 April 2020	775	80	883	62	1,800

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2022

13. Right of use assets

	Property £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
Cost				
At 1 May 2020	12,569	2,843	577	15,989
Arising on acquisitions	1,794	97	—	1,891
Additions	1,058	500	—	1,558
Disposals	(1,533)	(759)	—	(2,292)
At 30 April 2021	13,888	2,681	577	17,146
Arising on acquisitions	208	—	—	208
Additions	525	164	—	689
Disposals	(575)	—	—	(575)
At 30 April 2022	**14,046**	**2,845**	**577**	**17,468**
Depreciation and impairment				
At 1 May 2020	6,809	2,014	145	8,968
Charge for the year	1,834	591	192	2,617
Impairment	579	—	—	579
Reversal of previous impairment	(228)	—	—	(228)
Disposals	(1,533)	(759)	—	(2,292)
At 30 April 2021	7,461	1,846	337	9,644
Charge for the year	1,935	518	192	2,645
Disposals	(313)	—	—	(313)
At 30 April 2022	**9,083**	**2,364**	**529**	**11,976**
Carrying amount				
At 30 April 2022	**4,963**	**481**	**48**	**5,492**
At 30 April 2021	6,427	835	240	7,502
At 30 April 2020	5,760	829	432	7,021

14. Trade and other receivables

	2022 £'000	Restated 2021 £'000
Non-current		
Deemed remuneration	**4,175**	3,970
Current		
Trade receivables	**11,567**	10,557
Less: impairment provision	**(2,501)**	(2,342)
Trade receivables – net	**9,066**	8,215
Unbilled income	**35,208**	31,717
Other debtors and prepayments	**2,715**	2,573
Deemed remuneration	**2,677**	2,351
	49,666	44,856

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 £2,153,000 (2021: £2,039,000) and an expected credit loss provision of £348,000 (2021: £303,000). 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 2022	**<30 days £'000**	**<60 days £'000**	**<90 days £'000**	**<180 days £'000**	**>180 days £'000**	**Total £'000**
Expected loss rate	**1%**	**3%**	**6%**	**14%**	**36%**	**4%**
Gross amount less specific loss provision	**6,587**	**1,574**	**471**	**251**	**531**	**9,414**
Expected credit loss provision	**52**	**43**	**26**	**36**	**191**	**348**

	Days past due					
30 April 2021	<30 days £'000	<60 days £'000	<90 days £'000	<180 days £'000	>180 days £'000	Total £'000
Expected loss rate	1%	2%	5%	12%	31%	4%
Gross amount less specific loss provision	5,793	1,134	330	719	396	8,372
Expected credit loss provision	48	26	17	88	124	303

Movement in the impairment provision

	2022 £'000	2021 £'000
Balance at beginning of the year	**2,342**	1,392
Amounts arising on acquisition	**—**	10
Amounts written off during the year	**(86)**	(44)
Amounts recovered during the year	**(61)**	(38)
Impairment charge in the year	**306**	1,022
Balance at end of the year	**2,501**	2,342

15. Trade and other payables

	2022 £'000	Restated 2021 £'000
Current		
Trade payables	**1,671**	1,387
Accruals	**9,733**	6,899
Other taxes and social security	**4,474**	4,385
Deferred income	**5,611**	5,520
Other creditors	**13,950**	13,948
Deferred consideration	**338**	375
Deemed remuneration liabilities	**1,386**	370
	37,163	32,884

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 £1,386,000, there are further obligations based on current forecasts of £17.0m, where the service obligations of selling shareholders have not yet been performed. The maximum potential payments (if all performance conditions are met) would be £30.6m.

