



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

£121.8m

+11%

(2022: £110.0m)

ADJUSTED EBITDA¹

£26.6m

+12%

(2022: £23.9m)

ADJUSTED PROFIT BEFORE TAX²

£20.7m

+16%

(2022: £17.8m)

PROFIT BEFORE TAX

£6.0m

(2022: £4.0m)

ADJUSTED BASIC EPS³

10.5p

+15%

(2022: 9.1p)

BASIC EPS

1.9p

(2022: (0.3)p)

PROPOSED TOTAL DIVIDEND

3.8p

+9%

(2022: 3.5p)

NET CASH

£3.0m

(2022: £4.7m)

1 The board uses adjusted performance measures to provide meaningful information on the performance of the business. The items excluded from adjusted PBT and EPS are those which arise due to acquisitions in accordance with IFRS 3 and are not influenced by the day-to-day operations of the group. Adjusted EBITDA excludes non-cash share-based payment and depreciation charges from adjusted PBT

2 Profit before tax £6.0m (2022: £4.0m) plus transaction costs £8.4m (2022: £8.3m) and amortisation of intangible assets arising on acquisitions £6.3m (2022: £5.5m)

3 See reconciliation in note 10

Contents

Strategic report

- IFC** Our vision
- 01** Financial highlights
- 02** At a glance
- 03** Why invest?
- 04** Chairman's statement
- 06** Business model
- 08** Our strategy and objectives
- 09** Acquiring for growth
- 10** Key performance indicators
- 11** Operating review
- 14** Finance review
- 17** Stakeholder engagement
- 18** Sustainability
- 23** Risk management and principal risks

Corporate governance

- 27** Chairman's introduction
- 28** Board of directors
- 30** Corporate governance statement
- 32** Audit committee report
- 33** Remuneration committee report
- 36** Directors' report
- 37** Directors' responsibilities statement

Financial statements

- 38** Independent auditor's report
- 43** Consolidated statement of comprehensive income
- 44** Consolidated statement of changes in equity
- 45** Consolidated balance sheet
- 46** Consolidated cash flow statement
- 47** Notes to the consolidated financial statements
- 75** Company balance sheet
- 76** Company statement of changes in equity
- 77** Notes to the company financial statements
- 82** Officers and professional advisors



For more on who we are and what we do:

ir.begbies-traynorgroup.com

At a glance



Insolvency

Corporate and personal insolvency

Our advisory and transactional services

Our businesses



Financial advisory

Business and financial restructuring
Debt advisory
Forensic accounting and investigations



Transactional support

Corporate finance
Business sales agency
Property agency
Auctions



Funding

Commercial finance broking
Residential mortgage broking



Valuations

Commercial property valuations
Business and asset valuations



Projects and development support

Building consultancy
Transport planning



Asset management and insurance

Commercial property management
Insurance broking
Vacant property risk management

Why invest?

1

Strong track record

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



More information:
KPIs on page 10

2

AIM listed

since 2004 with a highly experienced board and leadership team

3

Strongly positioned

in insolvency and defensive activities, representing 80% of total revenue



More information:
Business model on page 6

4

Market-leading

insolvency practice taking the largest number of corporate insolvency appointments in the UK

5

Strong referral network

across the group leading to high levels of repeat business

6

Diverse income streams

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



More information:
Business model on page 6

7

Growth strategy

of organic investment and value-accretive acquisitions across our service lines with proven financial track record



More information:
Strategy on page 8

Chairman's statement



Ric Traynor
Executive chairman

Introduction

I am pleased to report on a further successful year for the group, in which we have continued to execute our strategy to deliver strong, sustainable financial performance, and reported results for the year ahead of original market expectations. This performance was delivered through our broadening range of services to an increasingly diverse range of clients.

We have a proven growth strategy which, over the five year period between 2019 and 2023, has doubled revenue from £60m to £122m and tripled adjusted profit before tax from £7m to £21m, from a combination of organic growth and acquisitions. This growth has been delivered across insolvency and our full range of advisory and transactional services.

Revenue from formal insolvency appointments has increased to £71m from £35m in 2019 and we have continued to make good progress in the year. We have experienced a significant increase in higher value insolvency appointments over the last twelve months, benefitting from our enhanced reputation in mid-market insolvencies.

We have maintained our market-leading position (by volume of appointments) with a 13% share of the overall market, ranked first nationally. An area of strategic focus has been to increase our exposure to larger and more complex insolvency appointments. We have been successful in doing so and our current 11% share of the administration market has seen our national ranking increase to second place from fourth over the last five years.

Our advisory and transactional services, which are delivered within both of our operating divisions (insolvency and property), increased revenue to £51m from £25m in 2019. From a standing start in 2014, these services, which span counter-cyclical, defensive and pro-cyclical activities, now represent c.40% of our group revenue. Our services now include financial advisory; transactional support (acquisition and disposal); funding; valuations; projects and development; and asset management and insurance. This expanded service offering has increased the depth of advice and expertise we can provide to our clients and broadened and developed our referral network of corporates, fellow professionals and institutions, benefitting the whole group.

Overall, the group remains well-positioned in the current macroeconomic environment, with a diverse mix of services and 80% of income generated from counter-cyclical and defensive activities.

In July 2022, we acquired Mantra Capital, a London-based property finance brokerage, to enhance the scale of our funding business which we commenced with the MAF Finance Group acquisition in May 2021. This service line and contact base is highly complementary to both our insolvency and advisory offerings.

In addition, we acquired two chartered surveyors' practices (Budworth Hardcastle – June 2022 and Mark Jenkinson & Co – March 2023), which have strengthened our teams in Eastern England and South Yorkshire respectively. Following the year end, in May 2023, we acquired Banks Long & Co, another firm of chartered surveyors, further strengthening our regional presence across Eastern England.

The group continues to be highly cash generative, with free cash flow of £14.1m, and ended the year with a net cash balance of £3.0m (2022: £4.7m). This is having made £10.6m of acquisition and deferred consideration payments and paid dividends of £5.4m in the year. This cash generation enables us to propose a 9% increase in the total dividend for the year, representing our sixth consecutive year of dividend growth.

Our strong financial position leaves us well placed to continue to invest in the business, both organically and through acquisitions, to further build our scale and range of complementary services.

Results

Group revenue in the year increased by 11% to £121.8m (2022: £110.0m), 6% of which was organic. Adjusted¹ profit before tax² increased by 16% to £20.7m (2022: £17.8m). Statutory profit before tax was £6.0m (2022: £4.0m).

Adjusted¹ basic earnings per share³ increased by 15% to 10.5p (2022: 9.1p). Basic earnings per share was 1.9p (2022: loss per share of 0.3p, reflecting a one-off non-cash deferred tax charge).

Net cash on 30 April 2023 was £3.0m (2022: £4.7m).

Dividend

The board is pleased to recommend (subject to shareholder approval at the company's annual general meeting scheduled for 19 September 2023) a 9% increase in the total dividend for the year to 3.8p (2022: 3.5p), representing our sixth consecutive year of dividend growth. This comprises the interim dividend already paid of 1.2p (2022: 1.1p) and a proposed final dividend of 2.6p (2022: 2.4p).

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

The final dividend will be paid on 3 November 2023 to shareholders on the register on 6 October 2023, with an ex-dividend date of 5 October 2023.

Strategy

We believe that the execution of our strategy will continue to enhance shareholder value through the delivery of strong, sustainable financial performance, building on our progress in recent years.

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;
- advisory and transactional 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 continuing success of the group is reliant on the hard work and dedication of our colleagues and the quality of advice and service they deliver to our clients. I would like to thank all of our colleagues for their contribution over the course of the last financial year. We have completed a number of acquisitions in recent years and we are pleased with the way our teams are working together and our new colleagues have integrated into our culture.

Board

In February 2023, we appointed Mandy Donald to the board as a non-executive director and member of the audit committee, as part of our plans to manage the development, succession and diversity of the board. Mandy brings valuable and relevant experience from her executive and non-executive roles and broadens the board's existing skills and expertise. In the new financial year, Mandy will succeed Graham McInnes as chair of the audit committee.

Sustainability

The board is committed to developing the business in a sustainable way for the benefit of all our stakeholders.

We look to have a positive impact for our colleagues and the communities we serve; operate with a culture of strong governance and responsible behaviour; and minimise our impact on the environment.

During the year under review, we have made progress in a number of areas, notably through investing in our human resources expertise to enhance our people management. In addition, we have made progress in transitioning our company car fleet to ultra-low-emission vehicles, migrating energy supplies to renewable tariffs and making changes to our IT estate to reduce energy consumption.

Further information on our sustainability policies and progress is detailed on page 18.

Outlook

We have started the new year confident of a further year of growth, in line with market expectations.

The increased scale of the group with complementary professional services and an enhanced client base provides a strong platform for us to continue delivering our strategy of organic and acquired growth. We remain well-positioned in the current macroeconomic environment, with a diverse mix of services and 80% of income generated from counter-cyclical and defensive activities.

Our insolvency team will benefit from their recent insolvency appointments and increased order book, together with anticipated further growth in the insolvency market. We continue to identify growth opportunities for our advisory and transactional teams, having completed a further acquisition of a firm of chartered surveyors in May 2023.

Our strong balance sheet and cash generation underpin our capacity to deliver organic growth initiatives and progress our pipeline of acquisitions, thereby continuing our track record of growth. We will provide an update on trading at the annual general meeting in September 2023.

Ric Traynor Executive chairman

10 July 2023

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 £6.0m (2022: £4.0m) plus transaction costs £8.4m (2022: £8.3m) and amortisation of intangible assets arising on acquisitions £6.3m (2022: £5.5m)

3 See reconciliation in note 10

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

Our key strengths

People

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

Clients and relationships

- Diverse client base
- Enduring relationships
- Trusted brand and reputation

Know-how

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

Financial

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

Our activities



80% Insolvency and defensive activities

20% Pro-cyclical activities

We are well-positioned in a challenging economic environment, with the majority of our income from insolvency and defensive activities

Insolvency and defensive activities

- Corporate and personal insolvency
- Business and financial restructuring
- Debt advisory
- Accelerated corporate finance
- Due diligence and transaction support
- Forensic accounting and investigations
- Pensions advisory
- Insurance broking
- Valuation and sale of distressed assets (property, machinery and other business assets)
- Specialist insurance and vacant property risk management
- Property auctions
- Building consultancy
- Commercial property management
- Property letting
- Lease advisory

Our culture and values

Values

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

Governance

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

Risk management

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

How we create value for our stakeholders

People

Provide an environment in which our people:

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

Clients

Optimise value for clients through providing:

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

Shareholders

Sustainable increase in shareholder value through:

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

Pro-cyclical activities

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

Our 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 strategy

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.

