Begbies Traynor Group plc

ANNUAL REPORT AND ACCOUNTS 2021

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
£83.8m (+19%)
(2020: £70.5m)

NET CASH (DEBT)
£3.0m
(2020: £(2.8)m)

ADJUSTED PROFIT BEFORE TAX[1]
£11.5m (+25%)
(2020: £9.2m)

PROFIT BEFORE TAX
£1.9m (-34%)
(2020: £2.9m)

ADJUSTED BASIC EPS[2]
6.9p (+21%)
(2020: 5.7p)

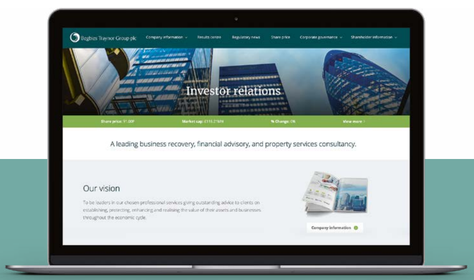
BASIC EPS
0.1p (-86%)
(2020: 0.7p)

PROPOSED TOTAL DIVIDEND
3.0p (+7%)
(2020: 2.8p)

1 Profit before tax of £1.9m (2020: £2.9m) plus transaction costs £6.5m (2020: £3.2m) and amortisation of intangible assets arising on acquisitions £3.1m (2020: £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
maf finance group
Springboard Corporate Finance
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
- AIM listed since 2004:
  - highly experienced board and senior management team
  - long-established corporate structure with separation of equity, management and fee earners
- Strongly positioned in counter-cyclical activities, representing 70% of total revenue
- Market-leading business recovery practice taking the largest number of corporate insolvency appointments in the UK, with a focus on mid-market and smaller companies
- Strong referral network across the group leading to high levels of repeat business
- Diverse income streams provide multiple sources of growth across the economic cycle in fragmented markets
- Growth strategy of organic investment and value-accretive acquisitions across our service lines

Chairman's statement

Ric Traynor
Executive chairman

Introduction

I am pleased to report on a year of real progress for the group, with results ahead of our original expectations due to improved trading and acquisitions. We have delivered a strong financial performance with another year of growth in revenue and adjusted profits, despite the impact of the COVID-19 pandemic, whilst making substantial investments which have significantly increased the scale of the group and its capabilities.

Over the last four financial years, we have delivered compound annual growth in adjusted earnings per share of 20%, including 10% organic growth. Over the same period we have moved from net debt of £10.3m to net cash of £3.0m at the year end, whilst making value-enhancing acquisitions and delivering 8% compound growth in dividend per share.

Our business recovery and financial advisory division has performed well in the year with strong revenue growth and improved margins. The insolvency market was subdued over the course of the year due to the Government financial support measures and temporary legislation changes, which continue to suppress the number of insolvencies. Our team has done well to outperform this market with an increase in both our market share and average case size.

We have strengthened the business recovery team and its capabilities with two significant acquisitions towards the end of the financial year: CVR Global ('CVR') in January 2021 and David Rubin & Partners ('DRP') in March 2021. We are delighted to have been able to bring these teams into the group, which has materially increased our scale in the key London market and brought our first offshore offices.

The advisory team had a successful year with an increase in corporate finance income, where the marketplace remained active despite the COVID-19 backdrop. We broadened our service lines at the start of the new financial year through the acquisition of the finance broker, MAF Finance Group, in May 2021. This complements our existing services and broadens the support and advice we can provide to UK businesses.

Our property advisory and transactional services division had a strong close to the year, which enabled us to maintain profit levels from the prior year, having absorbed the significant impact of the first national lockdown at the start of the year. Activity and transaction levels recovered to pre-lockdown norms in the final quarter of our year, leaving the business well-placed as we start our new financial year.

We strengthened the property team in February 2021, with the acquisition of HNG, a London-based chartered surveyors' practice, which will develop our property management, agency and lease advisory teams, whilst increasing our scale in London.

We were delighted with the support we received from both new and existing institutional and retail shareholders for our share placing in March 2021. The fundraise of £22m was significantly oversubscribed and provided the funding for both the DRP acquisition and future investments.

The group has continued to generate strong cash flows in the year, which together with funds raised from the share placing, has enabled the group to end the year in a net cash position, despite having completed three acquisitions in the year. The group's strong financial position enables us to propose an increase in the total dividend for the year, representing our fourth consecutive year of dividend growth.

Overall, the group is in a very strong position as we start our new financial year. Our increased scale and capabilities provide us with the ability to continue to assist UK businesses as the economy recovers from the challenges of the last 18 months.

Results

Group revenue in the year increased by 19% to £83.8m (2020: £70.5m), 6% of which was organic. Adjusted[1] profit before tax[2] increased by 25% to £11.5m (2020: £9.2m). Statutory profit before tax was £1.9m (2020: £2.9m).

Adjusted[3] basic earnings per share increased by 21% to 6.9p (2020: 5.7p). Basic earnings per share was 0.1p (2020: 0.7p).

At 30 April 2021 the group had net cash of £3.0m (2020: net debt of £2.8m).

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 £1.9m (2020: £2.9m) plus transaction costs £6.5m (2020: £3.2m) and amortisation of intangible assets arising on acquisitions £3.1m (2020: £3.1m)

3 See reconciliation in note 10

Dividend

The board is pleased to recommend (subject to shareholder approval at the company's annual general meeting scheduled for 23 September 2021) a 7% increase in the total dividend for the year to 3.0p (2020: 2.8p), representing our fourth consecutive year of dividend growth. This comprises the interim dividend already paid of 1.0p (2020: 0.9p) and a proposed final dividend of 2.0p (2020: 1.9p).

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

The final dividend will be paid on 4 November 2021 to shareholders on the register on 8 October 2021, with an ex-dividend date of 7 October 2021.

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

The success of the group is reliant on the quality of advice and service delivered to our clients by our people. I would like to thank all of our partners and staff for their highly valued contribution over the course of the last year and in particular for their commitment and flexibility as we have overcome the challenges presented by COVID-19.

Outlook

We start our new financial year in a strong position and confident in our outlook. The four acquisitions we have completed since the beginning of 2021 have significantly increased the scale of the group and its capabilities, enhancing the support and advice we provide to UK businesses.

Our recovery and advisory teams start the year well-placed to continue our recent track record of growth. Our order book of committed future insolvency revenue is significantly ahead of last year, from our recent acquisitions and strong organic performance.

There remains uncertainty around the timing of Government support measures ending, with some being scheduled to be removed over the course of 2021 and others extended into early 2022. Notwithstanding this, we continue to expect an increase in UK insolvency appointments from the second half of our new financial year as the measures are progressively removed, which we are well-placed to service with our increased scale and capabilities.

Having seen the recovery in our property advisory and transactional service lines to normal trading levels in recent months, we remain confident that the division is well-placed to deliver growth in both revenue and profits in the new year.

Overall, we anticipate our results will have greater second half weighting and we will provide a further update on activity levels across the group at the time of our annual general meeting in September.

With the benefit of our recent acquisitions, our organic growth and future acquisition opportunities, the group is well positioned to deliver the anticipated material growth in earnings in the new financial year.

Ric Traynor

Executive chairman

19 July 2021

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 brands and reputation

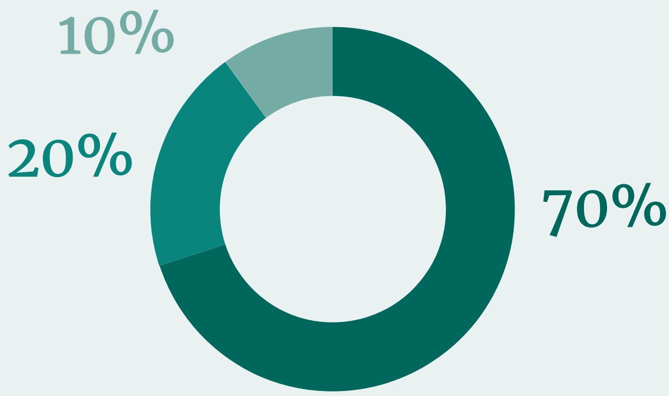
Know how

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

Financial

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

Our activities



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

Counter-cyclical activities (70%)

- Corporate and personal insolvency
- Business and financial restructuring
- Debt advisory
- Accelerated corporate finance
- 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

Profile reflects current group activities including annualised impact of acquisitions.

Our culture and values

Values

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

Governance

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

Risk management

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

How we create value for our stakeholders

People

Provide an environment in which our people

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

Clients

Optimise value for clients through providing

- high quality service
- competitive and cost-effective charging structure
- innovative and entrepreneurial advice and solutions

Shareholders

Sustainable increase in shareholder value through

- growing earnings per share
- paying dividends
- delivering share price appreciation

Strategy and objectives

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 the scale and quality of our businesses both organically and by acquisition
2. Deliver sustainable profitable growth, enabling increased shareholder value
3. Maintain our strong financial position enabling the investment in and development of the group and our people
4. Continue to ensure high standards of corporate governance and responsibility

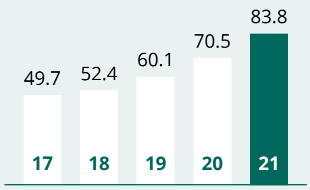
Key performance indicators

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

REVENUE (£m)

£83.8m

(2020: £70.5m)



The measure

Revenue generated from operating activities in the financial year.

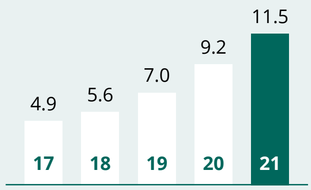
The target

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

ADJUSTED PROFIT BEFORE TAX (£m)

£11.5m

(2020: £9.2m)



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.

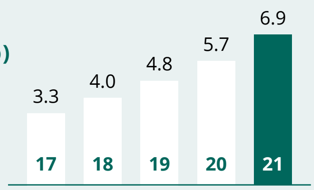
The target

To deliver sustainable growth in adjusted profit before tax.

ADJUSTED BASIC EPS (p)

6.9p

(2020: 5.7p)



The measure

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

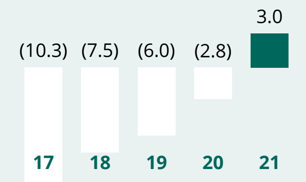
The target

To deliver sustainable growth in adjusted profit before tax.

NET CASH (DEBT) (£m)

£3.0m

(2020: £2.8m)



The measure

Cash net of borrowings.

The target

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

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

Operating review

Ric Traynor
Executive chairman

Business recovery and financial advisory

Financial summary

Revenue increased by 20% (6% organic) to £59.7m (2020: £49.6m), reflecting a strong performance from our advisory team, robust performance in business recovery despite the overall market, and contributions from current and prior year acquisitions.

Operating costs increased by £7.0m to £45.0m (2020: £38.0m) principally from costs associated with acquired businesses, together with organic investment and increased people costs. However, these costs reduced as a percentage of revenue, which together with the increase in revenue, resulted in improved operating margins of 24.6% (2020: 23.4%).

Segmental profits[1] increased by 27% to £14.7m (2020: £11.6m).

Acquisitions

We have made significant investments in the division in the year, notably through the acquisitions of CVR (January 2021) and DRP (March 2021), which have increased the scale of the division considerably, with a material increase in the group's size in the key London marketplace.

In addition to the core insolvency activities, these acquisitions have enhanced our advisory capabilities in forensic accounting, pensions advisory and expert witness services, whilst adding our first offshore locations; we now have teams operating from the British Virgin Islands, Guernsey, Jersey, Gibraltar, and Cyprus.

The integration of these businesses has been completed on target: CVR by the end of the financial year and DRP early in the new financial year. Initial trading results of both businesses have been good and in line with our original expectations.