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2022

16. Lease liabilities

	Property £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
Cost				
At 1 May 2020	7,089	842	438	8,369
Finance charge	400	32	11	443
Additions – new leases	755	498	—	1,253
Arising on acquisitions	1,794	86	—	1,880
Lease payments	(2,310)	(613)	(201)	(3,124)
At 30 April 2021	7,728	845	248	8,821
Finance charge	361	19	4	384
Additions – new leases	468	164	—	632
Arising on acquisitions	208	—	—	208
Disposals	(150)	—	—	(150)
Lease payments	(2,807)	(542)	(201)	(3,550)
At 30 April 2022	**5,808**	**486**	**51**	**6,345**
Current liabilities	1,326	370	51	1,747
Non-current liabilities	4,482	116	—	4,598
At 30 April 2022	**5,808**	**486**	**51**	**6,345**

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

	2022 £'000	2021 £'000
Aggregate undiscounted commitments for short-term leases	**125**	87

17. Borrowings

	2022 £'000	2021 £'000
Non-current		
Unsecured loans at amortised cost	**5,000**	5,000

The group's principal banking facilities at 30 April 2022 comprise an unsecured, revolving credit facility ('RCF') of £25m and an uncommitted acquisition facility of £5m which were entered into on 1 November 2016. The principal features of these borrowings are summarised as follows:

RCF of £25m provided by HSBC, of which £5.0m was drawn at 30 April 2022 (2021: £5m). The effective interest rate was 5.1%; together with uncommitted acquisition facility of £5m provided by HSBC, which was undrawn at 30 April 2022 (2021: undrawn).

The group's banking facilities mature on 31 August 2024.

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 2021	105	3,042	28	3,175
Interest expense	—	75	—	75
Charged	—	—	425	425
Addition	—	55	—	55
Arising on acquisition	—	53	—	53
Disposals	—	(193)	—	(193)
Utilised	(7)	(117)	—	(124)
At 30 April 2022	**98**	**2,915**	**453**	**3,466**
Current liabilities	98	1,112	264	1,474
Non-current liabilities	—	1,803	189	1,992
At 30 April 2022	**98**	**2,915**	**453**	**3,466**

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 2033.

19. Deferred tax

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

	Goodwill £'000	Intangibles £'000	Short-term timing differences £'000	Total £'000
At 1 May 2020	(4,782)	(1,687)	777	(5,692)
Credit to income	—	581	208	789
Arising on acquisitions	—	(2,151)	1,596	(555)
At 30 April 2021 as previously reported	(4,782)	(3,257)	2,581	(5,458)
Restatement	—	—	(70)	(70)
At 30 April 2021 as restated	(4,782)	(3,257)	2,511	(5,528)
Credit to income	—	1,042	(1,041)	1
Arising on acquisitions	—	(676)	(6)	(752)
Income statement effect of change in tax rate	(1,510)	(480)	173	(1,817)
At 30 April 2022	**(6,292)**	**(3,371)**	**1,637**	**(8,026)**

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:

	2022 £'000	2021 £'000
Deferred tax liabilities	**(9,862)**	(8,209)
Deferred tax assets	**1,836**	2,681
	(8,026)	(5,528)

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2022

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 2022 and net assets at that date would decrease by £3,000 (2021: £13,000). 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 the group's transactional activities, invoices are generally raised on completion of the transaction and typically settled from completion monies.

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(k).

Liquidity risk

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

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

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

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

	At 30 April 2022				At 30 April 2021			
	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	**153**	**5,203**	**—**	**5,356**	133	5,176	—	5,309
Trade and other payables	**37,163**	**—**	**—**	**37,163**	32,884	—	—	32,884
Lease liabilities	**3,384**	**4,535**	**737**	**8,656**	3,438	6,652	1,287	11,377
	40,700	**9,738**	**737**	**51,175**	36,455	11,828	1,287	49,570

20. Financial instruments continued

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:

	2022 £'000	2021 £'000
Shareholders' funds	**84,525**	86,250
Bank borrowings	**5,000**	5,000
At 30 April	**89,525**	91,250

Categories of financial instruments

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

	2022 £'000	2021 £'000
Financial assets at amortised cost		
Trade receivables	**9,066**	8,215
Cash at bank	**9,685**	7,986
	18,751	16,201
Financial liabilities at amortised cost		
Trade and other payables	**(37,163)**	(32,884)
Bank borrowings	**(5,000)**	(5,000)
	(42,163)	(37,884)