Acquisition strategy

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

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

Our vision

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

Our strategic objectives

1

Increase scale and quality

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

2

Shareholder value

Deliver sustainable profitable growth, enabling increased shareholder value

3

Effective capital structure

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

4

Strong corporate governance

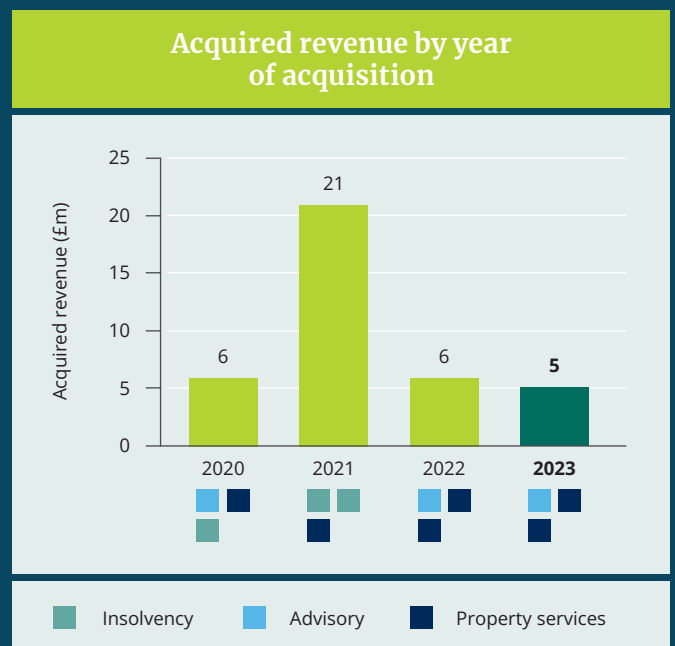
Continue to ensure high standards of corporate governance and responsibility

Acquiring for growth

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

Our acquisition process

| Target identification | Valuation and pricing strategy | Effective transaction process | Integration and value delivery |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The group maintains a pipeline of acquisition opportunities through both internally managed search exercises and responding to external sales processes.</p> <p>We target value-accretive acquisitions in any of the following market segments:</p> <ul style="list-style-type: none"> • 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. | <p>The group has a standard process for assessing the value of a target business.</p> <p>We require an appropriate ongoing commitment to the business from vendors.</p> <p>Opportunities that do not meet the pricing, valuation and commercial parameters are quickly rejected.</p> | <p>The group has an established legal and financial due diligence process which combines in-house and external operational and commercial due diligence and integration planning.</p> <p>This enables the group to complete transactions in an effective, cost-efficient and timely manner.</p> | <p>There is a clear post-acquisition integration strategy and plan to ensure shareholder value is delivered.</p> <p>The integration model is based on:</p> <ul style="list-style-type: none"> • clear communication to key stakeholders; • integration of support services; • alignment of processes; and • brand alignment where appropriate. |



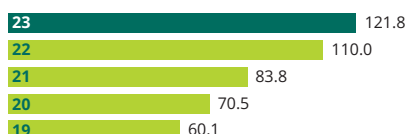
Our key performance indicators

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

REVENUE (£m)

£121.8m

(2022: £110.0m)



The measure

Revenue generated from operating activities in the financial year.

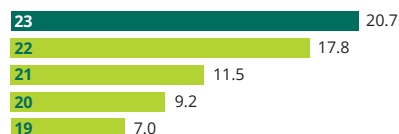
The target

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

ADJUSTED PROFIT BEFORE TAX (£m)

£20.7m

(2022: £17.8m)



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.

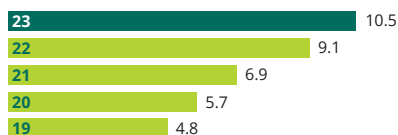
The target

To deliver sustainable growth in adjusted profit before tax.

ADJUSTED BASIC EPS (p)

10.5p

(2022: 9.1p)



The measure

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

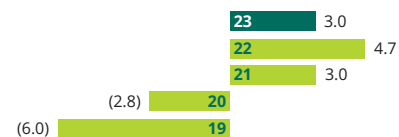
The target

To deliver growth in EPS to increase shareholder value.

NET CASH (DEBT) (£m)

£3.0m

(2022: £4.7m)



The measure

Cash net of borrowings (pre-IFRS 16).

The target

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



More information:

Commentary on financial performance on these KPIs and other financial information is included in the finance review on page 14.

Operating review



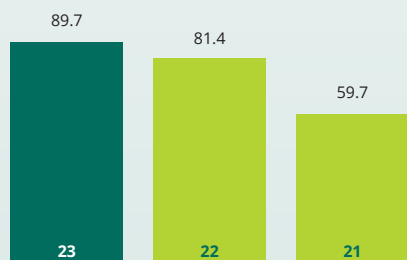
Ric Traynor
Executive chairman

Insolvency and advisory services

REVENUE (£m)

£89.7m

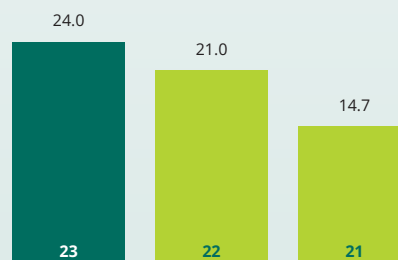
(2022: £81.4m)



SEGMENTAL PROFITS (£m)

£24.0m

(2022: £21.0m)



Financial summary

Revenue increased by 10% (6% organic) to £89.7m (2022: £81.4m), reflecting the benefit from recent acquisitions combined with an increase in activity levels. Revenue from formal insolvency appointments increased to £70.6m (2022: £66.7m) with advisory activities generating £19.1m (2022: £14.7m). This is a record level of revenues generated by advisory activities, representing 20% of divisional revenues in the year.

Operating costs increased by £5.3m to £65.7m (2022: £60.4m) as a result of inflationary cost increases (principally salaries) and costs associated with acquired businesses. However, these costs reduced as a percentage of revenue which resulted in improved operating margins of 26.8% (2022: 25.8%).

Segmental profits¹ increased by 14% to £24.0m (2022: £21.0m).

Insolvency market

Corporate insolvencies² nationally increased to 22,983 (2022: 16,575). This is due to both liquidations which, as previously reported, have exceeded pre-pandemic levels, together with increased administrations (typically larger cases) which remain below historic levels but are now higher than the post-pandemic lows of calendar 2021.

The challenges for UK businesses are expected to continue to support growth in the insolvency market.

Operating review

Insolvency

We have maintained our market-leading positions (by volume of appointments) where we are ranked first nationally for overall corporate appointments³ with a 13% share and second nationally in administrations with an 11% share. These strong market positions reflect the benefits of investments we have made in recent years, notably in expanding our London office and offshore practice.

1 See note 4.

2 Source: The Insolvency Service quarterly statistics on the number of corporate insolvencies in England and Wales on a seasonally adjusted basis for 12 months to 31 March.

3 CVLs, administrations and CVAs as disclosed in the London, Edinburgh and Belfast Gazettes, Accountant in Bankruptcy and Companies House.

Operating review *continued*

Operating review continued Insolvency continued

Corporate insolvency revenue increased by 10% (£5.7m) and our order book of committed future insolvency revenue (excluding contingent fee income) increased by 19% (£5.7m) to £35.2m at 30 April 2023 (2022: £29.5m, 2021: £28.3m). Prior year performance was enhanced by exceptional levels of personal insolvency activity, which generated an additional £1.8m revenue in that year. Personal insolvency revenue normalised to £5.5m in the year to 30 April 2023.

Our market-leading position and national office network ensures the business is well-positioned to provide advice and assistance to UK SME and mid-market corporates. During the year, we were appointed as administrators of Worcester Rugby Club, Avonside Group (largest roofing contractor in the UK), Silverbond Enterprises Limited (former operator of the Park Lane Casino in London), Cox & Cox (on-line furniture retailer) and Paperchase (national retailer).

During the year, we commenced a pilot project with a major bank, including over 100 cases, to assist in the recovery of bounce back loans. We are encouraged, based on recoveries to date, that this pilot project may provide a means for banks and the Government to maximise recovery.

Advisory

Our advisory teams provide restructuring, debt advisory, corporate finance, forensic accounting and funding advice for clients.

During the year, we advised on the first SME court sanctioned restructuring plan (enabled by the Corporate Insolvency and Governance Act 2020) of Houst, the short-term holiday lettings operator. This follows our previous use of this new legislation on the mid-market Amicus finance restructuring in 2021.

We continued to invest in developing our new funding service line through the acquisition of Mantra Capital in July 2022, which followed the acquisition of MAF Finance Group in May 2021. Mantra is an FCA-regulated finance and insurance brokerage based in London. The team has significant expertise across both commercial and residential real estate lending, providing property investment and development finance, finance for trading businesses and residential mortgages. In addition, they provide insurance brokerage services to their commercial clients. The business has performed well in the year and in line with our expectations.

This business complements the MAF team, who specialise in providing access to finance through arranging facilities for investment in new asset purchases (including equipment, vehicles and property) together with both refinancing and restructuring existing facilities.

Finance broking complements the group's other advisory and transactional services and deepens the group's existing relationships with banks and other lenders.

People

The number of people employed in the division has increased to 664 on 30 April 2023 from 590 at the start of the financial year, principally reflecting the acquisition of Mantra.

Property advisory and transactional services

Revenue increased by 12% (3% organic) to £32.1m (2022: £28.6m), reflecting acquisitions (first-time contribution from current year and full year impact of prior year transactions) and organic growth of key service lines, reflecting the resilient nature of our services in a challenging marketplace.

Operating costs increased to £26.4m (2022: £23.8m) as a result of costs associated with acquired businesses and inflationary cost increases (principally salaries). However, these costs reduced as a percentage of revenue which resulted in improved operating margins of 17.8% (2022: 16.8%).

Segmental profits¹ increased by 19% to £5.7m (2022: £4.8m).

Valuations

Our team values commercial property, businesses and assets for secured lending, commercial transactions or corporate reporting.

Our activities increased over the year, benefitting from the full year impact of the acquisition of Daniells Harrison in the prior year, which extended our valuation team to the south coast, increasing our national coverage. Organic activity levels were maintained in the year, with the short-term market disruption following the mini budget being recovered over the remainder of the year as activity levels normalised in spite of further interest rate rises.

Transactions

Our transactional teams had a robust year overall, with our mix of activities and clients proving resilient against economic headwinds.