We also acquired two portfolios of personal insolvency cases in May 2020 and September 2020, which included a team of five fee earners. This increased our operations in Scotland and added to our existing personal insolvency portfolio.

Subsequent to the year end, in May 2021, we acquired MAF Finance Group, a Midlands-based finance broker. MAF supports its clients through arranging facilities for investment in new asset purchases together with refinancing and restructuring existing facilities.

The business has a broad client base across a range of sectors. Finance broking complements our existing advisory and transactional services, particularly debt advisory and restructuring, as well as the valuation and sale of assets (including property, plant and machinery). The acquisition will also deepen the group's existing relationships with banks and other lenders.

Operating review

The division has delivered a robust performance against a very challenging market backdrop over the course of the year. The Government's COVID-19 support measures (as noted below) had a material impact on reducing the number of insolvency appointments.

Our order book of committed future insolvency revenue has increased by 49% to £28.3m (2020: £19.0m) due to acquisitions, with the organic position maintained over the year. This represents a strong organic performance with an increase in both market share and average fee size on an organic basis, which has offset the adverse market.

Our overall market share is now 12%[2] by volume (up from 10% in the prior year) and we continue to take the largest number of corporate insolvency appointments in the UK.

We have been appointed on several high-profile insolvency appointments in the year including Wigan Athletic Football Club, the on-line football gaming site Football Index, and the retailers Brooks Brothers UK and Ralph & Russo.

Our financial advisory team have also had a successful year with increased corporate finance fee income following successful deal completions.

The number of people employed in the division has increased to 555 at 30 April 2021 from 394 at the start of the financial year, with 159 joining the business through acquisitions. The organic and acquired expansion in the team provides the capacity to deliver significant growth in revenue and profit in future years and we continue to consider further recruitment to continue to build capacity for long-term growth.

Insolvency market

The insolvency market has been suppressed throughout the financial year due to Government financial support measures (such as the furlough and loan schemes) and temporary legislation changes (such as the temporary prohibition of certain winding up petitions). Corporate insolvencies decreased by 34% in the year ended 31 March 2021[3] to 11,081 (2020: 16,840), which is the lowest level since 1989.

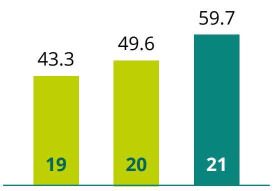
There remains uncertainty around the timing of Government support measures ending, with some being scheduled to be removed over the course of 2021 (such as the furlough scheme and the prohibition on winding-up petitions and statutory demands) and others extended into early 2022 (including support for commercial property tenants to prevent the forfeiture of leases for non-payment). Notwithstanding this, we continue to expect an increase in UK insolvency appointments in the final quarter of 2021 onwards as the support measures are progressively removed.

Business recovery and financial advisory

REVENUE (£m)

£59.7m

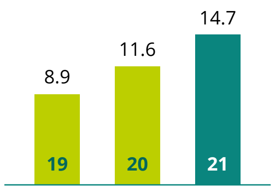
(2020: £49.6m)



SEGMENTAL PROFITS (£m)

£14.7m

(2020: £11.6m)

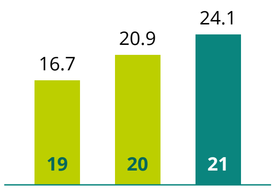


Property advisory and transactional services

REVENUE (£m)

£24.1m

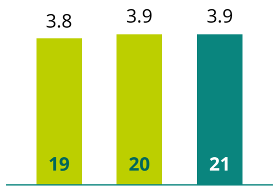
(2020: £20.9m)



SEGMENTAL PROFITS (£m)

£3.9m

(2020: £3.9m)



Property advisory and transactional services

Financial summary

Revenue increased by 15% (6% organic) to £24.1m (2020: £20.9m), reflecting the benefit of both current and prior year acquisitions, and organic development, partially offset by the impact of the first national lockdown in the first quarter of the financial year. Operating costs increased to £20.2m (2020: £17.0m), principally due to costs of acquired businesses.

Segmental profits[1] were £3.9m (2020: £3.9m), with operating margins reduced to 16.2% (2020: 18.7%) reflecting the impact of lockdown on trading at the start of the year. These restrictions reduced our revenue by c.£1.7m and segmental profits by c.£1.3m from normal levels of trading.

Acquisitions

In February 2021, we acquired HNG, a London surveyors' practice, which will enhance our existing commercial property management services, improve the national coverage of our commercial property agency, and increase the capabilities of our lease advisory team. The business will be fully integrated with our existing London team early in the new financial year. Initial trading has been in line with our original expectations.

Operating review

Our building consultancy services showed strong growth in the year, notably in the education sector. We secured a significant increase in funding for our clients and managed capital projects totalling £28m in the year, an increase of 50% from the prior year. Project management and consultancy fees from these projects increased to £2.2m (2020: £1.0m).

The plant and machinery sales team and insurance brokerage also increased activity levels from the prior year. Our consultancy and property management teams performed well with revenue maintained at prior year levels.

We have continued to invest in our offering to the public sector and were delighted to be awarded an initial three-year contract providing lease advisory services to the NHS with an anticipated total contract value of £3m. We started to provide the services from May 2021. This contract award was a great achievement by our team and results from the recent strategic focus and recruitment in this key sector.

This strong organic performance mitigated the impact of the March 2020 lockdown on our business sales agency, and commercial property agency, valuation and auction businesses. Activity levels improved over the course of the financial year and returned to pre-lockdown norms by the final quarter of the year.

The number of people employed in the division has increased to 306 at 30 April 2021 from 281 at the start of the financial year, with 13 joining the business through acquisitions.

1 See note 4

2 Collective CVL, administration and CVA appointments for Begbies Traynor, CVR, DRP in 12 months to December 2020 as disclosed in the London, Edinburgh and Belfast Gazettes, Accountant in Bankruptcy, Companies House and excluding compulsory liquidations

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

Finance review

Nick Taylor

Group finance director

Financial summary

	2021 £m	2020 £m
Revenue	**83.8**	70.5
Operating profit (before transaction costs and amortisation)	**12.4**	10.1
Finance costs	**(0.9)**	(0.9)
Adjusted profit before tax	**11.5**	9.2
Transaction costs	**(6.5)**	(3.2)
Amortisation of intangible assets arising on acquisitions	**(3.1)**	(3.1)
Profit before tax	**1.9**	2.9
Tax charge	**(1.7)**	(2.0)
Profit for the year	**0.2**	0.9

Operating result (before transaction costs and amortisation)

Revenue in the year increased by £13.3m to £83.8m (2020: £70.5m), an overall increase of 19%, of which 6% was organic and 13% was acquired[1]. Operating profit increased to £12.4m (2020: £10.1m).

These results include the impact of the COVID-19 lockdown in the first quarter of the financial year, which reduced property services revenue by c.£1.7m, partially mitigated by £0.4m of cost reductions, giving a profit impact of £1.3m (2020: profit impact of lockdown of £0.6m).

Operating margins improved to 14.8% (2020: 14.3%), principally due to profit growth and margin enhancement in business recovery and financial advisory, as the division realises the benefits of increased scale. Shared and central costs as a percentage of group revenue were broadly maintained at 7.4% (2020: 7.6%). Margins were held back in the year due to the lockdown impact in the first quarter in property services; underlying group margins were c.16%, adjusting for this impact.

Adjusted profit before tax increased by 25% to £11.5m (2020: £9.2m).

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 £6.5m (2020: £3.2m) in the year. This reflects an increase in deemed remuneration charges of £1.5m from both current and prior year acquisitions, together with a lower gain on acquisition of £1.9m.

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

Tax

The overall tax charge for the year was £1.7m (2020: charge of £2.0m) as detailed below:

	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%**

	2020			
	Profit before tax £m	Tax £m	Profit after tax £m	Effective rate
Adjusted	9.2	(2.0)	7.2	21%
Transaction costs	(3.2)	—	(3.2)	—
Amortisation	(3.1)	0.6	(2.5)	19%
Change in rate[2]	—	(0.6)	(0.6)	—
Statutory	2.9	(2.0)	0.9	68%

2 Deferred tax charge of £0.6m 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 and will result in a further increase in deferred tax liabilities of £1.8m, which will be charged in the new financial year

Earnings per share

Adjusted basic earnings per share[3] increased by 21% to 6.9p (2020: 5.7p). Basic earnings per share was 0.1p (2020: 0.7p).

Partners and employees

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

	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**

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

The ratio of our support teams to fee earning partners and staff improved to 5.0 (2020: 4.8) over the year.

3 See reconciliation in note 10

Finance review *continued*

Acquisitions

During the year, the group acquired three businesses:

- CVR Global LLP ('CVR') on 16 January 2021 for initial cash consideration of £12.0m (cash free, debt free); contingent cash consideration of up to £4.0m subject to profit-enhancing performance conditions in the three years post acquisition; and earn out of up to £4.8m subject to successful fee realisations on three long-running contentious insolvency appointments.

  In the financial year ended 31 March 2020, CVR reported annual revenue of £9.5m and normalised pre-tax profits of £1.2m when reported on the same basis as the group.

- Hargreaves Newberry Gyngell Limited ('HNG') on 8 February 2021 for initial cash consideration of £0.4m (cash free, debt free) and contingent cash consideration of up to £0.6m subject to stretching targets in the two years post acquisition.

  In the financial year ended 30 September 2020, HNG reported revenue of £1.5m and normalised pre-tax profits of £0.2m when reported on the same basis as the group.

- David Rubin & Partners Limited ('DRP') on 17 March 2021 for initial consideration of £12.0m (£10.0m funded through a vendor placing and £2.0m in shares – cash free, debt free); contingent cash consideration of up to £8.0m subject to maintaining financial performance in the four years post acquisition; and earn out of up to £5.0m subject to achieving growth targets in the five years post acquisition.

  In the financial year ended 30 April 2020, DRP reported fee income of £10.3m and normalised pre-tax profits of £3.3m when reported on the same basis as the group.

In addition, we acquired two portfolios of personal insolvency cases in May 2020 and September 2020 for initial consideration of £0.35m and contingent consideration of £0.25m subject to fee income generated from the case load post completion.

The net cash outflow from acquisitions was £23.9m, comprising current year acquisitions of £20.9m and prior year acquisitions of £3.0m.

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 £0.2m has been recognised within transaction costs in the year.

Liquidity

The group is in a strong financial position. At 30 April 2021, the group had net cash of £3.0m (2020: net debt of £2.8m), represented by cash balances of £8.0m (2020: £7.2m) net of drawn borrowing facilities of £5.0m (2020: £10.0m). All bank covenants were comfortably met during the year.

The group has significant levels of liquidity. Our borrowing facilities mature in August 2023 and comprise a £25m unsecured, committed revolving credit facility (of which £5m was drawn at 30 April 2021) and a £5m uncommitted acquisition facility.

Fundraising

In March 2021, the group completed a fundraising of £22.0m (£20.9m net of expenses), through the issue of 20.9m new ordinary shares at 105.5p per share, which comprised:

- vendor placing of £10m to fund the initial consideration for the DRP acquisition noted above; and
- cash placing of £12m, which comprised a £10m offering to institutional investors and a £2m retail offer, to fund a pipeline of acquisition opportunities and for general corporate purposes.

Cash flow

The group increased its net cash balance by £5.7m (2020: £3.2m) due to strong levels of free cash flow of £12.3m and net proceeds from the fundraising of £20.9m which funded acquisition and deferred consideration payments of £23.9m and dividends of £3.6m.