21. Share capital

	2022 thousand	2021 thousand	**2022 £'000**	2021 £'000
Allotted, called up and fully paid				
Ordinary shares of 5p				
At 1 May	**150,908**	127,701	**7,547**	6,386
Issue of shares for share-based payments	**1,460**	286	**72**	15
Shares issued as consideration for acquisitions	**1,034**	1,903	**52**	95
Shares issued as deferred consideration	**—**	165	**—**	8
Placing shares issued	**—**	20,853	**—**	1,043
At 30 April	**153,402**	150,908	**7,671**	7,547

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 three equity-settled share-based payment arrangements in the year: a market value share option scheme and a performance share plan ('PSP') 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 £1,574,000 (2021: £1,031,000), of which £43,000 (2021: £74,000) relates to the market value share option scheme, £1,455,000 (2021: £908,000) relates to the PSP and £76,000 (2021: £49,000) relates to the SAYE schemes.

The group also operated a cash-settled share-based payment arrangement in the year. The group recognised an expense of £825,000 (2021: £573,000) in relation to the cash-settled share-based payment arrangement.

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2022

22. Share-based payments continued

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

	2022		2021	
	Number of share options thousand	**Weighted average exercise price pence**	Number of share options thousand	Weighted average exercise price pence
Outstanding at 1 May	**11,916**	**40**	6,461	62
Granted during the period	**182**	**5**	6,156	20
Exercised during the period	**(1,782)**	**56**	(701)	62
Outstanding at 30 April	**10,316**	**37**	11,916	40
Exercisable at 30 April	**2,478**	**51**	3,126	51

The weighted average share price at the date of exercise for options exercised in the year was 118p.

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

		2022		2021	
Scheme	Exercise price pence	**Number of share options thousand**	**Contractual life remaining years**	Number of share options thousand	Contractual life remaining years
Share option scheme 2013	37	**1,103**	**1.5**	1,303	2.5
Share option scheme 2014	51	**—**	**—**	250	3.2
Share option scheme 2017	63	**1,095**	**5.5**	1,574	6.5
SAYE scheme 2018	59	**280**	**0.1**	1,134	1.0
Share option scheme 2019	88	**1,500**	**7.5**	1,500	8.5
PSP 2020	5	**4,275**	**8.2**	4,275	9.2
SAYE scheme 2020	72	**1,356**	**2.2**	1,356	3.2
PSP 2021 (issued Jan 21)	5	**525**	**8.7**	525	9.7
PSP 2021 (issued Sep 21)	5	**182**	**9.4**	—	—

The fair value of the PSP granted in the year was calculated using the Black-Scholes option pricing model with the following assumptions:

Grant date	PSP Sep 2021
Share price at grant date (p)	133
Exercise price (p)	5
Vesting period (years)	3
Time to expiry (years)	9.4
Expected volatility (%)	31
Risk free rate (%)	0.6
Expected dividend yield (%)	2.6
Fair value per option (p)	120

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.

23. Acquisitions

MAF Finance Group

On 10 May 2021 the group acquired the entire issued share capital of MAF Property Limited, trading as MAF Finance Group, a Midlands-based finance broker.

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

	Book value £'000	Accounting policy alignments £'000	Fair value adjustments £'000	Fair value £'000
Net assets acquired				
Intangible assets	—	—	1,915	1,915
Property, plant and equipment	56	—	—	56
Right of use assets	—	208	—	208
Trade and other receivables	283	—	—	283
Cash and cash equivalents	220	—	—	220
Trade and other payables	(462)	—	—	(462)
Corporation tax	(43)	—	—	(43)
Provisions	—	(48)	—	(48)
Lease liabilities	—	(208)	—	(208)
Deferred tax	(5)	—	(453)	(458)
Total identifiable assets	49	(48)	1,462	1,463
Satisfied by:				
Consideration under IFRS 3				—
Gain on acquisition				1,463
Consideration accounted for as deemed remuneration:				
Cash consideration				2,000
Equity instruments issued				1,000
Provisional cash free debt free adjustment				94
Earn out				8,750
				11,844
Deemed remuneration payments arising on acquisition				
Cash consideration				2,094
Less: cash and cash equivalents acquired				(220)
				1,874

Fair value adjustments of £1,915,000 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 £169,000 have been charged to the statement of comprehensive income as a transaction cost.