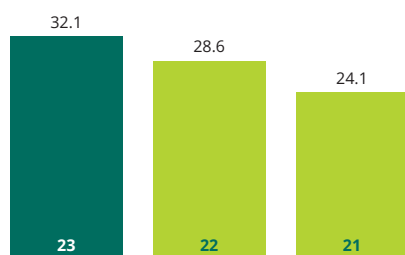
Commercial property transaction levels were adversely impacted in the year when the market reacted to the UK mini budget in September 2022 delaying many transactions; however, we saw a recovery in the second half of the financial year as many delayed transactions progressed to completion.

Our client mix (typically SMEs and independent landlords) and property size (typical capital value up to £2.5m) provides a level of mitigation against some of the market volatility that impacts properties with higher capital values. Corporate lettings were robust, providing a resilient income stream to complement the more cyclical sales cycle. The agency team increased in the year following the acquisition of Budworth Hardcastle, who have merged with our existing, market-leading Eastern England agency team. Following the year end, the Eastern England team were further bolstered by the acquisition of Banks Long & Co, a firm of chartered surveyors employing 38 staff in Lincoln and operating throughout Lincolnshire and Humberside.

¹ See note 4

REVENUE (£m)**£32.1m**

(2022: £28.6m)



Auction activity increased in the year, resulting from increased insolvency-related plant and machinery sales, offset by reduced property auction volumes particularly in the first half of the year. We made progress in developing our property auction offering through the acquisition of a team from Mark Jenkinson & Co, a Sheffield auctioneer. This complements our current team and increases our geographic coverage. The teams have now integrated and are operating off a common auction platform. In addition, there are encouraging signs of increased activity levels. A strong auction platform is a benefit to the group in the current economic cycle of higher interest rates, which will typically result in an increased proportion of property sales being conducted through auction.

Business sales transaction levels were robust in the year having absorbed the market impact of higher interest rates.

Projects and development

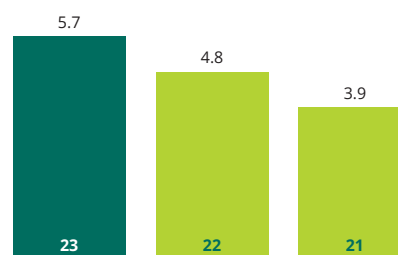
Our building and projects team offer a comprehensive range of consultancy services, including project management, building surveying and specialist advice. We operate across a range of sectors and act for landlords, tenants, investors and developers. We have specialists in the education sector working for public sector clients, with an increasing focus on sustainability.

We have continued to develop the business in the year, including the integration of the Budworth Hardcastle team which has enhanced our Eastern England offering. We also made good progress in expanding our public sector practice in the education sector and other areas.

Our transport planning and highway design team work with developers to deliver successful transport planning solutions. Our activity levels were in line with the prior year as the team continued to advise and be appointed on new development schemes in the year.

SEGMENTAL PROFITS (£m)**£5.7m**

(2022: £4.8m)

**Asset management and insurance**

We manage commercial properties for investors, corporate occupiers and property companies across the UK with an asset base of shopping centres, industrial portfolios and commercial offices.

During the year, we integrated the Budworth Hardcastle property management team, which increased the number of properties under management. The team benefit from long-standing client relationships with organic income broadly in line with the prior year.

Income from insurance and vacant property risk management activities increased from the prior year, reflecting the increase in insolvency activity levels in the group and third party clients.

People

The number of people employed in the division has increased to 345 on 30 April 2023 from 326 at the start of the financial year, principally reflecting the acquisitions.

Finance review



Nick Taylor
Group finance director

Financial summary

| | 2023 £m | 2022 £m |
|--------------------------------------------------------------|--------------|------------|
| Revenue | 121.8 | 110.0 |
| Adjusted EBITDA | 26.6 | 23.9 |
| Share-based payments | (1.3) | (1.6) |
| Depreciation | (3.5) | (3.8) |
| Operating profit (before transaction costs and amortisation) | 21.8 | 18.6 |
| Finance costs | (1.1) | (0.8) |
| Adjusted profit before tax | 20.7 | 17.8 |
| Transaction costs | (8.4) | (8.3) |
| Amortisation of intangible assets arising on acquisitions | (6.3) | (5.5) |
| Profit before tax | 6.0 | 4.0 |
| Tax on profits on ordinary activities | (3.1) | (2.7) |
| Deferred tax charge due to change in tax rate | — | (1.8) |
| Profit (loss) for the year | 2.9 | (0.5) |

Operating result (before transaction costs and amortisation)

Revenue in the year increased by £11.8m to £121.8m (2022: £110.0m), an overall increase of 11% (5% acquired¹).

Adjusted EBITDA increased to £26.6m (2022: £23.9m) with non-cash costs (share-based payments and depreciation) decreasing to £4.8m (2022: £5.4m).

Operating performance by segment is detailed below:

| | Revenue (£m) | | | Operating profit (£m) | | |
|----------------------------------------------|--------------|-------|--------|-----------------------|-------|--------|
| | 2023 | 2022 | Growth | 2023 | 2022 | Growth |
| Insolvency and advisory services | 89.7 | 81.4 | 10% | 24.0 | 21.0 | 14% |
| Property advisory and transactional services | 32.1 | 28.6 | 12% | 5.7 | 4.8 | 19% |
| Shared and central costs | — | — | — | (7.9) | (7.2) | 10% |
| Total | 121.8 | 110.0 | 11% | 21.8 | 18.6 | 17% |

Operating margins improved to 17.9% (2022: 16.9%), with improvement in both divisions. Shared and central costs increased to £7.9m (2022: £7.2m), reflecting investment in our IT and HR capability, but were unchanged as a percentage of revenue at 6.5% (2022: 6.5%).

Adjusted profit before tax increased by 16% to £20.7m (2022: £17.8m).

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

Transaction costs

Transaction costs are non-operating items and arise due to acquisitions in accordance with IFRS 3. They include the following:

- acquisition consideration where the vendors have obligations in the sale and purchase agreement to provide post-acquisition services for a fixed period (deemed remuneration in accordance with IFRS 3). 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) were £8.4m (2022: £8.3m) in the year. This reflects an increase in acquisition consideration from both current and prior year acquisitions, partially offset by a gain on acquisition.

Tax

The overall tax charge for the year was £3.1m (2022: £4.5m) as detailed below:

| | 2023 | | | |
|-----------------------------------------|-------------------------|-----------|------------------------|----------------|
| | Profit before tax £m | Tax £m | Profit after tax £m | Effective rate |
| Adjusted | 20.7 | (4.3) | 16.4 | 21% |
| Transaction costs | (8.4) | — | (8.4) | — |
| Amortisation | (6.3) | 1.2 | (5.1) | 19.5% |
| Statutory (before one-off charge) | 6.0 | (3.1) | 2.9 | 52% |
| Deferred tax charge from change in rate | — | — | — | — |
| Statutory | 6.0 | (3.1) | 2.9 | 52% |

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

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

Earnings per share

Adjusted basic earnings per share¹ increased by 15% to 10.5p (2022: 9.1p). Basic earnings per share was 1.9p (2022: loss per share of 0.3p, reflecting a one-off non-cash deferred tax charge).

Growth in our team

On 30 April 2023, the group had 1,100 colleagues (2022: 1,000), the increase being principally due to acquisitions.

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

| | 2023 | | | Total |
|---------------|----------------------------------|----------------------------------------------|--------------------------|-------|
| | Insolvency and advisory services | Property advisory and transactional services | Shared and support teams | |
| Fee earners | 533 | 295 | — | 828 |
| Support teams | 53 | 10 | 87 | 150 |
| Total | 586 | 305 | 87 | 978 |

| | 2022 | | | |
|---------------|----------------------------------|----------------------------------------------|--------------------------|-------|
| | Insolvency and advisory services | Property advisory and transactional services | Shared and support teams | Total |
| Fee earners | 480 | 268 | — | 748 |
| Support teams | 68 | 7 | 77 | 152 |
| Total | 548 | 275 | 77 | 900 |

The ratio of our fee earning colleagues to support team members is 5.4:1 (2022: 4.9:1).

Acquisitions

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

- Budworth Hardcastle on 25 June 2022 for initial consideration of £0.9m (£0.6m cash and issue of 206,937 shares – cash free, debt free); potential earn out of up to £1.5m subject to meeting financial growth targets over the five-year period post-acquisition.

In its financial year ended 31 August 2021, Budworth Hardcastle reported revenue of £1.8m and normalised pre-tax profits of £0.4m when reported on the same basis as the group.

- Mantra Capital on 22 July 2022 for initial consideration of £4.5m (£4.0m cash and issue of 352,361 shares – cash free, debt free); maximum earn out of £13.5m subject to delivering material growth in profits over the four year period post-acquisition.

In its financial year ended 31 December 2021, Mantra reported revenue of £4.2m and normalised pre-tax profits of £1.2m when reported on the same basis as the group.

In addition, in March 2023, we expanded our property services team in South Yorkshire through the acquisition of a team from Mark Jenkinson & Co for consideration of £0.4m. Following the year end, we acquired Banks Long & Co, a firm of chartered surveyors in May 2023.

¹ See reconciliation in note 10

Finance review *continued*

Acquisitions continued

The cash outflow from acquisitions in the year was £10.6m (net of cash acquired), comprising current year acquisitions of £5.2m and prior year acquisitions of £5.4m.

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 £4.6m has been recognised within transaction costs in the year.

Liquidity

The group remains in a strong financial position. At 30 April 2023, the group had net cash of £3.0m (2022: £4.7m), represented by cash balances of £8.0m (2022: £9.7m) net of drawn borrowing facilities of £5.0m (2022: £5.0m). All bank covenants were comfortably met during the year.

We have extended our borrowing facilities with HSBC, which now mature in August 2025 and comprise a £25m unsecured, committed revolving credit facility (of which £5m was drawn at 30 April 2023) and a £5m uncommitted acquisition facility. We have significant levels of headroom in these facilities to fund organic investment and acquisition opportunities.

Cash flow

The group remains strongly cash-generative and generated free cash flow of £14.1m (2022: £14.0m).

Cash flow in the year is summarised as follows:

| | 2023 £m | 2022 £m |
|------------------------------------------------------------------------------------------|------------|------------|
| Adjusted EBITDA | 26.6 | 23.9 |
| Working capital | (2.2) | (1.6) |
| Cash from operating activities (before acquisition consideration payments ¹) | 24.4 | 22.3 |
| Provisions | (0.6) | 0.4 |
| Accelerated tax payments | (1.0) | — |
| Underlying tax payment | (4.3) | (3.6) |
| Interest | (1.1) | (0.8) |
| Capital expenditure | (1.0) | (1.0) |
| Capital element of lease payments | (2.3) | (3.2) |
| Free cash flow | 14.1 | 14.0 |
| Net proceeds from share issues | 0.2 | 0.5 |
| Acquisition payments (net of cash acquired) ² | (10.6) | (8.2) |
| Dividends | (5.4) | (4.6) |
| (Decrease) increase in net cash | (1.7) | 1.7 |

Cash from operating activities (before acquisition consideration payments) was £24.4m (2022: £22.3m) with increased EBITDA of £2.7m partially offset by increased working capital absorption of £0.6m.