Cash flow in the year is summarised as follows:

	2021 £m	2020 £m
Net cash from operating activities (before deemed remuneration)	**16.2**	10.4
Capital expenditure	**(1.2)**	(0.8)
Capital element of lease payments	**(2.7)**	(1.9)
Free cash flow	**12.3**	7.7
Net proceeds from share issues	**20.9**	7.8
Acquisition and deferred consideration payments	**(23.9)**	(9.1)
Dividends	**(3.6)**	(3.2)
Increase in net cash	**5.7**	3.2

Net assets

At 30 April 2021 net assets were £86.3m (2020: £65.6m). The movement in net assets reflects an increase of £20.7m, comprising £23.1m from the issue of new shares from the placing and acquisition consideration; post-tax adjusted earnings of £9.2m net of dividends of £3.6m; £1.0m credit for equity-settled share-based payments; offset by the post-tax impact of acquisition-related transaction and amortisation costs of £9.0m.

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 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 such, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial information in these financial statements is prepared on the going concern basis.

Corporate 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 for the communities we serve; and operate with a culture of strong governance and responsible behaviour.

Environment

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.

To achieve this the group has formed a Sustainability Group to develop and manage our plans. This will focus on the principal emissions from both our office estate and leased car fleet, together with other initiatives across the business.

The board will then set realistic and achievable targets to reduce our emissions in the coming years based on a specific action plan formulated by the Sustainability Group.

Greenhouse gas emissions (GHG) statement

	Unit	2021	2020	Change
GHG emissions				
Scope 1	Tonnes of CO_2e	**147**	207	(29)%
Scope 2	Tonnes of CO_2e	**162**	216	(25)%
Scope 3	Tonnes of CO_2e	**143**	194	(26)%
Total group emissions	**Tonnes of CO_2e**	**452**	**617**	**(27)%**
Intensity measure				
Emissions by full time equivalent member of staff	Tonnes of CO_2e/FTE staff	**0.64**	0.96	(34)%
Emissions by group revenue	Tonnes of CO_2e/£m group revenue	**5.40**	8.77	(38)%
Energy consumption				
Scope 1	kWh	**655,000**	865,000	(24)%
Scope 2	kWh	**764,000**	846,000	(10)%
Scope 3	kWh	**576,000**	753,000	(23)%
Total	**kWh**	**1,995,000**	**2,464,000**	**(19)%**

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

Scope 2 are indirect emissions from 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 has been calculated using the emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2021 published on 2 June 2021 (comparative figures prepared using 2019 conversion factors).

During the year, the group's emissions have decreased due to the following factors:

- Organic reduction in emissions and energy consumption due to the change in working patterns during the periods of lockdown. This has involved increased use of technology, reduced amounts of travel and increased homeworking. Whilst we anticipate that this will reverse to some extent in the new financial year, we will seek to embed elements of these working practices into our corporate behaviour where practical on an ongoing basis.

- CO_2e conversion factor for electricity usage reduced by 17% between the 2021 and 2019 factors. This reflects the decrease in coal use in UK electricity generation and an increase in renewable generation. Partially offset by:
- Increase in absolute amount of emissions and energy consumption resulting from the acquisitions completed in the financial year.

In the prior year, the group engaged third party consultants to complete its ESOS report including providing recommendations of potential actions to reduce GHG emissions. Unfortunately, because of the COVID-19 restrictions which have been in place for the majority of the last year, we have not yet completed this project. This has been prioritised for the new financial year and the findings will be presented to the new Sustainability Group to determine appropriate actions.

People and communities

We aim to provide an environment in which 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

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

- Corporate intranets including a group wide communication tool BTG Insight;
- Team meetings;
- National engagement survey completed by an external consultancy;
- National updates from the executive chairman for major corporate events including financial results announcements and acquisitions; and
- Staff one-to-one appraisals throughout the year.

75%
employee engagement (71% comparator average)

During the year we completed our first employee opinion survey which was benchmarked against comparable companies. The survey 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 developing future talent within the group. We provide support to enable our staff to develop, and in many cases gain professional qualifications, to further their 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 and chartered surveying. We also provide work placement opportunities for undergraduates, which in many cases will lead to a graduate employment opportunity in the group.

99
staff supported in professional qualification

During the year we have provided support to 99 of our team to gain their professional qualifications.

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

Staff 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 improved to 92% (2020: 89%).

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

92%
retention rate

Corporate sustainability *continued*

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.

48%

participation in share incentive schemes

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[1] save as you earn ('SAYE') scheme and share option schemes. During the financial year we issued our second SAYE scheme which was well subscribed.

In total 48%[2] of our colleagues participate in either SAYE or share option schemes.

1 Available to all employees with at least three months service at scheme release in October 2020

2 Participation rate following SAYE scheme 2 release in October 2020

Equal opportunities

The group considers itself to be 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 2021 our total workforce of 940 colleagues comprised 545 males and 395 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 310 males and 98 females.

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

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 was 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.

Community involvement

Our offices operate in the heart of their local business communities and engage in numerous activities in support of local charities together with providing financial support and sponsorship initiatives. We encourage our people to support these local activities and moving forwards will enable them to give up to four days of work time per annum to volunteer and support local charities.

As noted above, we also provide opportunities for people to gain work experience, together with apprenticeships and other professional training.

Governance

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

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. 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 highlight key areas of information security risk and raise 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.

Board expertise, composition and independence

As detailed in the Corporate Governance Statement, the board is responsible for creating and sustaining shareholder value through management of the business. The board believes that the directors have an effective mix of business and public market experience, skillsets and capabilities.

The board recognises the importance of diversity and will ensure that this forms part of our considerations in the development and succession of the board.

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.

Key stakeholders and why we focus on them		How do we engage with them?
Our people	The business is dependent on the professional development, recruitment and retention of our highly experienced partners and staff who are responsible for delivering a high-quality service to our clients. The directors recognise that the quality, motivation and commitment of our people is fundamental to the group's success.	We engage and interact with our teams both on a local office level and nationally as detailed on page 17. The senior management teams meet both formally and informally on a regular basis with the executive directors.
Shareholders	Access to capital is of vital importance to the long-term success of our business. Through our engagement activities, we aim to obtain investor support for our strategic objectives and our execution of them. We believe that delivering value for our shareholders ensures that the business continues to be successful in the long term and continues to deliver value for all our stakeholders.	The executive chairman and group finance director have primary responsibility for investor relations ('IR') and lead a regular programme of engagement. This includes presentations following the announcement of the financial results, which are also 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 normally receives feedback twice each year from its corporate brokers on investors' and the market's perceptions of the company. In addition, the company makes announcements using the regulatory news service ('RNS') throughout the financial year so that all investors are aware of current developments and financial performance of the group. The annual general meeting of the company, which is generally attended by all directors, provides an opportunity for all shareholders to ask questions and to meet the directors.
Clients	Our clients are key to the success of our business.	The group has a diverse client base across its service lines. Our client facing teams are in continuous contact with their client base and have responsibility for both understanding their expectations and managing the delivery of our service.
Community and environment	We believe that through our community engagement activities we can make a beneficial impact on the areas where our people live and work.	Our corporate sustainability policy as detailed on pages 16 to 19 aims to add value to the communities in which we operate.

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

Principal decisions made in the year	Considerations by the board
COVID-19 response Detailed in chairman's statement on page 4	Ongoing response through the financial year managing the impact of COVID-19 on our people and operations: • Majority of employees able to work remotely which enabled the group to comply with the Government's guidance on office work. • Impact of pandemic on our marketplaces and resultant demand for our services has been closely monitored by the board and reported to shareholders throughout the year through our financial and trading updates. • No claims made by the group under the Government's coronavirus support schemes.
Acquisitions and placing Detailed in operating review and finance review on pages 10 and 12	During the year the group completed three acquisitions, in line with our strategy. The board believe this strategy increases value for all stakeholders and is for the long-term benefit of the group. In considering the financing of these and potential future acquisitions, the board agreed it was appropriate to raise funds through a share placing. This was completed on a non pre-emptive basis. The placing was structured as an institutional placing combined with a retail offer through PrimaryBid to enable all shareholders to participate. Following the acquisitions and placing the group has increased in scale with a strong balance sheet enabling it to deliver its strategy for the benefit of all stakeholders.
Corporate sustainability Approval of strategy detailed on pages 16 to 19	In recognition of the importance of environmental, social and governance issues, the board has formalised a sustainability strategy which brings together policies and practices into one overall strategy as detailed on pages 16 to 19.

Principal risks and uncertainties

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

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

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

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

COVID-19

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

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

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

Change in risk

Business continuity

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

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

Change in risk

Operational gearing

Risk
The business is operationally geared with a high proportion of salary and property costs, which cannot be immediately varied. Consequently, the group's profitability is liable to short-term fluctuations dependent on activity levels.

Mitigating activities
This risk is managed through flexing our resource levels, where possible, to align with current and anticipated levels of activity, together with the control of other discretionary items of expenditure. A prudent level of spare capacity is retained to facilitate peaks in activity.

Change in risk

Liquidity risk

Risk
The group's ability to generate cash from its insolvency appointments is usually reliant on asset realisations. A deterioration in realisations in the short-term could reduce the group's operating cash generation and increase its financing requirements.

Mitigating activities
The group monitors its risk of a shortage in funds through regular cash management and forecasting and ensuring suitable headroom within its banking facilities.

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of its committed banking facilities, together with bank overdrafts and loans, finance leases and hire purchase contracts if required.

Change in risk

Marketplace

Risk	Mitigating activities	Change in risk
The group's markets are susceptible to macroeconomic movements, such as interest rates, GDP changes and indebtedness levels.	The group's service lines have differing exposure to the macroeconomic environment as detailed in the business model on page 6 providing mitigation of this risk at a consolidated level.	
The group operates in a highly competitive market and is reliant on the flow of new assignments.	This risk is managed through a consistent effort in marketing and selling activity and maintaining strong relationships with key work providers, including financial institutions, investors and other professional intermediaries.	

Reliance on key personnel

Risk	Mitigating activities	Change in risk
The business is dependent upon the professional development, recruitment and retention of partners and staff.	The group manages the risk of high staff turnover through attention to human resource issues and the monitoring of remuneration levels against the wider market, including long-term incentive arrangements.	

Legal and regulation

Risk	Mitigating activities	Change in risk
The group operates in regulated markets. Failure to comply with, or changes in, regulation or legislation may have an adverse impact on the activities of the business.	To ensure compliance with relevant legislation in performing regulated activities, the group has dedicated compliance functions which maintain procedures and policies in line with current legislation.	
In the ordinary course of business, certain aspects of the group's services are opinion based and may be subject to challenge.	Where appropriate, the group will seek third-party professional corroboration. In addition, the group has appropriate insurance policies in place.	

Failure or interruption in IT systems

Risk	Mitigating activities	Change in risk
A major failure in the group's IT systems may result in either a loss or corruption of data or an interruption in client service, which may have a consequential impact on our reputation and profitability. There is a risk that an attack on our IT systems by a malicious individual or group may be successful and impact on the availability of these systems.	Specific off-site back-up and resilience requirements have been built into our IT systems which have been set up, as far as reasonably practicable, to prevent unauthorised access and mitigate the impact and likelihood of a major IT failure or cyber attack. The group is Cyber Essentials Plus accredited. The group has disaster recovery plans in place to cover residual risks which cannot be mitigated. The group is constantly reviewing its processes and resilience in this area due to the increasing threat landscape.	

Approval

The strategic report on pages 1 to 23 was approved by the board and signed on its behalf by

Ric Traynor
Executive chairman
19 July 2021

Nick Taylor
Group finance director
19 July 2021

Board of directors

Ric Traynor
Executive chairman

Appointment date:
May 2004

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

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

Nick Taylor
Group finance director

Appointment date:
December 2010

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

Mark Fry
Head of business recovery and advisory

Appointment date:
July 2011

Experience
Mark was appointed to the board in 2011, having joined the group in 2005 following an acquisition 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.