The acquisition contributed £4,100,000 of revenue and £600,000 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 2022

23. Acquisitions continued

Daniells Harrison

On 7 January 2022 the group acquired the entire legal and beneficial interest of the members of Daniells Harrison Surveyors LLP, a property consultancy based on the South coast of England.

The provisional 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	—	649	649
Investments	6	(6)	—
Property, plant and equipment	34	—	34
Trade and other receivables	338	—	338
Cash and cash equivalents	177	—	177
Trade and other payables	(162)	—	(162)
Provisions	(5)	—	(5)
Borrowings	(388)	—	(388)
Deferred tax	—	(141)	(141)
Total identifiable assets	—	502	502
Satisfied by:			
Consideration under IFRS 3			—
Gain on acquisition			502
Consideration accounted for as deemed remuneration:			
Cash consideration			750
Equity instruments issued			250
Provisional cash free debt free adjustment			221
Contingent consideration			1,000
Earn out			1,250
			3,471
Deemed remuneration payments arising on acquisition			
Cash consideration			971
Less: cash and cash equivalents acquired			(177)
			794

Fair value adjustments of £649,000 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 require 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 £30,000 have been charged to the statement of comprehensive income as a transaction cost.

The acquisition contributed £900,000 of revenue and £200,000 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

Fernie Greaves

During the year the group acquired a team and portfolio of cases. 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	—	336	336
Deferred tax	—	(77)	(77)
Total identifiable assets	—	259	259
Satisfied by:			
Consideration under IFRS 3:			
Cash paid			250
Gain on acquisition			9

Cash outflows arising on acquisition	
Cash paid	250

Fair value adjustments of £336,000 relating to the separate recognition of intangible assets have been recorded. Details of intangible assets recorded can be found in note 11.

	2022 £'000	2021 £'000
Investing acquisition payments		
Cash consideration under IFRS 3	**250**	11,030
Settlement of pre-acquisition borrowings	**—**	11,003
Cash outflows on acquisition of businesses	**250**	22,033
Deferred consideration payments	**36**	150
	286	22,183
Deemed remuneration payments		
Initial payments	**3,065**	363
Deferred consideration payments	**5,205**	2,832
	8,270	3,195
Net cash and cash equivalents acquired	**(397)**	(1,522)
Total cash flows arising from acquisitions	**8,159**	23,856

If the acquisitions had been completed on the first day of the financial year, the group revenues for the period would have been £111.5m and group profit before tax would have been £4.3m.

The amounts recognised above are provisional estimates.

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2022

24. Reconciliation to the cash flow statement

	2022 £'000	2021 £'000
(Loss) profit for the year	**(500)**	153
Adjustments for:		
Tax	**4,549**	1,754
Finance costs	**835**	883
Amortisation of intangible assets	**5,668**	3,180
Depreciation of property, plant and equipment	**1,038**	841
Depreciation of right of use assets	**2,645**	2,617
Impairment of right of use asset	**—**	579
Reversal of impairment of right of use asset	**—**	(228)
Gain on acquisition	**(1,974)**	(231)
Profit on disposal of fixed assets	**(10)**	—
Profit on disposal of ROU assets	**(81)**	—
Share-based payment expense	**1,574**	1,031
Deemed remuneration obligations settled through equity	**1,250**	150
(Increase) decrease in deemed remuneration receivable	**(531)**	2,759
Increase in deemed remuneration liabilities	**1,016**	236
Operating cash flows before movements in working capital	**15,479**	13,724
Increase in receivables (excluding deemed remuneration)	**(3,916)**	(2,683)
Increase in payables (excluding deemed remuneration liabilities)	**2,296**	5,400
Increase (decrease) in provisions	**376**	(279)
Cash generated by operations	**14,235**	16,162

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 cash

	Cash and cash equivalents £'000	Non-current borrowings £'000	Net cash £'000
At 1 May 2021	7,986	(5,000)	2,986
Cash flows	1,302	—	1,302
Net cash and cash equivalents acquired (note 23)	397	—	397
At 30 April 2022	**9,685**	**(5,000)**	**4,685**

26. Contingent liabilities

As disclosed in note 15, the group has contingent consideration payable in respect of acquisitions.