Tax payments increased to £5.3m (2022: £3.6m), resulting from the previously guided change in due dates for corporation tax payments, which resulted in an accelerated payment of £1.0m, and an increase in the underlying payment to £4.3m (2022: £3.6m).

Acquisition payments (net of cash acquired) in the year were £10.6m (2022: £8.4m) comprising: the acquisitions of Mantra Capital (£3.9m), Budworth Hardcastle (£0.5m) and Mark Jenkinson (£0.4m) (2022: MAF Finance Group (£1.8m), Daniells Harrison (£0.8m) and Fernie Greaves (£0.3m)), contingent payments in respect of prior year acquisitions of £5.4m (2022: £5.3m) and acquisition costs £0.4m (2022: £0.2m).

Net assets

At 30 April 2023, net assets were £84.3m (2022: £84.5m). The £0.2m reduction in net assets reflects the post-tax impact of acquisition-related transaction and amortisation costs of £13.4m, offset by post-tax adjusted earnings of £16.3m net of dividends of £5.4m; a £1.3m credit for equity-settled share-based payments; and £1.0m from the issue of new shares to satisfy share options and acquisition consideration.

Going concern

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

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

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

Ric Traynor
Executive chairman
10 July 2023

Nick Taylor
Group finance director
10 July 2023

1 Acquisition consideration payments accounted for as deemed remuneration in accordance with IFRS 3

2 Acquisition consideration payments (defined above), acquisition costs and deferred consideration payments net of cash acquired

Stakeholder engagement

Section 172 statement

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

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

Acquisitions

In line with our strategy detailed on page 8, we completed three acquisitions in the financial year, with a further acquisition completed following the year end. The board believe this strategy increases value for all stakeholders and is for the long-term benefit of the group.

Board appointment

We strengthened the depth and diversity of the board through the appointment of Mandy Donald as a non-executive director and member of the audit committee.

Sustainability

The board has continued to develop its sustainability strategy in the year with key developments in the year as detailed on pages 18 to 22.

Capital structure

The board reviewed its capital structure during the year and extended the group's committed banking facilities with HSBC which now mature in August 2025. This is a long-running relationship which commenced in 2010. The board believe that this facility provides the group with the flexibility required to enable continuing investment in the business (including acquisitions), fund operational requirements and make dividend distributions to shareholders.

Our people

Why we engage

The business is dependent on the professional development, recruitment and retention of our highly experienced colleagues, 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.

How we engage

We engage and interact with our teams both on a local office level and nationally as detailed on page 20.

The senior management teams across all the group's operations meet both formally and informally on a regular basis with the executive directors.

Shareholders

Why we engage

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.

How we engage

The chairman and finance director have primary responsibility for investor relations ('IR') and lead a regular programme of engagement. This includes results announcements, which are also available on the group's IR website. The IR programme maintains ongoing communication with shareholders and helps to ensure that the board is aware of shareholders' views.

The board also receives feedback from its brokers on investors' perceptions of the company.

The company makes announcements using the regulatory news service throughout the financial year on major developments.

The AGM provides an opportunity for all shareholders to ask questions and to meet the directors.

Community

Why we engage

We believe that through our community engagement activities we can make a beneficial impact on the areas where our people live and work.

We are conscious of the impact we have on the environment and are committed to making positive changes to minimise this where possible.

How we engage

Our sustainability commitment, as detailed on pages 18 to 22, aims to add value to the communities in which we operate, whilst minimising our impact on the environment.

Clients

Why we engage

Our clients are key to the success of our business.

How we engage

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.

Sustainability

Our commitment to a sustainable future

The board is committed to developing the business in a sustainable way for the benefit of all our stakeholders.

We look to have a positive impact for our colleagues and the communities we serve; operate with a culture of strong governance and responsible behaviour; and minimise our impact on the environment.

Our environmental social and governance (ESG) goals

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

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

ESG developments

We have made progress in the following areas in the period under review:

- Established our ESG governance and management body, reporting to the board. In addition, we have formed three sub-committees (community, diversity and inclusion and sustainability), which will be responsible for determining priorities and managing associated risks and opportunities.
- Following our appointment of a highly experienced HR professional to the newly created group role of people director, we have made further senior appointments to the team to enhance our people management. Details of some of the initiatives which have been completed in the year are detailed on pages 19 to 20 of this sustainability report.
- Ongoing migration of directly contracted energy supplies onto renewable tariffs. For offices where utility supplies are contracted by the landlord or managing agent, we are engaging with them to migrate these supplies to renewably sourced energy.
- Continued transition of company car fleet to ultra-low emission vehicles ('ULEV'):
 - 36% (2022: 0%) of fleet cars are now ULEV; and
 - 23 cars ordered or supplied from our new salary sacrifice scheme which enables all employees to purchase a low emission vehicle in a tax efficient manner and encourages the transition of our employees to more environmentally friendly vehicles.
- Commenced migration of IT services from on-premise servers to a more energy efficient cloud-based solution.
- Updates to office-based printer and scanner hardware to reduce energy consumption with an ongoing project to identify means of continuing to reduce the consumption of paper and consumables.

- We are investing to replace our current IT storage platform with cloud-enabled SSD (Solid State Drive) storage arrays, which are more energy efficient, have a smaller footprint and enable more expansion of our data storage as the business continues to grow.
- Maintained our strong governance environment.

ESG governance

The board believes that strong ESG performance is a benefit to the group and its stakeholders. Our ESG goals help us to set targets, manage risks and opportunities, deliver progress and improvements, and increase transparency through our reporting.

The group's ESG committee is chaired by the group finance director and includes the company secretary and other senior stakeholders. The committee reports to the board with the purpose of:

- a) providing a focus on sustainability within the group;
- b) delivering the group's sustainability strategy;
- c) highlighting ESG compliance issues, risks and opportunities; and
- d) contributing to the group's evolution and transformation through ensuring that it remains aligned with the principles of sustainability.

Managing ESG risks

The board and the audit committee review the group's principal risks on an ongoing basis. Four of our ten principal risks and uncertainties are relevant to ESG. We also continue to identify and assess emerging risks, including those relating to ESG and climate change detailed on page 21.

Our ESG-related principal risks are:

- 1) recruitment and retention of high-calibre partners and employees;
- 2) business continuity;
- 3) legal and regulation; and
- 4) failure or interruption in IT systems.

ESG action plan

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

1) Strong ESG governance through the ESG Committee.

2) Enhance the group's resilience. We will develop and maintain robust contingency plans to strengthen our response to a range of risk factors within the ESG landscape which could impact on the long-term viability of our business.

3) Monitor our ESG performance. We will identify the key ESG performance indicators that apply to the group and monitor our performance against these measures.

4) Rectify shortcomings and innovate. Based on the evidence gathered regarding our ESG performance, we will rectify any shortcomings through taking opportunities to improve and innovate through the insights we gain. Analysis of the data we gather will also inform our work to produce a transition plan for the 2050 net zero carbon target. As part of this important step we will identify the resources required to invest in our transition to a more sustainable future.

5) Disclose and communicate. We will disclose and communicate our ESG data to all our stakeholders openly and transparently and we will be clear about the measures we take to enhance our sustainability performance.

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

Social Social commitment

We are committed to a culture which ensures that:

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

We are committed to maintaining a positive environment and culture where colleagues are:

- professionals and experts in their field;
- trusted advisors to our clients; and
- entrepreneurial.

We are investing in a performance management approach to support the delivery of our strategic growth ambitions, where every individual will own their own development plan and choose to give their talents to the group. Our retention rate* over the last financial year was 86% (2022: 90%).

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

In November 2022 we completed an all-colleague opinion survey. The participation rate was 71% (compared to 64% in the 2020 survey and an external benchmark of 70%). The overall engagement score was 76% (compared to 75% in 2020 and an external benchmark of 74%), which is pleasing as we have increased our headcount by over 50% since the last survey.

We used feedback from the survey to inform key initiatives under our new people strategy, which is made up of three pillars:

- inclusion, diversity and wellbeing;
- learning for growth; and
- our community.

Inclusion, diversity and wellbeing Equal opportunities

We are an equal opportunities employer, with a policy to recruit, promote, train and develop colleagues by reference to their skills, abilities and other attributes of value to their role in the business.

As of 30 April 2023, the total workforce of 1,100 comprised 623 males and 477 females. In common with other professional services firms, there are a greater proportion of male colleagues in qualified and executive roles. The gender mix at this level was 364 males and 135 females (2022: 322 males and 103 females).

In accordance with the Equality Act 2010, Begbies Traynor Limited and Eddisons Commercial Limited, as employers with 250 or more UK employees, publish their gender pay statistics. These are calculated in accordance with the published requirements and can be found on the Begbies Traynor and Eddisons websites.

Building a diverse candidate pipeline is essential to our organic growth. We seek potential candidates through multiple recruiting organisations, including relationships with schools, colleges and universities to seek apprentices, work placement students and graduates.

We build a positive working environment to increase job satisfaction and productivity amongst our teams. Flexible working is supported and adjustments are made for disabilities. HR policies are reviewed at least annually to maintain a healthy environment.

Wellbeing

Wellbeing is essential to achieving optimal organisational performance. The core of our approach to wellbeing is focussing on quality job design, effective performance management and an environment that creates the conditions for success.

Supporting change across the profession

We are working closely with the Insolvency Service to support its diversity and inclusion steering group, as it seeks to influence the profession. Our new diversity and inclusion colleague network will build this relationship and share best practice.

Sharing success

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

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

In total, 35% (2022: 24%) of our colleagues currently participate in either SAYE or share option schemes. The increase in participation reflects the level of uptake in our third SAYE scheme in the year.

Sustainability *continued*

Social continued

Learning for growth

Everyone is talent and development for all

We continue to develop talent and learning opportunities to support organic growth ambitions. We are focussed on developing succession plans and providing development opportunities for all.

The introduction of our new learning and development strategy is focussed on two key objectives:

- **run the firm** ensuring the basics are right; and
- **grow the firm** enabling business growth supported by skills development.

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

During the year, we provided support to 113 of our team to gain professional qualifications.

We review the performance of colleagues through a combination of annual performance assessments and ongoing 1-2-1 conversations. The approach continues to focus on embedding performance management, by having regular, quality performance and career conversations, creating the right conditions for individuals and teams to be successful.

Our community

Internal communications and engagement

During the year, we created a new role of internal communications manager and established a working group to support content creation across our new internal communications hub.