John May

Non-executive director

Appointment date:
October 2007

Experience

John was appointed to the board in 2007 as a non-executive director. He was 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

Appointment date:
September 2004

Experience

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

Mark Stupples

Non-executive director

Appointment date:
July 2017

Experience

Mark was appointed to the board in 2017 as a non-executive director. He has significant property services experience as a result of his senior roles in major firms, including King Sturge as UK managing partner, 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

Appointment date:
December 2019

Experience

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

Chairman's introduction

Ric Traynor
Executive chairman

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

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

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

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

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
19 July 2021

Corporate governance statement

Overview

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

- it is led by an effective board which is collectively responsible for creating and sustaining shareholder value through management of the business;
- the board and its committees have the appropriate balance of skills, experience, independence, and knowledge of the group to enable them to discharge their respective duties and responsibilities effectively;
- the board have a formal and transparent arrangement for considering how to apply the corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the group's auditor; 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. As such, the board is comprised of the executive chairman, two other executive directors and four non-executive directors.

Role of the executive chairman

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

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

Executive directors

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

Non-executive directors

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

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

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

Company secretary

The company secretary provides advice and guidance to the extent required by the board on the legal and regulatory environment and assists the chairman in preparing for and running effective board meetings, including the timely dissemination of appropriate information. All directors have access to the company secretary and all group records. Each director is authorised to take external advice at the expense of the company in support of his duties. The company secretary also acts as the link between the company and shareholders on matters of governance and investor relations.

Corporate governance statement *continued*

Election of directors

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

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

Board evaluation

The most recent evaluation of board performance was conducted in July 2020, 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 engagement, through increased analyst coverage and provision of recorded investor presentations, which are both accessible by all shareholders; and increased employee engagement, including our first group employee engagement survey.

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	7	7	—[1]	—[1]	—[2]	—[2]
Nick Taylor	7	7	—[3]	—[3]	—	—
Mark Fry	7	7	—	—	—	—
John May	7	7	6	6	1	1
Graham McInnes	7	7	6	6	1	1
Mark Stupples	7	7	—	—	—	—
Peter Wallqvist	7	7	—	—	—	—

1 The executive chairman attended three audit committee meetings by invitation

2 The executive chairman attended two remuneration committee meetings by invitation

3 The group finance director attended six 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 2021.

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 auditor 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; and
- reviewing the group's risk management process including the group's key risks and mitigations.

Role of the external auditor

During the year the committee approved the appointment of Crowe U.K. LLP ('Crowe') as external auditors. The previous external auditor, BDO, resigned in the year as a result of a conflict of interest which arose on one of the group's insolvency appointments.

The committee will monitor the relationship with Crowe, to ensure that auditor independence and objectivity are maintained. Any instruction for Crowe to provide non-audit services to the group must be approved in advance by the committee.

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

During the year, the committee 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 and 23.

Graham McInnes

Chairman of the audit committee

19 July 2021

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 (who was appointed to the committee during the year) 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 Ric Traynor and Nick Taylor consist of a basic salary or directors' fees and fixed profit share, together with an annual bonus. In addition, they receive income protection insurance, private medical insurance and the provision of a company car or cash allowance. Nick Taylor also receives death in service benefits. The fixed elements of their remuneration were reviewed during the year and the committee agreed to maintain at previous levels.

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

The remuneration arrangements for Mark Fry for the year being reported and the prior year, consist 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 Mark Fry receives a fixed director's fee and the provision of a company car. With effect from the start of the new financial year, the committee has determined that Mark Fry's remuneration will transition to a fixed profit share arrangement together with an annual bonus which will be assessed in line with the executive bonus criteria applicable to Ric Traynor and Nick Taylor. Mark Fry will also continue to receive a fixed director's fee and a company car. The committee feels that this change ensures that all of the executive directors are incentivised by way of bonus where the criteria for delivery is directly aligned with the interests of investors.

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

COVID-19 considerations on directors' remuneration

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

The directors' remuneration (as laid out in the tables below) contains a significant weighting to variable remuneration for the executive directors and the quantum reflects the strong financial performance of the group in recent years. The committee have determined that the remuneration policies for directors remain appropriate and have approved bonuses/variable pay as detailed in the table below.

Long-term incentive plans

The long-term incentive plans which are in place for some of the executive directors seek to incentivise them to enhance shareholder value through growing the group's share price. A proportion of the plans are conditional on delivering sustained growth in earnings and total shareholder return. Details of the performance share plan award made in the year are detailed below.

Performance share plan (PSP) award

During the year a PSP award was made to Nick Taylor and Mark Fry over 250,000 shares each. These awards are subject to the following performance thresholds over a three-year period:

- One-third of the award will vest in the event that the level of total shareholder return equals or exceeds the median position of the FTSE AIM All Share Index over the period.
- The remaining two thirds of the award will vest subject to the compound annual growth in adjusted diluted earnings per share ('EPS growth') over the same performance period:
  - 50% (i.e. threshold) of this element in the event of 5% EPS growth;
  - 100% (i.e. the maximum) of this element in the event of 20% EPS growth;

  With straight-line vesting between the two points.

Following the exercise of the awards there will be an additional two-year holding period for the shares.

Non-executive directors

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

Directors' emoluments

Name of director	Directors' fees and profit share/salary £	Variable profit share £	Bonus £	Benefits £	**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

Name of director	Directors' fees and profit share/salary £	Variable profit share £	Bonus £	Benefits £	2020 total £	Fixed pay £	Variable pay £
Executive							
Ric Traynor	322,483	—	226,000	28,332	576,815	350,815	226,000
Nick Taylor	215,833	—	140,000	1,042	356,875	216,875	140,000
Mark Fry	15,000	595,008	—	30,000	640,008	45,000	595,008
Non-executive							
John May	40,000	—	—	—	40,000	40,000	—
Graham McInnes	40,000	—	—	6,165	46,165	46,165	—
Mark Stupples	40,000	—	—	—	40,000	40,000	—
Peter Wallqvist[1]	20,000	—	—	—	20,000	20,000	—
Aggregate emoluments	693,316	595,008	366,000	65,539	1,719,863	758,855	961,008

1 Directors fees from date of appointment on 10 December 2019

Remuneration committee report *continued*

Directors' share options

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

Name of director	Scheme	Number at 1 May 2019	Granted in year	Exercised in year	Expired in year	**Number at 30 April 2021**	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	500,000	—	(23,700)	—	**476,300**	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 119p and the range of market prices during the year was 80p to 128p.

Details of share options granted by the company at 30 April 2021 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 2021 had the following interests in the shares of the group:

		30 April 2021		1 May 2020	
Name of directors	Description of shares	**number**	**%**	number	%
Ric Traynor	Ordinary shares	**27,178,980**	**18.00**	27,178,980	21.26
Nick Taylor	Ordinary shares	**136,240**	**0.09**	117,540	0.09
Mark Fry	Ordinary shares	**734,390**	**0.49**	734,390	0.57
John May	Ordinary shares	**343,976**	**0.23**	309,036	0.24
Graham McInnes	Ordinary shares	**917,432**	**0.61**	917,432	0.72
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 2021 and 19 July 2021.

John May
Chairman of the remuneration committee
19 July 2021

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 2021. 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 24.

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 2.0p (2020: 1.9p per ordinary share) to be paid on 4 November 2021 to shareholders on the register on 8 October 2021. This, together with the interim dividend of 1.0p paid on 7 May 2021 (2020: 0.9p), makes a total dividend of 3.0p for the year (2020: 2.8p).

Substantial shareholdings

On 12 July 2021, 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	11,147,770	7.34
Close Brothers Asset Management	10,315,564	6.80
Stichting Value Partners	7,770,814	5.12
OVMK Vermogensbeheer	6,738,081	4.44
Gresham House Asset Management	5,308,205	3.50

Other than the above holdings and those of the directors (see page 32), 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 16 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 page 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 auditor.

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

John Humphrey

Company secretary

19 July 2021

Directors' responsibilities statement

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

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

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

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

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

Website publication

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

Independent auditor's report

to the members of Begbies Traynor Group plc

Opinion

We have audited the financial statements of Begbies Traynor Group plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 30 April 2021 which comprise:

- the Group consolidated statement of comprehensive income for the year ended 30 April 2021;
- the Group and parent company balance sheets as at 30 April 2021;
- the Group consolidated cash flow statement 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 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 2021 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- 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, 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.

Independent auditor's report *continued*

to the members of Begbies Traynor Group plc

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	£560,000
Group performance materiality	£400,000
Parent Company materiality	£420,000
Parent Company performance materiality	£300,000
Basis for Group materiality	5% of adjusted profit before tax
Basis for Parent Company materiality	Based on net assets and restricted to 75% of Group materiality
Rationale for the benchmark adopted	Begbies Traynor Group plc is AIM listed, with profit making intentions and significant investors external to the Group. Adjusted profit is considered to be the key KPI for the Group and as such a profit-based materiality basis is considered appropriate. We adjusted for amortisation and transaction costs as these costs do not specifically relate to any underlying operating activities. The adjusted figure gives a more appropriate basis in line with a benchmark used for business decision making and used by the investor/shareholder community

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 £28,000 (2020: £18,000). We also agreed to report differences below these thresholds that, in our view, warranted reporting 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 seven 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.

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	
The Group carries a value of close to £60m 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 57. 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 reviewed and challenged the methodology applied by management to ensure consistency with prior year calculations. We assessed calculations of the allocation of goodwill to ensure it was correctly allocated to the insolvency CGU. We reviewed and challenged 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 2021, investigating and challenging management on any unusual or significant movements expected going forward based on our understanding of the business. We also checked for consistency with the forecasts used in the going concern assessment. We reviewed the key assumptions made within the calculation. The key assumptions are considered to be the weighted average cost of capital (WACC), the growth rate applied to the calculations and the economic cycles assumed in the model (based on historical trends) as this drives volumes forecast for the insolvency practice, which is counter-cyclical to the general economic environment in the UK. We engaged the use of our own internal expert to consider the appropriateness of management's WACC estimate, and whether it was reasonable for use in this calculation. We tested the sensitivity calculations and applied our own sensitivity analysis to the key assumptions to consider the headroom available.
Revenue and unbilled income recognition	
The Group's revenue recognition policy is set out in note 2(k) of these financial statements. This note sets out the critical judgements and estimates applied by the Directors in relation the valuations of unbilled revenue which may have a material effect on the amount of revenue recognised in the period and note 4 to the financial statements provides detail on the amounts of revenue recognised in the year. Under this policy, the amount of revenue recognised in a period will represent the fair value of the Group's entitlement to consideration in respect of professional services provided during that period. The Group's management and engagement teams consider the nature of the fee arrangements for each engagement. These arrangements may require an estimate of both the proportion of each engagement that is complete at the period-end, and the total consideration expected to be received under the engagement. As a result, there can be a high degree of subjectivity involved in the estimate of unbilled revenue and hence in the revenue which is ultimately recognised. These judgements are formed over a large portfolio of cases meaning that whilst the majority of the individual judgements are not material; as a result of the large number of insolvency cases being handled by the Group, the aggregate balance of unbilled income is significant. Reflecting the complex nature of some fee arrangements and the judgemental nature of the assessments required by the Group's engagement teams, we have identified revenue recognition and the associated value of unbilled revenue as a key audit matter.	We tested the operating effectiveness of a key control to ensure that there is sufficient challenge placed by the group finance team on monthly unbilled income estimates and judgements, including provisions. Group finance review and challenge that key estimates and provisions against unbilled income are appropriately calculated, each month, by individual insolvency practitioners and fee earners. We have attended a sample of monthly finance review meetings and observed the level of challenge and follow-up of individual cases, which provides assurance over the internal control in place. A sample of year end unbilled income balances was tested through questionnaires being issued to the fee earners and then reviewing their responses and associated evidence, e.g. creditors' resolutions, property valuations and balances held in bank accounts, against the year-end position set out. This included questions on the impact of COVID-19 on realisations and asset values held for the case. We reperformed the stage of completion calculations as at year end for a sample of cases and robustly challenged the judgements and estimates made by management in relation to the status of cases by looking at the costs to complete for each of the cases. We also challenged recoverability of the fees by looking at the value of assets held within each of the cases which supported fee estimates. We also reviewed the unbilled revenue estimates made in the prior year 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.