The group had no other material contingent liabilities at 30 April 2022 or 30 April 2021.

27. Pensions

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

The total cost charged to income of £3,113,000 (2021: £2,233,000) represents contributions payable to these schemes by the group. As at 30 April 2022, contributions of £294,000 (2021: £269,000) 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 (2021: £95,000). At 30 April 2022 £nil (2021: £nil) was payable in respect of this transaction. In the prior year Mark Fry had an interest in a company which provided archiving facilities to entities within the group. £nil (2021: £24,000) was paid by entities within the group for this service during the year. At 30 April 2022 £nil (2021: £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 £90,000 was payable by Red Flag during the year (2021: £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 quarterly statistics and was charged a fee of £150,000 for the year (2021: £150,000). In addition, there were incidental services provided by Red Flag during the year totalling £6,000 (2021: £4,000). At 30 April 2022 £10,000 was payable in respect of these transactions (2021: £13,000 was owed by Red Flag).

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 £4m (determined as an agreed multiple of average profit over the three year period ended 30 April 2019). The option was settled during 2020.

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 disclosed in note 5 to the financial statements. The charge in the current financial year was £nil (2021: £0.9m). At 30 April 2022 there was £nil (2021: £nil) recognised 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 remuneration committee report on page 31.

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.

30. Post-balance sheet events

On 24 June 2022 the group acquired the entire issued share capital of Budworth Hardcastle Limited, a firm of chartered surveyors operating in the South of England. The acquisition is in line with strategy to increase the scale, quality and range of the group's services both organically and through value-accretive acquisitions. The acquisition is for an initial consideration of £0.9m: £0.6m cash from the group's existing facilities and the issue of 206,937 new ordinary shares. Under the terms of the acquisition, there is deferred consideration of up to £0.9m dependent on the financial performance over the three years from completion. The company had net assets of £0.4m (including £0.3m cash) as at 31 August 2021. Further details on the fair value of assets and liabilities acquired has not been included as it was not available at the date of signing these accounts.

Company balance sheet

at 30 April 2022

	Notes	2022 £'000	2021 £'000
Fixed assets			
Investment in subsidiaries	4	**63,324**	37,932
		63,324	37,932
Current assets			
Trade and other receivables	5	**46,023**	61,379
Creditors: amounts falling due within one year			
Trade and other payables	6	**(1,038)**	(39)
Net current assets		**44,985**	61,340
Total assets less current liabilities		**108,309**	99,272
Creditors: amounts falling due after more than one year			
Trade and other payables	6	**(10,279)**	—
Net assets		**98,030**	99,272
Capital and reserves			
Called-up share capital	7	**7,671**	7,547
Share premium account		**29,787**	29,325
Merger reserve		**27,172**	25,974
Capital redemption reserve		**304**	304
Profit and loss account		**33,096**	36,122
Shareholders' funds		**98,030**	99,272

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 loss for the financial year ended 30 April 2022 of £17,000 (2021: profit of £879,000).

The financial statements of Begbies Traynor Group plc, registered number 5120043, were approved by the board of directors and authorised for issue on 18 July 2022. 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 2022

	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
At 1 May 2020	6,386	29,459	23,927	304	17,791	77,867
Profit for the year	—	—	—	—	879	879
Dividends	—	—	—	—	(3,579)	(3,579)
Transfer from share premium account	—	(20,000)	—	—	20,000	—
Credit to equity for equity-settled share-based payments	—	—	—	—	1,031	1,031
Shares issued as consideration for acquisitions	95	—	1,905	—	—	2,000
Shares issued as deferred consideration	8	—	142	—	—	150
Placing shares issued	1,043	19,852	—	—	—	20,895
Shares issued for share-based payments	15	14	—	—	(13)	16
At 30 April 2021	7,547	29,325	25,974	304	36,122	99,272
Loss for the year	—	—	—	—	(17)	(17)
Dividends	—	—	—	—	(4,553)	(4,553)
Credit to equity for equity-settled share-based payments	—	—	—	—	1,544	1,544
Shares issued as consideration for acquisitions	52	—	1,198	—	—	1,250
Shares issued for share-based payments	72	462	—	—	—	534
At 30 April 2022	**7,671**	**29,787**	**27,172**	**304**	**33,096**	**98,030**

Notes to the company financial statements

for the year ended 30 April 2022

1. Significant accounting policies

Basis of accounting

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.