We continue to engage and interact with teams through:

- regular team meetings;
- a national partner conference; and
- internal updates from the executive chairman on major corporate events including financial results announcements and acquisitions.

To strengthen our employee engagement, we have also launched four colleague networks:

- **Community** – define and promote our charity commitments and review community policies.
- **Diversity and inclusion** – work with local colleges and universities to raise awareness of the sector and career opportunities. Raise awareness of inclusion and diversity activities.
- **Sustainability** – reduce emission and waste across the group, supporting better use of technology with more efficient and sustainable ways of working.
- **People engagement** – champion and embed key people initiatives.

Building and supporting communities

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

Our offices operate in the heart of their local communities, providing support through charity and fundraising work. We are continuing to develop relationships with local schools, colleges and universities to support young people in establishing a career in professional services.

Governance

Governance commitment

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

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

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

Whistleblowing

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

Anti-bribery and corruption

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

Modern slavery

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

Data protection and information security

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

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

Environment

Environmental commitment

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

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

Our Task Force on Climate-Related Financial Disclosures ('TCFD') statement below sets out the board's approach to governance, strategy and risk management on climate-related matters.

Governance

The board has overall responsibility for ESG issues, including climate-related matters, and monitors the management of our climate-related risks and opportunities. The board delegates its overall authority in this area to an ESG committee which provides quarterly updates to the board.

The audit committee reviews and approves our register of climate-related risks and opportunities and oversees our response, ensuring the board has full oversight.

Risk management

We are committed to identifying, assessing and managing risks and opportunities presented by climate change.

Climate-related risks and opportunities can present themselves in different ways, including policy and regulations, requirement for new or updated advice or services, operational disruption and other external factors. Risks and opportunities identified by key business stakeholders and our operating businesses are assessed and monitored by the ESG committee, with significant items reported to the audit committee and the board.

Strategy

The board is committed to identifying, addressing and managing the risks and opportunities arising from climate change.

We have considered and reviewed the climate-related risks and opportunities across the business with key business stakeholders. This has enabled us to define a climate-specific risk register which is managed by the ESG committee and embedded within our overall risk management approach.

The table below details the climate-related risks and opportunities we have identified to date, which have been classified as transition risks, physical risks and opportunities. Having considered these, the board believes that they are not likely to have a material impact on the group's strategy. We will consider the potential impact of different climate scenarios in future years.

| Risk/opportunity | Overview |
|-------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Transition risks | |
| Compliance | Ensuring the group remains compliant with evolving legislation and disclosure requirements |
| Investor sentiment | ESG performance and disclosures are of increasing relevance and importance to the investment community |
| Carbon tax | Increased costs associated with carbon taxes on purchased goods and services |
| Physical risks | |
| IT infrastructure | Our IT infrastructure is critical to our business operations. This may be exposed to extreme weather events, which could result in business interruption from power failure, flood or loss of cooling |
| Energy demand | Potential increase in operating costs required to maintain business operations |
| Extreme weather events | Potential disruption to business operations |
| Opportunities | |
| New service lines | Developing solutions to assist clients in managing their obligations to decarbonise and where required advising on and arranging finance for any capital expenditure requirements |
| Access to finance | Ability to access both debt and equity funding through being able to demonstrate strong ESG credentials |

Sustainability *continued*

Environment continued

Metrics and targets

We are committed to meeting the UK Government's target of achieving net zero carbon emissions by 2050. Our key metrics to measure progress are the group's GHG emissions which are detailed below.

Greenhouse gas emissions ('GHG') statement

During the year, the group's overall emissions have increased reflecting the increase in scale of the group and its operations, together with a return to normal operations after the lockdown impacts in 2022 and 2021.

The comparative emissions data for 2020 reflects the operations of the group pre-lockdown. The intensity measures have decreased on the 2020 position with emissions per FTE reduced by 28% and emissions per £m of revenue reduced by 35%.

| | Unit | 2023 | 2022 | 2021 | 2020 |
|---------------------------------------------------|----------------------------------------------|------------------|-----------|-----------|-----------|
| GHG emissions | | | | | |
| Scope 1 | Tonnes of CO ₂ e | 253 | 193 | 147 | 208 |
| Scope 2 | Tonnes of CO ₂ e | 189 | 164 | 162 | 216 |
| Scope 3 | Tonnes of CO ₂ e | 245 | 222 | 143 | 194 |
| Total group emissions | Tonnes of CO ₂ e | 687 | 579 | 452 | 618 |
| Intensity measure | | | | | |
| Emissions by full time equivalent member of staff | Tonnes of CO ₂ e/FTE | 0.69 | 0.64 | 0.64 | 0.96 |
| Emissions by group revenue | Tonnes of CO ₂ e/£m group revenue | 5.68 | 5.26 | 5.39 | 8.77 |
| Energy consumption | | | | | |
| Scope 1 | kWh | 1,098,000 | 810,000 | 655,000 | 865,000 |
| Scope 2 | kWh | 913,000 | 773,000 | 764,000 | 846,000 |
| Scope 3 | kWh | 1,011,000 | 900,000 | 576,000 | 753,000 |
| Total | kWh | 3,022,000 | 2,483,000 | 1,995,000 | 2,464,000 |

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

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

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

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

The carbon dioxide equivalent (CO₂e) emissions data for 2023 have been calculated using the emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2023 published on 7 June 2023 (2022 and 2021 using 2021 conversion factors and 2020 using 2019 conversion factors).

Risk management and principal risks

Identifying and managing risk

Identifying and managing risk is key to our business. It helps us to deliver long-term shareholder value and protect the business whilst delivering on our strategic objectives.

The operations of the group and the implementation of our strategy involve a number of risks and uncertainties. The board encourages an appetite of measured risk-taking in the delivery of its objectives (see page 8), which is balanced by a process of risk identification, evaluation and management.

Risk management governance structure



Risk management and principal risks *continued*

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

Outlined on the following page are the current principal risks and uncertainties faced by the operations of the group and the implementation of its strategy. These are consistent with those disclosed in the prior year. The list is not exhaustive and other, as yet unidentified, factors may have an adverse effect.

The group's controls are designed to manage rather than eliminate risk and can only provide reasonable and not absolute assurance against material misstatement or loss.

| Risk | Mitigating activities | Change |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Recruitment and retention of high-calibre partners and employees | | |
| The business is dependent upon the professional development, recruitment and retention of partners and employees. | <p>We continue to invest in the support we provide to our colleagues and in internal talent management as detailed in our sustainability statement. We aim to provide our colleagues with:</p> <ul style="list-style-type: none"> • a competitive reward structure; • benefits including all-employee share schemes and salary sacrifice car schemes; • support to develop careers and gain professional qualifications; and • selective use of share-based and other long-term incentive awards to incentivise and retain key people. | Unchanged |
| Business continuity | | |
| Significant non-IT events may impact on our service to clients and access to operating locations with a potential adverse effect on operational performance and reputation. | We have business continuity plans in place across the business which include the ability to work from alternate operating locations. During the COVID-19 operating restrictions, the majority of our teams successfully worked from home. | Unchanged |
| Operational gearing | | |
| The business is operationally geared with a high proportion of salary and property costs, which cannot be immediately varied. Consequently, the group's profitability may be subject to short-term fluctuations dependent on activity levels. | This risk is managed through flexing our resource levels, where possible, to align with current and anticipated levels of activity, together with the control of other discretionary items of expenditure. A prudent level of spare capacity is retained to facilitate peaks in activity. | Unchanged |

| Risk | Mitigating activities | Change |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Liquidity risk | | |
| The group's ability to generate cash from its insolvency appointments is usually reliant on asset realisations. A deterioration in realisations in the short term could reduce the group's operating cash generation and increase its financing requirements. | <p>The group monitors its risk of a shortage in funds through regular cash management and forecasting and ensuring suitable headroom within its banking facilities.</p> <p>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 other sources of finance if required.</p> | Unchanged |
| Marketplace | | |
| The group's markets are susceptible to macroeconomic movements, such as interest rates, GDP changes and indebtedness levels. | The group's service lines have differing exposure to the macroeconomic environment as detailed in the business model on page 6, providing mitigation of this risk at a consolidated level. | Unchanged |
| 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. | Unchanged |
| Legal and regulation | | |
| The group operates in regulated markets. Failure to comply with, or changes in, regulation or legislation may have an adverse impact on the activities of the business. | To ensure compliance with relevant legislation in performing regulated activities, the group has dedicated compliance functions which maintain procedures and policies in line with current legislation. | Unchanged |
| In the ordinary course of business, certain aspects of the group's services are opinion based and may be subject to challenge. | The group has robust processes in place including divisional risk committees and appropriate internal review processes. Where appropriate, the group may seek third-party professional corroboration. In addition, the group has appropriate insurance policies in place. | Unchanged |

Risk management and principal risks *continued*

| Risk | Mitigating activities | Change |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Failure or interruption in IT systems | | |
| <p>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.</p> <p>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.</p> | <p>The group continues to invest in both the IT team which supports the business and our hardware and software. In addition, we use specialist third-party consultancies to provide support where required.</p> <p>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.</p> <p>The group is Cyber Essentials Plus accredited.</p> <p>We have IT disaster recovery plans in place to cover residual risks which cannot be mitigated. These plans are tested annually and independently verified. We also maintain appropriate cyber response insurance.</p> <p>We are constantly reviewing our processes and resilience in this area due to the increasing threat landscape.</p> | Unchanged |
| Acquisition risk | | |
| <p>The valuation, structuring and integration of acquisitions is critical to realising the benefits from the transactions.</p> | <p>The group has well-established processes in place to evaluate, structure and subsequently complete appropriate acquisitions. We have a clear post-acquisition integration strategy and plan to ensure shareholder value is delivered.</p> <p>Post-acquisition management reporting keeps the board updated on progress against plan.</p> | Unchanged |

Approval

The strategic report on pages 1 to 26 was approved by the board and signed on its behalf by

Ric Traynor
Executive chairman
10 July 2023

Nick Taylor
Group finance director
10 July 2023

Chairman's introduction



Ric Traynor
Executive chairman

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

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

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

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

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

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

Further detail on our compliance with the QCA Code can be found on our website at ir.begbies-traynorgroup.com/corporate-governance

Ric Traynor
Executive chairman

10 July 2023

Board of directors

Executive directors



Ric Traynor

Executive chairman



Appointment date:
May 2004

Experience

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

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



Nick Taylor

Group finance director

Appointment date:
December 2010

Experience

Nick was appointed to the board in 2010, having originally joined the group as financial controller in 2007. He is a chartered accountant with broad experience of M&A, financial reporting and operational management. He qualified with KPMG in Manchester and previously held senior finance roles in United Utilities PLC and Vertex Data Science Limited, the business process outsourcer.