Independent auditor's report *continued*

to the members of Begbies Traynor Group plc

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 directors' report and strategic 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 34, 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 and misstatement of income. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals. We also 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.

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

19 July 2021

Consolidated statement of comprehensive income

for the year ended 30 April 2021

	Notes	2021 £'000	2020 £'000
Revenue	3	**83,831**	70,503
Direct costs		**(48,281)**	(40,317)
Gross profit		**35,550**	30,186
Other operating income		**179**	363
Administrative expenses		**(32,939)**	(26,697)
Operating profit (before amortisation and transaction costs)		**12,394**	10,119
Transaction costs	5	**(6,546)**	(3,163)
Amortisation of intangible assets arising on acquisitions		**(3,058)**	(3,104)
Operating profit		**2,790**	3,852
Finance costs	7	**(883)**	(968)
Profit before tax		**1,907**	2,884
Tax	8	**(1,754)**	(1,953)
Profit and total comprehensive income for the year		**153**	931
Earnings per share			
Basic	10	**0.1p**	0.7p
Diluted	10	**0.1p**	0.7p

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 2021

	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
At 1 May 2019	5,719	22,193	22,189	304	7,651	58,056
Total comprehensive income for the year	—	—	—	—	931	931
Dividends	—	—	—	—	(3,185)	(3,185)
Credit to equity for equity-settled share-based payments	—	—	—	—	102	102
Shares issued as consideration for acquisitions	73	—	1,177	—	—	1,250
Shares issued as deferred consideration	38	—	561	—	—	599
Placing shares issued	552	7,266	—	—	—	7,818
Shares issued for share-based payments	4	—	—	—	(4)	—
At 30 April 2020	6,386	29,459	23,927	304	5,495	65,571
Total comprehensive income for the year	—	—	—	—	153	153
Dividends	—	—	—	—	(3,579)	(3,579)
Transfer from share premium account (see note 30)	—	(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**

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

Consolidated balance sheet

at 30 April 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Intangible assets	11	**77,637**	59,437
Property, plant and equipment	12	**2,069**	1,800
Right of use assets	13	**7,502**	7,021
Trade and other receivables	14	**3,970**	4,586
		91,178	72,844
Current assets			
Trade and other receivables	14	**45,425**	36,460
Cash and cash equivalents		**7,986**	7,247
		53,411	43,707
Total assets		**144,589**	116,551
Current liabilities			
Trade and other payables	15	**(33,273)**	(22,223)
Current tax liabilities		**(2,612)**	(1,878)
Lease liabilities	16	**(2,975)**	(2,232)
Provisions	18	**(566)**	(883)
		(39,426)	(27,216)
Net current assets		**13,985**	16,491
Non-current liabilities			
Borrowings	17	**(5,000)**	(10,000)
Lease liabilities	16	**(5,846)**	(6,137)
Provisions	18	**(2,609)**	(1,935)
Deferred tax	19	**(5,458)**	(5,692)
		(18,913)	(23,764)
Total liabilities		**(58,339)**	(50,980)
Net assets		**86,250**	65,571
Equity			
Share capital	21	**7,547**	6,386
Share premium		**29,325**	29,459
Merger reserve		**25,974**	23,927
Capital redemption reserve		**304**	304
Retained earnings		**23,100**	5,495
Equity attributable to owners of the company		**86,250**	65,571

The financial statements of Begbies Traynor Group plc, registered number 5120043, were approved by the board of directors and authorised for issue on 19 July 2021. 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 2021

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
Cash generated by operations	24	**16,162**	4,734
Income taxes paid		**(2,273)**	(2,186)
Interest paid on borrowings		**(342)**	(436)
Interest paid on lease liabilities		**(506)**	(454)
Net cash from operating activities (before deemed remuneration payments)		**16,236**	10,428
Deemed remuneration payments		**(3,195)**	(8,770)
Net cash from operating activities		**13,041**	1,658
Investing activities			
Purchase of intangible fixed assets	11	**(307)**	(103)
Purchase of property, plant and equipment	12	**(997)**	(686)
Acquisition of businesses	23	**(22,033)**	(2,970)
Deferred consideration payments		**(150)**	(720)
Cash acquired in acquisition of businesses	23	**1,522**	3,360
Net cash used in investing activities		**(21,965)**	(1,119)
Financing activities			
Dividends paid	9	**(3,579)**	(3,185)
Proceeds on issue of shares		**20,923**	7,818
Capital element of lease payments		**(2,681)**	(1,934)
Repayment of loans		**(5,000)**	—
Net cash generated from financing activities		**9,663**	2,699
Net increase in cash and cash equivalents		**739**	3,238
Cash and cash equivalents at beginning of year		**7,247**	4,009
Cash and cash equivalents at end of year		**7,986**	7,247

Notes to the consolidated financial statements

for the year ended 30 April 2021

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 International Financial Reporting Standards ('IFRSs') adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 £8.0m (2020: £7.2m) together with undrawn, committed borrowing facilities of £20.0m (2020: £15.0m) 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 such, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Adjusted performance measures

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

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

(b) Basis of consolidation

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

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

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

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

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.

(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.

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2021

2. Accounting policies continued

(d) Intangible assets continued

Other intangible assets continued

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.

(f) Impairment of tangible and intangible assets

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

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

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

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

(g) Financial instruments

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

Cash and cash equivalents

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

Trade and other receivables (excluding unbilled income and deemed remuneration)

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

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

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

Other receivables are stated at their fair value.

Trade and other payables

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

2. Accounting policies continued

(g) Financial instruments continued

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.

(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;
- 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 2021

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

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.

(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.

2. Accounting policies continued

(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.

(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.

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2021

2. Accounting policies continued

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

The group believes that the estimates and judgements that have the most significant impact on the annual results under IFRS 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 cash-generating units. This requires an estimate of the future cash flows expected to arise from the cash-generating unit and a suitable discount rate to calculate present value. Details of the assumptions made are provided in note 11.

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 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. These judgements 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

International Financial Reporting Standards

At the date of authorisation of these financial statements, there are no amended standards and interpretations issued by the IASB 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.

3. Revenue

Revenue recognised in the year of £83,831,000 (2020: £70,503,000) was exclusively from contracts with customers recognised in accordance with IFRS 15. An analysis of revenue by nature of activity and recognition method is detailed in note 4.

The contract balances recognised are:

	2021 £'000	2020 £'000
Contract assets		
Trade receivables	**8,069**	5,487
Unbilled income	**32,432**	24,492
	40,501	29,979
Contract liabilities		
Deferred income	**(5,520)**	(4,168)

The movement in contract assets in the year comprises: £9.2m increase from acquisitions in the year and £1.3m increase due to organic growth in the year. The movement in contract liabilities in the year comprises: £1.2m increase from acquisitions in the year and £0.2m increase arising from formal insolvency appointments.

Revenue recognised in the year that was included in deferred income at the beginning of the year was £2.4m (2020: £1.3m).

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 2021 is £28.3m (2020: £19.0m).

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 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	Consolidated 2021 £'000
Balance sheet				
Assets	124,441	12,162	7,986	144,589
Liabilities	(43,928)	(6,799)	(7,612)	(58,339)
Net assets	80,513	5,363	374	86,250

Unallocated amounts include current tax liabilities, cash and borrowings.

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2021

4. Segmental analysis continued

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

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

Geographical segments

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

5. Profit for the year

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

	2021 £'000	2020 £'000
Depreciation of property, plant and equipment	**841**	718
Depreciation of right of use assets	**2,617**	2,137
Impairment of right of use asset (note 13)	**579**	—
Reversal of impairment of right of use asset (note 13)	**(228)**	—
Amortisation of intangible assets	**3,180**	3,315
Loss on disposal of property, plant and equipment	**—**	31
Staff costs (note 6)	**52,344**	41,313
Short-term lease expense	**490**	332
Impairment of receivable balances (note 14)	**1,022**	304
Reversal of impairment losses recognised on trade receivables (note 14)	**(38)**	(44)

5. Profit for the year continued

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

	2021 £'000	2020 £'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	**105**	92
Total audit fees	**135**	122
– other advisory services	**6**	38
Total non-audit fees	**6**	38

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

	2021 £'000	2020 £'000
Deemed remuneration	**5,449**	3,908
Acquisition costs	**439**	583
Gain on acquisition (note 23)	**(231)**	(2,217)
Charge arising under Begbies Traynor London (LLP) put and call option (note 28)	**889**	889
Total transaction costs	**6,546**	3,163

These transaction costs are all included within administrative expenses.

6. Staff costs

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

	2021 number	2020 number
Partners	**71**	65
Staff	**719**	636
	790	701

	2021 £'000	2020 £'000
Their aggregate remuneration comprised:		
Wages, salaries and partners' profit share	**45,872**	36,323
Social security costs	**3,208**	2,697
Pension costs (note 27)	**2,233**	2,191
Share-based payments	**1,031**	102
	52,344	41,313

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2021

6. Staff costs continued

Directors' remuneration

	2021 £'000	2020 £'000
Short-term benefits	**1,835**	1,714
Share-based payments	**36**	2
	1,871	1,716

	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

	2021 £'000	2020 £'000
Interest on borrowings	**377**	454
Finance charge on lease liabilities	**441**	454
Finance charge on dilapidation provisions	**65**	60
Total finance costs	**883**	968

8. Tax

	2021 £'000	2020 £'000
Current tax charge	**2,543**	2,048
Adjustment in respect of prior year	**—**	(271)
Total current tax charge	**2,543**	1,777
Deferred tax credit (note 19)	**(789)**	(686)
Adjustments in respect of prior year	**—**	247
Impact of change in tax rate	**—**	615
Total deferred tax (credit) charge	**(789)**	176
Total income tax charge	**1,754**	1,953

Corporation tax is calculated at 19% (2020: 19%) of the estimated assessable profit for the year.

8. Tax continued

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

	2021 £'000	2020 £'000
Profit before tax	**1,907**	2,884
Notional tax charge at the UK corporation tax rate of 19% (2020: 19%)	**362**	548
Adjustments in respect of current income tax of prior years	**—**	(6)
Non-deductible impact of transaction costs	**1,257**	601
Impact of change in tax rate on deferred tax balances	**—**	615
Tax effect of expenses that are not deductible in determining taxable profit	**135**	195
Total tax charge reported in the consolidated statement of comprehensive income	**1,754**	1,953

The prior year deferred tax charge relating to the change in tax rate of £615,000 arose 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 and will result in a further increase in deferred tax liabilities of £1.8m, which will be charged in the new financial year.

9. Dividends

	2021 £'000	2020 £'000
Amounts recognised as distributions to equity holders in the year		
Interim dividend for the year ended 30 April 2020 of 0.9p (2019: 0.8p) per share	**1,149**	914
Final dividend for the year ended 30 April 2020 of 1.9p (2019: 1.8p) per share	**2,430**	2,271
	3,579	3,185
Amounts proposed as distributions to equity holders		
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	**3,018**	2,426
	4,527	3,575

The proposed final dividend is subject to approval by shareholders at the annual general meeting in September 2021. The interim dividend for 2020 was paid on 7 May 2021 and, accordingly, has not been included as a liability in these financial statements nor as a distribution to equity shareholders.