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.

Critical accounting judgements and key sources of uncertainty

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

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

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

FRS 102 exemption

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

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

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

2. Auditor's remuneration

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

3. Staff costs

The company has six employees (2021: six employees).

	2022 £'000	2021 £'000
Their aggregate remuneration comprised:		
Salaries	**806**	728
Social security costs	**97**	105
Pension costs	**12**	12
	915	845

4. Investment in subsidiaries

	£'000
Cost and net book value	
At 1 May 2020 and 30 April 2021	37,932
Additions	25,392
At 30 April 2022	**63,324**

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 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
Midlands Asset Finance Limited	Finance broking	England and Wales
MAF Property Limited[1]	Dormant	England and Wales
Asset Finance Compared Limited	Dormant	England and Wales
David Rubin & Partners Limited[1]	Business recovery	England and Wales
Begbies Traynor (Guernsey) Limited (formerly David Rubin & Partners (C.I) Limited)	Business recovery	Guernsey
CVR Global LLP	Business recovery	England and Wales
Begbies Traynor (Jersey) Limited (formerly CVR Global Offshore Limited)	Business recovery	Jersey
Begbies Traynor (Gibraltar) Limited (formerly CVR Global (Rock) Limited)	Business recovery	Gibraltar
Begbies Traynor (B.V.I) Limited (formerly CVR Global B.V.I Limited)	Business recovery	British Virgin Islands
CVR Global (Cyprus) Limited	Business recovery	Cyprus
Begbies Traynor (Isle of Man) Limited	Business recovery	Isle of Man
CV Business Rescue Limited	Dormant	England and Wales
Business Credit Management (UK) Limited	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

Notes to the company financial statements *continued*

for the year ended 30 April 2022

4. Investment in subsidiaries continued

Subsidiary undertaking	Nature of business	Country of incorporation
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	Dormant	England and Wales
Ernest Wilsons & Co Limited	Property consultancy	England and Wales
Ernest Wilson's (West Yorkshire) Limited	Dormant	England and Wales
Hargreaves Newberry Gyngell 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
Pugh & Company Limited	Auctioneers	England and Wales
Daniells Harrison Surveyors LLP	Property consultancy	England and Wales
Theauctionpeople.co Limited	Dormant	England and Wales

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 Global Advisory Limited
BTG Corporate Solutions Limited
BTG Corporate Finance LLP
Springboard Corporate Finance LLP
MAF Property Limited
Midlands Asset Finance Limited
Ernest Wilsons & Co Limited
Pugh & Company Limited
Eddisons Holdings Limited
Hargreaves Newberry Gyngell Limited
David Rubin & Partners Limited
Begbies Traynor (Jersey) Limited (formerly CVR Global Offshore Limited)
Begbies Traynor (Guernsey) Limited (formerly David Rubin & Partners (C.I) Limited)

5. Trade and other receivables

	2022 £'000	2021 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	**45,991**	61,340
Other debtors	**32**	39
	46,023	61,379

6. Trade and other payables

	2022 £'000	2021 £'000
Amounts falling due within one year		
Other creditors	**1,038**	39
Amounts falling due after more than one year		
Other creditors	**10,279**	—

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.

7. Share capital

	2022 thousand	2021 thousand	2022 £'000	2021 £'000
Allotted, called up and fully paid				
Ordinary shares of 5p				
At 1 May	**150,908**	127,701	**7,547**	6,386
Issue of shares for share-based payments	**1,460**	286	**72**	15
Shares issued as consideration for acquisitions	**1,034**	1,903	**52**	95
Shares issued as deferred consideration	**—**	165	**—**	8
Share placing	**—**	20,853	**—**	1,043
At 30 April	**153,402**	150,908	**7,671**	7,547

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

Secretary
J A Humphrey

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