Mark Fry

Head of insolvency 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 insolvency 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.

Non-executive directors



John May

Non-executive director



Appointment date:
October 2007

Experience

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

C Chair**A** Audit committee**R** Remuneration committee**I** Independent**Graham McInnes**

Non-executive director

A **R** **I****Appointment date:**
September 2004**Experience**

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

**Mark Stupples**

Non-executive director

R **I****Appointment date:**
July 2017**Experience**

Mark was appointed to the board in 2017 as a non-executive director. He has significant property services experience as a result of his senior roles in major firms, including King Sturge as UK Managing Partner, and JLL as UK Chief Operating Officer until leaving the business in December 2016. During this time, Mark had responsibility for the operation of the business, working closely with Finance, HR, and IT, and was responsible for the UK sustainability strategy. Mark now runs his own consultancy focussing on business strategy and change.

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

**Peter Wallqvist**

Non-executive director

I**Appointment date:**
December 2019**Experience**

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

**Mandy Donald**

Non-executive director

A **I****Appointment date:**
February 2023**Experience**

Mandy was appointed to the board in February 2023 as a non-executive director. Mandy is a chartered accountant and experienced non-executive director. She joined EY in 1992 and spent 10 years working in professional roles in the firm. In 2002 she was appointed as EY's UK Director of Finance and Operations and from 2007-2012 was the Global Director of Finance and Operations for EY's transaction advisory services and EY assurance services. Since 2012, Mandy has held a number of non-executive director positions in the financial and professional services sectors including at Punter Southall Group, Liontrust Asset Management plc, JP Morgan Investment Trust plc and Gowling WLG LLP, as well as in the not for profit sector at the Institute of Cancer Research; these roles included acting as Chair of several audit and risk committees.

Corporate governance statement

Overview

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

- it is led by an effective board which is collectively responsible for creating and sustaining shareholder value through management of the business;
- the board and its committees have the appropriate balance of skills, experience, independence and knowledge of the group to enable them to discharge their respective duties and responsibilities effectively;
- the group applies appropriate corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the group's 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 (insolvency and advisory services and property services) which comprise relevant members of the group's executive and non-executive directors, together with senior partners and managers from the respective divisions.

Board members

It is important that the board contains the right mix of skills and experience in order to deliver the strategy of the group. The board is comprised of the executive chairman, two other executive directors and five 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 five non-executive directors ('NEDs'). The NED's role is to provide oversight and scrutiny of the performance of the executive directors, helping the business to develop, communicate and execute its agreed strategy within the defined risk management framework.

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

The board considers that the five NEDs act as independent directors and have no business or other relationship which could interfere materially with the exercise of their judgement.

Company secretary

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

Election of directors

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

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

Board evaluation

The most recent evaluation of board performance was conducted in April 2022, facilitated by the company secretary.

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

Board meetings

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

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

| Director | Board meetings attended | Meetings eligible to attend | Audit committee meetings attended | Meetings eligible to attend | Remuneration committee meetings attended | Meetings eligible to attend |
|-----------------|-------------------------|-----------------------------|-----------------------------------|-----------------------------|------------------------------------------|-----------------------------|
| Ric Traynor | 4 | 4 | — ¹ | — ¹ | — ² | — ² |
| Nick Taylor | 4 | 4 | — ³ | — ³ | — | — ⁴ |
| Mark Fry | 4 | 4 | — | — | — | — |
| John May | 3 | 4 | 4 | 5 | 4 | 4 |
| Graham McInnes | 4 | 4 | 5 | 5 | 4 | 4 |
| Mark Stupples | 4 | 4 | — | — | 4 | 4 |
| Peter Wallqvist | 4 | 4 | — | — | — | — |
| Mandy Donald | 1 | 1 | 1 | 1 | — | — |

1 The executive chairman attended four audit committee meetings by invitation

2 The executive chairman attended four remuneration committee meetings by invitation

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

4 The group finance director attended one remuneration committee meeting by invitation

Audit committee report



Graham McInnes Chair of the audit committee

As chair of the audit committee ('the committee'), I am pleased to present the committee's report for the year ended 30 April 2023. The purpose of the report is to describe the work undertaken by the committee and explain how it discharged its responsibilities during the year.

Members of the audit committee

I am an Independent non-executive director and have chaired the committee since 2018. The other members of the committee during the year were John May and Mandy Donald. Mandy joined the committee in February 2023 when she was appointed to the board as a non-executive director. The group company secretary is at the disposal of the committee to advise and assist the members.

In the new financial year, Mandy Donald will succeed me as chair and I will remain as a member of the committee.

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.

Key actions during the year

During the year the committee discharged its responsibilities by:

- approving the external auditor's plan for the audit of the group's annual financial statements, including key audit matters, key risks, confirmation of auditor independence and terms of engagement and audit fees;
- reviewing the group's draft annual report and accounts and the external auditor's detailed audit completion report including the consideration of key audit matters and risks;
- reviewing the group's half year and full year results announcements;
- reviewing the performance of the external auditor;
- reviewing the group's risk management process including the group's key risks and mitigations;

- approving the constitution of a new IT security committee, operating as a sub-committee of the audit committee and providing additional focus on the group's risk management in this critical area; and
- commissioning an external, independent review of certain key risk areas and acting on the findings.

Role of the external auditor

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

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

Audit process

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

Internal audit

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

Internal controls and risk management

The systems of internal control and risk management are the ultimate responsibility of the board, which sets and reviews appropriate policies. The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. Managers are delegated the tasks of implementation and maintenance of systems in accordance with those policies and the identification, evaluation, management and reporting of risk and control issues.

Controls and processes are reviewed on a periodic basis by the group's finance and compliance teams with any issues and recommendations reported to the audit committee.

Budgets are produced annually and key performance targets within them are set by the board. Performance against those budgets is regularly reviewed and variances are investigated and acted upon by members of the board and both head office and divisional managers.

The principal risks and uncertainties faced by the group, together with mitigating activities, are disclosed in the strategic report on pages 23 to 26.

Graham McInnes Chair of the audit committee

10 July 2023

Remuneration committee report



John May
Chair of the remuneration committee

On behalf of the remuneration committee ('the committee'), I am pleased to present this report, which sets out the remuneration policy and the remuneration paid to the directors for the year ended 30 April 2023.

Members of the remuneration committee

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

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

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

Policy

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

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

Directors' remuneration

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

The executive bonus scheme pays a percentage of salary/fixed profit share based on growing the group's adjusted earnings per share, with a maximum bonus payable of 100% of base salary. The bonus payable in the year is disclosed in the table of directors' emoluments.

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

Long-term incentive plans

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

Non-executive directors

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

Remuneration committee report *continued*

Directors' emoluments

| Name of director | Directors' fees and profit share/salary £ | Bonus £ | Benefits £ | 2023 total £ | Fixed pay £ | Variable pay £ |
|----------------------|----------------------------------------------|------------|---------------|------------------|----------------|-------------------|
| Executive | | | | | | |
| Ric Traynor | 374,087 | 263,000 | 26,324 | 663,411 | 400,411 | 263,000 |
| Nick Taylor | 228,643 | 172,500 | 5,333 | 406,476 | 233,976 | 172,500 |
| Mark Fry | 450,000 | 326,000 | 14,046 | 790,046 | 464,046 | 326,000 |
| Non-executive | | | | | | |
| John May | 44,167 | — | — | 44,167 | 44,167 | — |
| Graham McInnes | 44,167 | — | 5,122 | 49,289 | 49,289 | — |
| Mark Stupples | 44,167 | — | — | 44,167 | 44,167 | — |
| Peter Wallqvist | 44,167 | — | — | 44,167 | 44,167 | — |
| Mandy Donald* | 11,250 | — | — | 11,250 | 11,250 | — |
| Aggregate emoluments | 1,240,648 | 761,500 | 50,825 | 2,052,973 | 1,291,473 | 761,500 |

* Director's fees from date of appointment on 1 February 2023

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

Directors' share options

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

| Name of director | Scheme | Number at 1 May 2022 | Exercised in year | Number at 30 April 2023 | 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 2017 | 416,300 | (273,828) | 142,472 | 63.1 | 30 April 2020 |
| | 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 131p and the range of market prices during the year was 113p to 148p.

Details of share options granted by the company at 30 April 2023 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 2023 had the following interests in the shares of the group:

| Name of director | Description of shares | 30 April 2023 | | 30 April 2022 | |
|------------------|-----------------------|-------------------|--------------|---------------|-------|
| | | number | % | number | % |
| Ric Traynor | Ordinary shares | 27,178,980 | 17.55 | 27,178,980 | 17.72 |
| Nick Taylor | Ordinary shares | 261,786 | 0.17 | 200,238 | 0.13 |
| Mark Fry | Ordinary shares | 661,610 | 0.43 | 661,610 | 0.43 |
| John May | Ordinary shares | 383,514 | 0.25 | 343,976 | 0.22 |
| Graham McInnes | Ordinary shares | 917,432 | 0.59 | 917,432 | 0.60 |
| Mark Stupples | Ordinary shares | 30,727 | 0.02 | 30,727 | 0.02 |
| Peter Wallqvist | Ordinary shares | 30,000 | 0.02 | 30,000 | 0.02 |
| Mandy Donald | Ordinary shares | — | — | — | — |

No changes took place in the interests of directors between 30 April 2023 and 10 July 2023.

John May

Chair of the remuneration committee

10 July 2023

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 2023. 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 28.

Risks and uncertainties

The principal business risks and uncertainties to which the company is exposed are detailed on page 23 of the strategic report.

Dividends

The directors recommend a final dividend of 2.6p (2022: 2.4p per ordinary share) to be paid on 3 November 2023 to shareholders on the register on 6 October 2023. This, together with the interim dividend of 1.2p paid on 5 May 2023 (2022: 1.1p), makes a total dividend of 3.8p for the year (2022: 3.5p).

Substantial shareholdings

On 4 July 2023, 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 |
|---------------------------------------|------------|-----------------|
| Close Brothers Asset Management | 10,454,402 | 6.75 |
| Amati Global Investors | 10,298,252 | 6.65 |
| OVMK Vermogensbeheer | 7,835,963 | 5.06 |
| Slater Investments | 6,504,159 | 4.20 |
| Gresham House Asset Management | 5,079,439 | 3.28 |
| River and Mercantile Asset Management | 5,002,008 | 3.23 |

Other than the above holdings and those of the directors (see page 35), the board is not aware of any beneficial holdings in excess of 3% of the issued share capital of the company.

Financial instruments

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

Capital structure

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

Political donations

The company made no political donations during the year.

Disabled employees

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

Greenhouse gas ('GHG') emissions report

Details of the group's GHG emissions for the year are detailed on page 22 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 (page 17) and our sustainability statement (pages 18 to 22).