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2021

10. Earnings per share

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

	2021 £'000	2020 £'000
Earnings		
Profit for the year attributable to equity holders	**153**	931

	2021 number '000	2020 number '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**132,963**	125,652
Effect of:		
Share options	**4,421**	1,477
Contingent shares as consideration for capital transactions	**—**	144
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**137,384**	127,273

	2021 pence	2020 pence
Basic earnings per share	**0.1**	0.7
Diluted earnings per share	**0.1**	0.7

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

	2021 £'000	2020 £'000
Earnings		
Profit for the year attributable to equity holders	**153**	931
Amortisation of intangible assets arising on acquisitions	**3,058**	3,104
Transaction costs	**6,546**	3,163
Tax effect of above items	**(581)**	(590)
Impact of change in tax rate on deferred tax balances	**—**	615
Adjusted earnings	**9,176**	7,223

	2021 pence	2020 pence
Adjusted basic earnings per share	**6.9**	5.7
Adjusted diluted earnings per share	**6.7**	5.7

11. Intangible assets

	Goodwill £'000	Software £'000	Intangible assets arising on acquisitions £'000	Total £'000
Cost				
At 1 May 2019	50,213	2,022	24,404	76,639
Arising on acquisitions	—	—	3,257	3,257
Additions	—	103	—	103
At 30 April 2020	50,213	2,125	27,661	79,999
Arising on acquisitions	9,745	—	11,328	21,073
Additions	—	307	—	307
At 30 April 2021	**59,958**	**2,432**	**38,989**	**101,379**
Amortisation and impairment				
At 1 May 2019	—	1,564	15,683	17,247
Amortisation during the year	—	211	3,104	3,315
At 30 April 2020	—	1,775	18,787	20,562
Amortisation during the year	—	122	3,058	3,180
At 30 April 2021	**—**	**1,897**	**21,845**	**23,742**
Carrying amount				
At 30 April 2021	**59,958**	**535**	**17,144**	**77,637**
At 30 April 2020	50,213	350	8,874	59,437
At 30 April 2019	50,213	458	8,721	59,392

The carrying value of intangible assets arising on acquisitions comprises brands of £3,572,000 (2020: £2,987,000), customer relationships of £8,556,000 (2020: £4,835,000), order books of £4,862,000 (2020: £866,000) and websites of £154,000 (2020: £186,000). The remaining useful economic lives of intangible assets arising on acquisition are between one and nine years.

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

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

The recoverable amount of the CGU is based on a value in use calculation using cash flow projections over a 20 year period, including the latest one year forecast approved by the board. A 20 year period has been used as the directors believe this is an appropriate period to reflect insolvency numbers over an economic cycle.

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

Key assumptions used in value in use calculation

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

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

Pre-tax discount rate

The group's post-tax weighted average cost of capital has been used to calculate a group pre-tax discount rate of 9.4% (2020: 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.

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2021

11. Intangible assets continued

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 insolvency numbers over an economic cycle. This anticipates an increase in insolvency appointments during recession followed by subsequent decreases. The average number of insolvency appointments over the economic cycle is in line with historical levels. Over the last economic cycle between calendar years 2008 and 2020 insolvency numbers (source: The Insolvency Service quarterly statistics on the number of corporate insolvencies in England and Wales) ranged between 14,500 per annum and 24,000 per annum.

Operating profit margins

Operating profit margins in the one year forecast are derived from local partners' expectations based on the number of current engagements and cost base. Margins over the extrapolation period range between 21% and 26%, which are based on past experiences and expectations of future market developments.

Sensitivity to changes in assumptions

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

12. Property, plant and equipment

	Leasehold improvements £'000	Office equipment £'000	Computers £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 May 2019	4,456	1,572	3,875	52	9,955
Arising on acquisitions	13	—	19	65	97
Additions	111	15	560	—	686
Disposals	(219)	(6)	(263)	(25)	(513)
Reallocation	24	(24)	—	—	—
At 30 April 2020	4,385	1,557	4,191	92	10,225
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**
Depreciation and impairment					
At 1 May 2019	3,594	1,407	3,167	21	8,189
Charge for the year	219	74	402	23	718
Disposals	(203)	(4)	(261)	(14)	(482)
At 30 April 2020	3,610	1,477	3,308	30	8,425
Charge for the year	215	49	569	8	841
At 30 April 2021	**3,825**	**1,526**	**3,877**	**38**	**9,266**
Carrying amount					
At 30 April 2021	**581**	**86**	**1,317**	**85**	**2,069**
At 30 April 2020	775	80	883	62	1,800
At 30 April 2019	862	165	708	31	1,766

13. Right of use assets

	Property £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
Cost				
At 1 May 2019	11,853	2,241	597	14,691
Arising on acquisitions	481	—	—	481
Additions	235	602	577	1,414
Disposals	—	—	(597)	(597)
At 30 April 2020	12,569	2,843	577	15,989
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**
Depreciation and impairment				
At 1 May 2019	5,436	1,458	398	7,292
Charge for the year	1,373	556	208	2,137
Disposals	—	—	(461)	(461)
At 30 April 2020	6,809	2,014	145	8,968
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**
Carrying amount				
At 30 April 2021	**6,427**	**835**	**240**	**7,502**
At 30 April 2020	5,760	829	432	7,021
At 30 April 2019	6,417	783	199	7,399

Following the acquisitions completed in the financial year and the plan to combine local operating teams where possible, a review of leased properties was completed to determine any impairment of right of use assets. The recoverable amounts of the assets was determined through value in use using discounted cash flows with a discount rate of 9.4%. The recoverable amount calculated was £784,000, compared to the carrying value of £1,363,000, which resulted in an impairment charge of £579,000.

As a result of the integration plans, a previously impaired right of use asset will now be fully utilised. The recoverable amount of the asset was determined through value in use using discounted cash flows with a discount rate of 9.4%. The recoverable amount calculated was £228,000, compared to the carrying value of £nil, which resulted in the reversal of an impairment charge of £228,000.

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2021

14. Trade and other receivables

	2021 £'000	2020 £'000
Non-current		
Deemed remuneration	**3,970**	4,586
Current		
Trade receivables	**10,411**	6,879
Less: impairment provision	**(2,342)**	(1,392)
Trade receivables – net	**8,069**	5,487
Unbilled income	**32,432**	24,492
Other debtors and prepayments	**2,573**	1,987
Deemed remuneration	**2,351**	4,494
	45,425	36,460

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.

The impairment provision comprises a specific loss allowance provision of £2,037,000 (2020: £1,039,000) and an expected credit loss provision of £303,000 (2020: £353,000). 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 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**

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

Movement in the impairment provision

	2021 £'000	2020 £'000
Balance at beginning of the year	**1,392**	1,338
Amounts arising on acquisition	**10**	2
Amounts written off during the year	**(44)**	(208)
Amounts recovered during the year	**(38)**	(44)
Impairment charge in the year	**1,022**	304
Balance at end of the year	**2,342**	1,392

15. Trade and other payables

	2021 £'000	2020 £'000
Current		
Trade payables	**1,387**	1,176
Accruals	**11,410**	7,055
Other taxes and social security	**4,385**	3,687
Deferred income	**5,520**	4,168
Other creditors	**9,826**	5,853
Deferred consideration	**375**	150
Deemed remuneration liabilities	**370**	134
	33,273	22,223

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 £370,000, there are further obligations based on current forecasts of £16.3m, where the service obligations of selling shareholders have not yet been performed. The maximum potential payments (if all performance conditions are met) would be £28.2m.

16. Lease liabilities

	Property £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
Cost				
At 1 May 2019	7,585	798	211	8,594
Finance charge	411	27	16	454
Additions – new leases	236	601	577	1,414
Arising on acquisitions	427	—	—	427
Lease payments	(1,570)	(584)	(234)	(2,388)
Disposals	—	—	(132)	(132)
At 30 April 2020	7,089	842	438	8,369
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**
Current liabilities	2,252	525	198	2,975
Non-current liabilities	5,476	320	50	5,846
At 30 April 2021	**7,728**	**845**	**248**	**8,821**

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

	2021 £'000	2020 £'000
Aggregate undiscounted commitments for short-term leases	**87**	48

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2021

17. Borrowings

	2021 £'000	2020 £'000
Non-current		
Unsecured loans at amortised cost	**5,000**	10,000

The group's principal banking facilities at 30 April 2021 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 £5m was drawn at 30 April 2021 (2020: £10m). The effective interest rate was 3.2%; together with uncommitted acquisition facility of £5m provided by HSBC, which was undrawn at 30 April 2021 (2020: undrawn).

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

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

18. Provisions

	Disposal provisions £'000	Dilapidation provisions £'000	Onerous contract provisions £'000	Total £'000
At 1 May 2020	150	2,302	366	2,818
Interest expense	—	65	—	65
Charged	—	—	28	28
Arising on acquisition	—	682	—	682
Utilised	(45)	(7)	(366)	(418)
At 30 April 2021	**105**	**3,042**	**28**	**3,175**
Current liabilities	105	433	28	566
Non-current liabilities	—	2,609	—	2,609
At 30 April 2021	**105**	**3,042**	**28**	**3,175**

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

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

19. Deferred tax

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

	Tax deductible goodwill £'000	Intangibles £'000	Short-term timing differences £'000	Total £'000
At 1 May 2019	(4,290)	(1,535)	929	(4,896)
Credit (charge) to income	—	610	(171)	439
Arising on acquisitions	—	(620)	—	(620)
Income statement effect of change in tax rate	(492)	(142)	19	(615)
At 30 April 2020	(4,782)	(1,687)	777	(5,692)
Credit to income	—	581	208	789
Arising on acquisitions	—	(2,151)	1,596	(555)
At 30 April 2021	**(4,782)**	**(3,257)**	**2,581**	**(5,458)**

19. Deferred tax continued

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

	2021 £'000	2020 £'000
Deferred tax liabilities	**(8,209)**	(6,597)
Deferred tax assets	**2,751**	905
	(5,458)	(5,692)

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 2021 and net assets at that date would decrease by £13,000 (2020: £24,000). 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 asset sale 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.

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2021

20. Financial instruments continued

Liquidity risk continued

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

	At 30 April 2021				At 30 April 2020			
	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	**133**	**5,176**	**—**	**5,309**	265	10,618	—	10,883
Trade and other payables	**33,273**	**—**	**—**	**33,273**	22,223	—	—	22,223
Lease liabilities	**3,438**	**6,652**	**1,287**	**11,377**	2,586	6,290	1,890	10,766
	36,844	**11,828**	**1,287**	**49,959**	25,074	16,908	1,890	43,872

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:

	2021 £'000	2020 £'000
Shareholders' funds	**86,250**	65,571
Bank borrowings	**5,000**	10,000
At 30 April	**91,250**	75,571

Categories of financial instruments

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

	2021 £'000	2020 £'000
Financial assets at amortised cost		
Trade receivables	**8,069**	5,487
Cash at bank	**7,986**	7,247
	16,055	12,734
Financial liabilities at amortised cost		
Trade and other payables	**(33,273)**	(22,223)
Bank borrowings	**(5,000)**	(10,000)
	(38,273)	(32,223)

21. Share capital

	2021 thousand	2020 thousand	2021 £'000	2020 £'000
Allotted, called up and fully paid				
Ordinary shares of 5p				
At 1 May	**127,701**	114,351	**6,386**	5,719
Issue of shares for share-based payments	**286**	79	**15**	4
Shares issued as consideration for acquisitions	**1,903**	1,460	**95**	73
Shares issued as deferred consideration	**165**	770	**8**	38
Placing shares issued	**20,853**	11,041	**1,043**	552
At 30 April	**150,908**	127,701	**7,547**	6,386

A share placing of 20,853,081 new ordinary shares was completed on 12 March 2021.

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 £1,031,000 (2020: £102,000), of which £74,000 (2020: £72,000) relates to the market value share option scheme, £908,000 (2020: £nil) relates to the PSP and £49,000 (2020: £30,000) relates to the SAYE schemes.

The group also operated a cash-settled share-based arrangement in the year. The group recognised an expense of £573,000 (2020: £150,000) in relation to the cash-settled share-based payment arrangement.

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

	2021		2020	
	Number of share options thousand	Weighted average exercise price pence	Number of share options thousand	Weighted average exercise price pence
Outstanding at 1 May	**6,461**	**62**	5,184	54
Granted during the period	**6,156**	**20**	1,500	88
Exercised during the period	**(701)**	**62**	(223)	45
Outstanding at 30 April	**11,916**	**40**	6,461	62
Exercisable at 30 April	**3,126**	**51**	1,577	39

The weighted average share price at the date of exercise for options exercised in the year was 111p.

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2021

22. Share-based payments continued

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

		2021		2020	
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	**1,303**	**2.5**	1,327	3.5
Share option scheme 2014	51	**250**	**3.2**	250	4.2
SAYE scheme 2018	59	**1,134**	**1.0**	1,134	2.0
Share option scheme 2017	63	**1,574**	**6.5**	2,150	7.5
Share option scheme 2018	68	**—**	**—**	100	8.0
Share option scheme 2019	88	**1,500**	**8.5**	1,500	9.5
PSP 2020	5	**4,275**	**9.2**	—	—
SAYE scheme 2020	72	**1,356**	**3.2**	—	—
PSP 2021	5	**525**	**9.7**	—	—

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

Grant date	PSP Aug 2020	SAYE scheme Dec 2020	PSP Jan 2021
Share price at grant date (p)	100	90	106
Exercise price (p)	5	72	5
Vesting period (years)	3	3	3.5
Time to expiry (years)	7	4	6.5
Expected volatility (%)	29	29	29
Risk free rate (%)	0.3	0.3	0.3
Expected dividend yield (%)	3.5	3.5	3.5
Fair value per option (p)	85.0	13.0	90

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

CVR Global

On 16 January 2021 the group acquired the entire legal and beneficial interest of the members of CVR Global LLP, an insolvency and business recovery practice.

The provisional 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 (liabilities) acquired				
Intangible assets	—	—	5,243	5,243
Property, plant and equipment	195	—	(145)	50
Right of use assets	—	632	—	632
Trade and other receivables	10,846	(7,568)	(492)	2,786
Cash and cash equivalents	120	—	—	120
Trade and other payables	(2,058)	—	(797)	(2,855)
Provisions	—	(314)	—	(314)
Lease liabilities	—	(525)	—	(525)
Borrowings	(9,103)	—	—	(9,103)
Deferred tax	—	1,226	(805)	421
Total identifiable liabilities	—	(6,549)	3,004	(3,545)
Satisfied by:				
Consideration under IFRS 3:				
Initial consideration before cash free debt free adjustments				12,000
Provisional cash free debt free adjustment				(9,075)
				2,925
Goodwill				6,470
Consideration accounted for as deemed remuneration:				
Contingent consideration				4,000
Earn out				4,800
				8,800
Cash outflows arising on acquisition				
Cash consideration				2,675
Less: cash and cash equivalents acquired				(120)
				2,555
Settlement of pre-acquisition borrowings				8,440
				10,995

Fair value adjustments of £5,243,000 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 £113,000 have been charged to the statement of comprehensive income as a transaction cost.

The acquisition contributed £2,900,000 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 2021

23. Acquisitions continued

David Rubin & Partners

On 17 March 2021 the group acquired the entire issued share capital of David Rubin & Partners Limited, an insolvency practice based in London.

The provisional 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	4,127	(4,127)	5,394	5,394
Property, plant and equipment	60	—	(17)	43
Right of use assets	—	1,304	—	1,304
Trade and other receivables	3,340	2,329	(667)	5,002
Cash and cash equivalents	1,442	—	—	1,442
Trade and other payables	(1,091)	—	—	(1,091)
Lease liabilities	(18)	(1,119)	—	(1,137)
Provisions	—	(323)	—	(323)
Borrowings	(2,563)	—	—	(2,563)
Corporation tax	(476)	—	—	(476)
Deferred tax	—	30	(895)	(865)
Total identifiable assets	4,821	(1,906)	3,815	6,730
Satisfied by:				
Consideration under IFRS 3:				
Consideration funded through vendor placing				10,000
Equity instruments (1,902,950 new ordinary shares)				2,000
Provisional cash free debt free adjustment				(1,995)
				10,005
Goodwill				3,275
Consideration accounted for as deemed remuneration:				
Contingent consideration				8,000
Earn out				5,000
				13,000
Cash outflows arising on acquisition				
Cash consideration				8,005
Less: cash and cash equivalents acquired				(1,442)
				6,563
Settlement of pre-acquisition borrowings				2,563
				9,126

Fair value adjustments of £5,394,000 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 £223,000 have been charged to the statement of comprehensive income as a transaction cost.

The acquisition contributed £1,400,000 of revenue and £400,000 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

HNG

On 8 February 2021 the group acquired the entire issued share capital of Hargreaves Newberry Gyngell Limited ('HNG'), a London-based firm of chartered surveyors.

The provisional 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	—	—	326	326
Property, plant and equipment	19	—	—	19
Trade and other receivables	590	(311)	—	279
Bank overdraft	(40)	—	—	(40)
Trade and other payables	(312)	—	—	(312)
Provisions	(15)	—	—	(15)
Corporation tax	14	—	—	14
Deferred tax	28	22	(90)	(40)
Total identifiable assets	284	(289)	236	231
Satisfied by:				
Consideration under IFRS 3:				—
Gain on acquisition				231
Consideration accounted for as deemed remuneration				
Cash consideration				400
Provisional cash free debt free adjustment				(37)
Contingent consideration				600
				963
Deemed remuneration payments arising on acquisition				
Cash paid				363
Bank overdraft acquired				40
				403

Fair value adjustments of £326,000 relating to the separate recognition of intangible assets have been recorded. Details of intangible assets recorded can be found in note 11.

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

Acquisition costs of £32,000 have been charged to the statement of comprehensive income as a transaction cost.

The acquisition contributed £500,000 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.

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2021

23. Acquisitions continued

Other

During the year the group acquired two portfolios of personal insolvency 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	—	365	365
Trade and other receivables	734	(321)	413
Trade and other payables	(38)	(196)	(234)
Deferred tax	—	(69)	(69)
Total identifiable assets	696	(221)	475
Satisfied by:			
Consideration under IFRS 3:			
Cash paid			350
Contingent consideration			125
Gain on acquisition			—

Cash outflows arising on acquisition	
Cash paid	350

Fair value adjustments of £365,000 relating to the separate recognition of intangible assets have been recorded. Details of intangible assets recorded can be found in note 11.

	2021 £'000	2020 £'000
Investing acquisition payments		
Cash consideration under IFRS 3	**11,030**	2,970
Settlement of pre-acquisition borrowings	**11,003**	—
Cash outflows on acquisition of businesses	**22,033**	2,970
Deferred consideration payments	**150**	720
	22,183	3,690
Deemed remuneration payments		
Initial payments	**363**	4,200
Deferred consideration payments	**2,832**	4,570
	3,195	8,770
Net cash and cash equivalents acquired	**(1,522)**	(3,360)
Total cash flows arising from acquisitions	**23,856**	9,100

If the acquisitions had been completed on the first day of the financial year, the group revenues for the period would have been £100.3m and group profit before tax would have been £5.4m.

The amounts recognised above are provisional estimates.

24. Reconciliation to the cash flow statement

	2021 £'000	2020 £'000
Profit for the year	**153**	931
Adjustments for:		
Tax	**1,754**	1,953
Finance costs	**883**	968
Amortisation of intangible assets	**3,180**	3,315
Depreciation of property, plant and equipment	**841**	718
Depreciation of right of use assets	**2,617**	2,137
Impairment of right of use asset	**579**	—
Reversal of impairment of right of use asset	**(228)**	—
Gain on acquisition	**(231)**	(2,217)
Loss on disposal of fixed assets	**—**	31
Share-based payment expense	**1,031**	102
Deemed remuneration obligations settled through equity	**150**	1,600
Decrease (increase) in deemed remuneration receivable	**2,759**	(3,382)
Increase (decrease) in deemed remuneration liabilities	**236**	(2,191)
Operating cash flows before movements in working capital	**13,724**	3,965
Increase in receivables (excluding deemed remuneration)	**(2,683)**	(1,177)
Increase in payables (excluding deemed remuneration liabilities)	**5,400**	1,813
(Decrease) increase in provisions	**(279)**	133
Cash generated by operations	**16,162**	4,734

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

25. Reconciliation of movement in net debt

	Cash and cash equivalents £'000	Non-current borrowings £'000	Net debt £'000
At 1 May 2020	7,247	(10,000)	(2,753)
Cash flows	4,217	—	4,217
Repayment of borrowings	(5,000)	5,000	—
Net cash and cash equivalents acquired (note 23)	1,522	—	1,522
At 30 April 2021	**7,986**	**(5,000)**	**2,986**

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 2021 or 30 April 2020.

27. Pensions

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

The total cost charged to income of £2,233,000 (2020: £2,191,000) represents contributions payable to these schemes by the group. As at 30 April 2021, contributions of £269,000 (2020: £202,000) in respect of the current year, which were not yet due for payment, had not been paid over to the schemes.

Notes to the consolidated financial statements *continued*

for the year ended 30 April 2021

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 (2020: £95,000). At 30 April 2021 £nil (2020: £nil) was payable in respect of this transaction. Mark Fry also part owns a company which provides archiving facilities to entities within the group. £24,000 (2020: £24,000) was paid by entities within the group for this service during the year. At 30 April 2021 £6,000 (2020: £6,000) was payable in respect of this service.

Ric Traynor purchased the controlling interest in Red Flag A!ert LLP ('Red Flag') from the group on 10 April 2012, with the group retaining a minority interest in the partnership. The group continues to provide a number of central support services to Red Flag for which £96,000 was payable by Red Flag during the year (2020: £96,000). The group has negotiated an agreement to retain full access to the database and joint marketing rights for the publication of Red Flag A!ert quarterly statistics and was charged a fee of £150,000 for the year (2020: £150,000). At 30 April 2021 £13,000 (2020: £80,000) was owed by Red Flag A!ert LLP.

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 the prior year.

The liability to the group under this option is accounted for in accordance with the group's policy for business combinations (note 2c) and charged to the consolidated statement of comprehensive income as disclosed in note 5 to the financial statements. The charge in the current financial year was £0.9m (2020: £0.9m). At 30 April 2021 there was £nil (2020: £0.9m) 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. Capital reduction

At the company's AGM in September 2020, shareholders approved the release of £20,000,000 of share premium to distributable reserves through a capital reduction procedure, which required an application to the High Court. The application was duly granted on 13 October 2020 and registered at Companies House on 27 October 2020.

31. Post balance sheet events

On 7 May 2021 the group acquired the entire issued share capital of MAF Property Limited, which trades as MAF Finance Group ('MAF'), a firm of finance brokers operating nationally, 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 £3.0m: £2.0m cash from the groups existing facilities and the issue of 847,458 new ordinary shares. Under the terms of the acquisition, there is deferred consideration of up to £8.75m dependent on the financial performance over the four years from completion. 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.