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

10 July 2023

Directors' responsibilities statement

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

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

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

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

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

Website publication

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

Independent auditor's report

to the members of Begbies Traynor Group plc

Opinion

We have audited the financial statements of Begbies Traynor Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 April 2023 which comprise:

- the Group statement of comprehensive income for the year ended 30 April 2023;
- the Group and parent company statements of changes in equity for the year then ended;
- the Group and parent company balance sheets as at 30 April 2023;
- the Group cash flow statement for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted International Accounting Standards. 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 2023 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting included obtaining and reviewing management's assessment of going concern. This involved gaining an understanding of management's basis for the identification of events or conditions that may cast a significant doubt on the ability of the Group or company 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 or company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Overview of our audit approach

Materiality

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

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

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

| | |
|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Group materiality | £1,000,000 |
| Group performance materiality | £700,000 |
| Parent Company materiality | £750,000 |
| Parent Company performance materiality | £525,000 |
| Basis for Group materiality | 5% of adjusted profit before tax. |
| Basis for Parent Company materiality | Based on net assets and restricted to 75% of Group materiality. |
| Rationale for the benchmark adopted | Begbies Traynor Group plc is AIM listed, with profit making intentions and significant investors external to the Group. Adjusted profit is considered to be the key KPI for the Group and as such a profit-based materiality basis is considered appropriate. We adjusted for amortisation and transaction costs as these costs do not specifically relate to any underlying operating activities and are in line with the directors' KPIs. The adjusted figure gives a more appropriate basis in line with a benchmark used for business decision making and used by the investor/shareholder community. |

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £40,000. We also agreed to report differences below these thresholds that, in our view, were warranted on qualitative grounds.

Overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. We assessed the risk of misstatement in the financial statements whether due to fraud or error and then designed and performed audit procedures responsive to those risks. In particular, we considered the areas where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we obtained sufficient audit evidence to be able to form an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the Group and Parent Company, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

For the six significant components we identified, we performed a full scope audit of the complete financial information. For the remaining components, we performed analytical review procedures and other audit procedures on specific balances and transactions, due to their contribution towards specific financial statement line items or disclosures that we considered had the potential for the greatest impact to the group financial statements, either because of the magnitude of these or their risk profile. The audit team also tested the consolidation process and carried out analytical procedures to confirm that there were no significant risks of material misstatement of the aggregated information.

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.

Independent auditor's report *continued*

to the members of Begbies Traynor Group plc

Overview of our audit approach continued

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.

| Key audit matter | How the scope of our audit addressed the key audit matter |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Carrying value of goodwill</p> <p>Refer to note 2(d) (accounting policy), and note 11 (Intangible assets).</p> <p>The Group carries a value of slightly over £60 million for goodwill in the balance sheet at the year end.</p> <p>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.</p> <p>In accordance with IAS 36, an annual impairment review of goodwill (see note 11) is required at each year end.</p> <p>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 61.</p> <p>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.</p> <p>Due to the potential significance and subjectivity of the above judgements to the group this is deemed to be a key audit matter.</p> | <p>We assessed the methodology applied by management to ensure consistency with prior year calculations.</p> <p>We evaluated the allocation of goodwill to ensure it was correctly allocated to the insolvency CGU.</p> <p>We checked the assumptions used within the forecast figures for the insolvency CGU. We compared these to the actual results of this CGU in the financial year ended 30 April 2023, 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.</p> <p>We also assessed the key assumptions made within the calculation. The key assumptions are considered to be the weighted average cost of capital (WACC), the growth rate applied to the calculations and the economic cycles assumed in the model (based on recent trends in numbers of entities on the register and liquidation rates) as this drives the forecast future sales volumes for the insolvency practice, which is counter-cyclical to the general economic environment in the UK.</p> <p>We engaged the use of our internal expert to consider the appropriateness of management's WACC estimate, and whether it was reasonable for use in this calculation. We concluded that although there was a difference between our expert's calculation of 14.0% and management's of 12.9%, this did not impact our conclusion, and we concurred with management's assessment that there was no impairment.</p> <p>We tested the sensitivity calculations to the key assumptions to consider the headroom available.</p> |

Overview of our audit approach continued

Key audit matters continued

| Key audit matter | How the scope of our audit addressed the key audit matter |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Revenue and unbilled income recognition</p> <p>Refer to note 2(k) (accounting policy), notes 3 and 4 (Revenue), and note 14 (Unbilled income).</p> <p>In line with the group's policies noted above, there are a number of revenue streams each which contain different performance obligations. We have considered the application of the Group revenue recognition policies and determined that the significant risk in the period is that of the overstatement of unbilled income recorded using stage of completion calculations at year end through the manipulation of provisions for unrecoverable amounts. Judgements are formed over a large portfolio of cases meaning individual judgements are not material; however, as a result of the large number of insolvency cases being handled by the Group, the aggregate balance of unbilled income is significant. As a result of the significant level of estimation involved in the balance there is potential for material misstatement and significant audit work was performed in this area.</p> | <p>We tested the operating effectiveness of a key control to ensure that there is sufficient challenge placed by the group finance team on monthly unbilled income estimates and judgements, including provisions. Group finance review and challenge that key estimates and provisions against unbilled income are appropriately calculated, each quarter, by individual insolvency practitioners and fee earners. We have attended a sample of monthly finance review meetings and observed the level of challenge and follow-up of individual cases, which provides assurance over the internal control in place.</p> <p>A sample of year end unbilled income balances were tested through questionnaires being issued to the fee earners and then reviewing their responses and associated evidence, e.g. creditors' resolutions, property valuations and balances held in bank accounts, against the year-end position set out. This included questions on realisations and asset values held for the case.</p> <p>We reperformed the stage of completion calculations as at year end for a sample of cases and robustly challenged the judgements and estimates made by management in relation to the status of cases by looking at the costs to complete for each of the cases. We also challenged recoverability of the fees by looking at the value of assets held within each of the cases which supported the fee estimate.</p> <p>We also reviewed the unbilled revenue estimates made in the prior year in relation to their recovery for a sample of cases and assessed their accuracy based on actual outcomes.</p> <p>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.</p> |

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit:

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

Matters on which we are required to report by exception

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

Independent auditor's report *continued*

to the members of Begbies Traynor Group plc

Matters on which we are required to report by exception continued

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

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

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 35, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

10 July 2023

Consolidated statement of comprehensive income

for the year ended 30 April 2023

| | Notes | 2023 £'000 | 2022 £'000 |
|---------------------------------------------------------------------|-------|---------------|---------------|
| Revenue | 3 | 121,825 | 110,002 |
| Direct costs | | (67,700) | (62,167) |
| Gross profit | | 54,125 | 47,835 |
| Other operating income | | 208 | 155 |
| Administrative expenses | | (47,178) | (43,106) |
| Operating profit (before amortisation and transaction costs) | | 21,821 | 18,594 |
| Transaction costs | 5 | (8,440) | (8,224) |
| Amortisation of intangible assets arising on acquisitions | | (6,226) | (5,486) |
| Operating profit | | 7,155 | 4,884 |
| Finance costs | 7 | (1,170) | (835) |
| Profit before tax | | 5,985 | 4,049 |
| Tax (before one-off deferred tax charge) | 8 | (3,074) | (2,732) |
| Deferred tax charge due to change in tax rate | 8 | — | (1,817) |
| Profit (loss) and total comprehensive income for the year | | 2,911 | (500) |
| Earnings (loss) per share | | | |
| Basic | 10 | 1.9p | (0.3)p |
| Diluted | 10 | 1.8p | (0.3)p |

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 2023

| | Share capital £'000 | Share premium £'000 | Merger reserve £'000 | Capital redemption reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|----------------------------------------------------------|------------------------|------------------------|-------------------------|-------------------------------------|----------------------------|-----------------------|
| At 1 May 2021 | 7,547 | 29,325 | 25,974 | 304 | 23,100 | 86,250 |
| Total comprehensive income for the year | — | — | — | — | (500) | (500) |
| Dividends | — | — | — | — | (4,553) | (4,553) |
| Credit to equity for equity-settled share-based payments | — | — | — | — | 1,544 | 1,544 |
| Shares issued as consideration for acquisitions | 52 | — | 1,198 | — | — | 1,250 |
| Shares issued for share-based payments | 72 | 462 | — | — | — | 534 |
| At 30 April 2022 | 7,671 | 29,787 | 27,172 | 304 | 19,591 | 84,525 |
| Total comprehensive income for the year | — | — | — | — | 2,911 | 2,911 |
| Dividends | — | — | — | — | (5,387) | (5,387) |
| Credit to equity for equity-settled share-based payments | — | — | — | — | 1,277 | 1,277 |
| Shares issued as consideration for acquisitions | 28 | — | 772 | — | — | 800 |
| Shares issued for share-based payments | 28 | 186 | — | — | — | 214 |
| At 30 April 2023 | 7,727 | 29,973 | 27,944 | 304 | 18,392 | 84,340 |

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

Consolidated balance sheet

at 30 April 2023

| | Notes | 2023 £'000 | 2022 £'000 |
|-----------------------------------------------------|-------|-----------------|---------------|
| Non-current assets | | | |
| Intangible assets | 11 | 73,386 | 75,307 |
| Property, plant and equipment | 12 | 1,993 | 1,967 |
| Right of use assets | 13 | 7,751 | 5,492 |
| Trade and other receivables | 14 | 5,200 | 4,175 |
| | | 88,330 | 86,941 |
| Current assets | | | |
| Trade and other receivables | 14 | 55,550 | 49,666 |
| Cash and cash equivalents | | 8,001 | 9,685 |
| | | 63,551 | 59,351 |
| Total assets | | 151,881 | 146,292 |
| Current liabilities | | | |
| Trade and other payables | 15 | (42,644) | (37,163) |
| Current tax liabilities | | (1,110) | (1,767) |
| Lease liabilities | 16 | (1,554) | (1,747) |
| Provisions | 18 | (1,006) | (1,474) |
| | | (46,314) | (42,151) |
| Net current assets | | 17,237 | 17,200 |
| Non-current liabilities | | | |
| Borrowings | 17 | (5,000) | (5,000) |
| Lease liabilities | 16 | (6,658) | (4,598) |
| Provisions | 18 | (2,139) | (1,992) |
| Deferred tax | 19 | (7,430) | (8,026) |
| | | (21,227) | (19,616) |
| Total liabilities | | (67,541) | (61,767) |
| Net assets | | 84,340 | 84,525 |
| Equity | | | |
| Share capital | 21 | 7,727 | 7,671 |
| Share premium | | 29,973 | 29,787 |
| Merger reserve | | 27,944 | 27,172 |
| Capital redemption reserve | | 304 | 304 |
| Retained earnings | | 18,392 | 19,591 |
| Equity attributable to owners of the company | | 84,340 | 84,525 |