In March 2021 the government announced that the rate of corporation tax from 1 April 2023 would increase from 19% to 25%. The increase was enacted on 24 May 2021 and will result in a further increase in deferred tax liabilities of £1.8m, which will be charged in the new financial year.

Company balance sheet

at 30 April 2021

	Notes	2021 £'000	2020 £'000
Fixed assets			
Intangible assets		**—**	8
Investment in subsidiaries	4	**37,932**	37,932
		37,932	37,940
Current assets			
Trade and other receivables	5	**61,379**	40,494
Creditors: amounts falling due within one year			
Trade and other payables	6	**(39)**	(67)
Net current assets		**61,340**	40,427
Total assets less current liabilities		**99,272**	78,367
Creditors: amounts falling due after more than one year			
Trade and other payables	6	**—**	(500)
Net assets		**99,272**	77,867
Capital and reserves			
Called-up share capital	7	**7,547**	6,386
Share premium account		**29,325**	29,459
Merger reserve		**25,974**	23,927
Capital redemption reserve		**304**	304
Profit and loss account		**36,122**	17,791
Shareholders' funds		**99,272**	77,867

As permitted by section 408 of the Companies Act 2006, the company has elected not to present its own profit and loss account for the year. Begbies Traynor Group plc reported a profit for the financial year ended 30 April 2021 of £879,000 (2020: £3,117,000).

The financial statements of Begbies Traynor Group plc, registered number 5120043, were approved by the board of directors and authorised for issue on 19 July 2021. 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 2021

	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
At 1 May 2019	5,719	22,193	22,189	304	17,761	68,166
Profit for the year	—	—	—	—	3,117	3,117
Dividends	—	—	—	—	(3,185)	(3,185)
Credit to equity for equity-settled share-based payments	—	—	—	—	102	102
Shares issued as consideration for acquisitions	73	—	1,177	—	—	1,250
Shares issued as deferred consideration	38	—	561	—	—	599
Placing shares issued	552	7,266	—	—	—	7,818
Shares issued for share-based payments	4	—	—	—	(4)	—
At 30 April 2020	6,386	29,459	23,927	304	17,791	77,867
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**

Notes to the company financial statements

for the year ended 30 April 2021

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.

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

Critical accounting judgements and key sources of uncertainty

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

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

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

FRS 102 exemption

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

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

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

2. Auditors remuneration

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

Notes to the company financial statements *continued*

for the year ended 30 April 2021

3. Staff costs

The company has 6 employees (2020: six employees).

	2021 £'000	2020 £'000
Their aggregate remuneration comprised:		
Salaries	**728**	619
Social security costs	**105**	90
Pension costs	**12**	21
	845	730

4. Investment in subsidiaries

	£'000
Cost and net book value	
At 1 May 2019	36,682
Additions	1,250
At 30 April 2020	37,932
Additions	—
At 30 April 2021	**37,932**

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

Subsidiary undertaking	Nature of business	Country of incorporation
340 Deansgate, Manchester M3 4LY		
Begbies Traynor Limited[1]	Holding company	England and Wales
BTG Consulting Limited[1]	Holding company	England and Wales
Begbies Traynor International Limited[1]	Holding company	England and Wales
Begbies Traynor (Central) LLP	Business recovery	England and Wales
Begbies Traynor (London) LLP	Business recovery	England and Wales
Begbies Traynor (SY) LLP	Business recovery	England and Wales
Springboard Corporate Finance LLP	Corporate finance	England and Wales
BTG Corporate Finance LLP	Corporate finance	England and Wales
BTG Advisory (Investigations) Limited	Dormant	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
David Rubin & Partners Limited	Business recovery	England and Wales
David Rubin & Partners (C.I) Limited	Business recovery	Guernsey
CVR Global LLP	Business recovery	England and Wales
CVR Global Offshore Limited	Business recovery	Jersey
CVR Global (Rock) Limited	Business recovery	Gibraltar

4. Investment in subsidiaries continued

Subsidiary undertaking	Nature of business	Country of incorporation
CVR Global B.V.I Limited	Business recovery	British Virgin Islands
CVR Global (Cyprus) Limited	Business recovery	Cyprus
CV Business Rescue Limited	Dormant	England and Wales
Business Credit Management (UK) Limited	Dormant	England and Wales
Alexander Lawson Jacobs Limited	Dormant	England and Wales
Regeneratus Consulting 1 Limited	Dormant	England and Wales
Dunion & Co Limited	Dormant	England and Wales
JSDNSW Limited[1]	Dormant	England and Wales
Insolvency Advice Limited[1]	Dormant	England and Wales
Begbies Traynor Legal Services LLP	Dormant	England and Wales
BTG Tax LLP	Dormant	England and Wales
Toronto Square, Toronto Street, Leeds LS1 2HJ		
Eddisons Commercial (Holdings) Limited[1]	Property consultancy	England and Wales
Eddisons Commercial Limited	Property consultancy	England and Wales
Eddisons Commercial (Property Management) Limited	Property consultancy	England and Wales
Eddisons Insurance Services Limited	Insurance brokerage	England and Wales
Eddisons Holdings Limited	Holding company	England and Wales
Ernest Wilsons & Co Limited	Property consultancy	England and Wales
Ernest Wilson's (West Yorkshire) Limited	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
TBS&V Ltd	Dormant	England and Wales
Pugh & Company Limited	Auctioneers	England and Wales
CJM Asset Management Limited	Property consultancy	England and Wales
Taylors Business Surveyors and Valuers Limited	Dormant	England and Wales
Theauctionpeople.co Limited	Dormant	England and Wales
c/o S&P Consulting S.L, Urb. Calypso, C.C. Valdepinos, 1 y 3 A 29649 Mijas Costa, Malaga, Spain		
Eddisons Spain S.L	Facilities management	Spain

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

All shareholdings relate to ordinary shares.

Notes to the company financial statements *continued*

for the year ended 30 April 2021

4. Investment in subsidiaries continued

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

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

Subsidiary undertaking
BTG Consulting Limited
BTG Corporate Solutions Limited
BTG Corporate Finance LLP
BTG Advisory (Investigations) Limited
Springboard Corporate Finance LLP
Eddisons Commercial (Property Management) Limited
BSMH Limited
Ernest Wilson's (West Yorkshire) Limited
JSDNSW Limited
Alexander Lawson Jacobs Limited
MMXI Limited
Hargreaves Newberry Gyngell Limited
CVR Global LLP
CVR Global Offshore Limited
David Rubin & Partners Limited
David Rubin & Partners (C.I) Limited

5. Trade and other receivables

	2021 £'000	2020 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	**61,340**	40,471
Other debtors	**39**	23
	61,379	40,494

6. Trade and other payables

	2021 £'000	2020 £'000
Amounts falling due within one year		
Other creditors	**39**	67
Amounts falling due after more than one year		
Other creditors	**—**	500

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

7. Share capital

	2021 thousand	2020 thousand	2021 £'000	2020 £'000
Allotted, called up and fully paid				
Ordinary shares of 5p				
At 1 May	**127,701**	114,351	**6,386**	5,719
Issue of shares for share-based payments	**286**	79	**15**	4
Shares issued as consideration for acquisitions	**1,903**	1,460	**95**	73
Shares issued as deferred consideration	**165**	770	**8**	38
Share placing	**20,853**	11,041	**1,043**	552
At 30 April	**150,908**	127,701	**7,547**	6,386

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

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

Officers and professional advisors

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

Secretary
J A Humphrey

Company number
5120043

Registered office
340 Deansgate
Manchester
M3 4LY

Bankers
HSBC Bank plc
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Auditor
Crowe U.K. LLP
Chartered accountants and statutory auditor
Manchester, United Kingdom

Registrar
Computershare Investor Services Plc
PO Box 82
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

Corporate and financial PR advisors
MHP Communications Limited
60 Great Portland Street
London
W1W

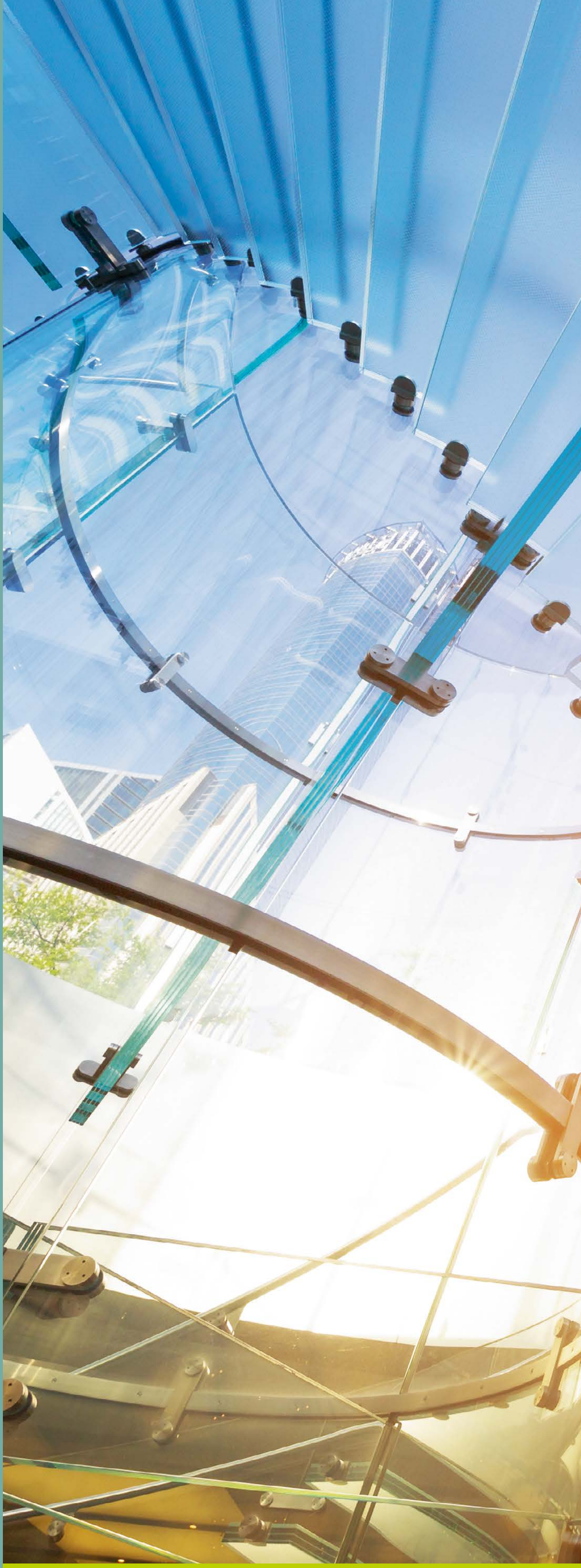
Nominated advisor and joint broker
Canaccord Genuity Limited
88 Wood Street
London
EC2V 7QR

Joint broker
Shore Capital Stockbrokers Limited
Cassini House
57 St James's Street
London
SW1A 1LD

FSC
MIX
Paper
FSC™ C014531

CARBON BALANCED PAPER
WORLD LAND TRUST™
www.carbonbalancedpaper.com
CBP007730

Produced by
designportfolio



Begbies Traynor Group plc
340 Deansgate
Manchester
M3 4LY
Tel: 0161 837 1700
Fax: 0161 837 1701
Web: www.begbies-traynorgroup.com

Begbies Traynor Group plc

Offices across the UK. www.begbies-traynorgroup.com

Begbies Traynor Group plc is a company registered in England and Wales No: 5120043. Registered Office: 340 Deansgate, Manchester M3 4LY