The financial statements of Begbies Traynor Group plc, registered number 5120043, were approved by the board of directors and authorised for issue on 10 July 2023. 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 2023

| | Notes | 2023 £'000 | 2022 £'000 |
|---------------------------------------------------------------------------------------|-------|-----------------|---------------|
| Cash generated by operations | 24 | 13,218 | 14,235 |
| Income taxes paid | | (5,328) | (3,621) |
| Interest paid on borrowings | | (668) | (328) |
| Interest paid on lease liabilities | | (408) | (460) |
| Net cash from operating activities (before acquisition consideration payments) | | 17,413 | 18,096 |
| Acquisition consideration payments which are deemed remuneration under IFRS 3 | 23 | (10,599) | (8,270) |
| Net cash from operating activities | | 6,814 | 9,826 |
| Investing activities | | | |
| Purchase of intangible fixed assets | 11 | (56) | (188) |
| Purchase of property, plant and equipment | 12 | (931) | (876) |
| Proceeds on disposal of property, plant and equipment | | 20 | 40 |
| Acquisition of businesses | 23 | (809) | (250) |
| Deferred consideration payments | 23 | (325) | (36) |
| Cash acquired in acquisition of businesses | 23 | 1,158 | 397 |
| Net cash used in investing activities | | (943) | (913) |
| Financing activities | | | |
| Dividends paid | 9 | (5,387) | (4,553) |
| Proceeds on issue of shares | | 213 | 504 |
| Capital element of lease payments | | (2,381) | (3,165) |
| Net cash used in financing activities | | (7,555) | (7,214) |
| Net (decrease) increase in cash and cash equivalents | | (1,684) | 1,699 |
| Cash and cash equivalents at beginning of year | | 9,685 | 7,986 |
| Cash and cash equivalents at end of year | | 8,001 | 9,685 |

Notes to the consolidated financial statements

for the year ended 30 April 2023

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 UK adopted International Accounting Standards ('IAS').

The financial statements have been prepared on the historical cost basis, except where modified by the revaluation of assets and liabilities to fair value when required by UK-adopted IAS. 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 (2022: £9.7m) together with undrawn, committed borrowing facilities of £20.0m (2022: £20.0m) providing significant liquidity entering the new financial year.

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

As a result, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Adjusted performance measures

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

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

(b) Basis of consolidation

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

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

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

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

Notes to the consolidated financial statements

continued

for the year ended 30 April 2023

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, are charged to the consolidated statement of comprehensive income over the period of the service obligation and disclosed as acquisition consideration charges.

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.

Acquisition consideration payments, which are deemed remuneration under this accounting policy, 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 result in these payments being excluded from consideration under IFRS 3. A gain on acquisition is recognised immediately in the consolidated statement of comprehensive income within transaction costs.

Goodwill arises where the cost of the business combination exceeds the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. This is recognised as an asset and is subject to impairment tests as noted in note 11.

Acquisition costs

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

2. Accounting policies continued

(d) Intangible assets

Goodwill

Goodwill arising on consolidation is recognised as an asset.

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

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

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

Other intangible assets

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

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

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

| | |
|-------------------------------------------|--------------------------------------|
| Software | 10%–33% of cost |
| Intangible assets arising on acquisitions | 10%–50% of fair value at acquisition |

(e) Property, plant and equipment

All assets are stated at historical cost less accumulated depreciation and accumulated impairment losses.

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

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

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

(f) Impairment of tangible and intangible assets

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

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

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

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

Notes to the consolidated financial statements

continued

for the year ended 30 April 2023

2. Accounting policies continued

(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 initially stated at their fair value and subsequently at amortised cost.

Trade and other payables

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

Financial liabilities and equity instruments

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

Equity instruments

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

Bank borrowings

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

(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 provisions and the related asset is recognised in other receivables.

2. Accounting policies continued

(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 lessee's incremental borrowing rate is used, which in practice is the group's incremental borrowing rate. This is the rate that the group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

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

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

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

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

(k) Revenue recognition

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

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

The group recognises revenue from the following activities:

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

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.

Notes to the consolidated financial statements continued

for the year ended 30 April 2023

2. Accounting policies continued

(k) Revenue recognition continued

Insolvency and advisory services continued

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

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

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

These estimates and judgements may change over time as the engagement completes and this will be recognised in the consolidated statement of comprehensive income in the period in which the revision becomes known. These judgements are formed over a large portfolio of contracts and are therefore unlikely to be individually material.

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

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

Corporate finance services and finance broking

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

Commercial property management

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

Property consultancy services

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

Asset disposals

The group is appointed to sell properties, businesses, machinery and other business assets for clients through auction, 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) Critical accounting judgements and sources of estimation uncertainty

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

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

The group believes that the estimates and judgements that have the most significant impact on the annual results under UK-adopted IAS are as set out below.

Key sources of estimation uncertainty

Goodwill

The group records all assets and liabilities acquired in business combinations, including goodwill, at fair value. Goodwill is not amortised but is subject, at a minimum, to annual tests for impairment. The initial goodwill recorded and subsequent impairment review require management to make subjective judgements concerning the value in use of CGUs. This requires an estimate of the future cash flows expected to arise from the CGU and a suitable discount rate to calculate present value. Details of the assumptions made are provided in note 11.

Notes to the consolidated financial statements continued

for the year ended 30 April 2023

2. Accounting policies continued

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

Other sources of estimation uncertainty

Intangible assets in a business combination

On the acquisition of a business the identifiable intangible assets may include brands, customer relationships, customer contracts, order backlogs and websites. The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset where no active market for the asset exists. The use of different assumptions for the expectations of future cash flows and the discount rate would change the valuation of the intangible assets, with a resultant impact on the goodwill or gain on acquisition recognised. Details in relation to current year acquisitions are in note 23.

Unbilled income

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

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

Provisions and claims

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

(r) Recently issued accounting pronouncements

UK-adopted IAS

At the date of authorisation of these financial statements, there are no amended standards and interpretations issued by the UK Endorsement Board that impact the group as they are either not relevant to the group's activities or require accounting which is consistent with the group's current accounting policies.

New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 30 April 2023 reporting periods and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. Revenue

Revenue recognised in the year of £121.8m (2022: £110.0m) 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:

| | 2023 £'000 | 2022 £'000 |
|-----------------------------|---------------|---------------|
| Contract assets | | |
| Unbilled income | 37,489 | 35,208 |
| Contract liabilities | | |
| Deferred income | (6,503) | (5,611) |

The movement in contract assets in the year comprises £0.7m increase from acquisitions in the year and £1.6m increase due to organic growth in the year. The movement in contract liabilities in the year comprises £0.9m increase arising from formal insolvency appointments.

Revenue recognised in the year that was included in deferred income at the beginning of the year was £3.3m (2022: £4.0m).

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 2023 is £35.2m (2022: £29.5m).

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 board). The group is managed as two operating segments: insolvency and 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.

| | Insolvency and advisory services 2023 £'000 | Property advisory and transactional services 2023 £'000 | Shared and central costs 2023 £'000 | Consolidated 2023 £'000 |
|------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------------------|------------------------------------------------|-------------------------------|
| Revenue | | | | |
| Total revenue from rendering of professional services | 89,696 | 32,187 | — | 121,883 |
| Inter-segment revenue | — | (58) | — | (58) |
| Revenue from external customers | 89,696 | 32,129 | — | 121,825 |
| Over time | 77,212 | 2,989 | — | 80,201 |
| At a point in time | 12,484 | 29,140 | — | 41,624 |
| Revenue from external customers by basis of recognition | 89,696 | 32,129 | — | 121,825 |
| Insolvency and advisory services | 77,212 | — | — | 77,212 |
| Corporate finance services and finance broking | 12,484 | — | — | 12,484 |
| Commercial property management | — | 2,989 | — | 2,989 |
| Property consultancy services | — | 18,003 | — | 18,003 |
| Asset disposals | — | 11,137 | — | 11,137 |
| Revenue from external customers by service line | 89,696 | 32,129 | — | 121,825 |
| Operating profit before amortisation and transaction costs | 23,999 | 5,692 | (7,870) | 21,821 |
| | Insolvency and advisory services 2023 £'000 | Property advisory and transactional services 2023 £'000 | Unallocated corporate amounts 2023 £'000 | Consolidated 2023 £'000 |
| Balance sheet | | | | |
| Assets | 130,676 | 13,204 | 8,001 | 151,881 |
| Liabilities | (51,220) | (10,210) | (6,111) | (67,541) |
| Net assets | 79,456 | 2,994 | 1,890 | 84,340 |

Unallocated amounts include current tax liabilities, cash and borrowings.

Notes to the consolidated financial statements continued

for the year ended 30 April 2023

4. Segmental analysis continued

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

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

Geographical segments

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

5. Profit (loss) for the year

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

| | 2023 £'000 | 2022 £'000 |
|-------------------------------------------------------------------------|---------------|---------------|
| Depreciation of property, plant and equipment | 1,114 | 1,038 |
| Depreciation of right of use assets | 2,136 | 2,645 |
| Amortisation of intangible assets | 6,410 | 5,668 |
| Profit on disposal of property, plant and equipment | (13) | (10) |
| Loss (profit) on disposal of right of use assets | 42 | (81) |
| Staff costs (note 6) | 74,254 | 67,685 |
| Short-term lease expense | 846 | 880 |
| Impairment of receivable balances (note 14) | 524 | 306 |
| Reversal of impairment losses recognised on trade receivables (note 14) | (31) | (61) |

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

| | 2023 £'000 | 2022 £'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 for other services to the group | | |
| — the audit of the company's subsidiaries pursuant to legislation | 113 | 100 |
| — audit related assurance services | 6 | — |
| Total audit fees | 149 | 130 |

Transaction costs are included within administrative expenses and detailed below:

| | 2023 £'000 | 2022 £'000 |
|---------------------------------------------------------------------------|---------------|---------------|
| Acquisition consideration (deemed remuneration in accordance with IFRS 3) | 12,304 | 9,983 |
| Acquisition costs | 434 | 215 |
| Gain on acquisition (note 23) | (4,298) | (1,974) |
| Total transaction costs | 8,440 | 8,224 |

Notes to the consolidated financial statements

continued

for the year ended 30 April 2023

6. Employee costs

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

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

| | 2023 number | 2022 number |
|-----------|----------------|----------------|
| Partners | 81 | 86 |
| Employees | 991 | 901 |
| | 1,072 | 987 |

Partners are members of the group's operating LLPs.

| | 2023 £'000 | 2022 £'000 |
|------------------------------------------------------------------|---------------|---------------|
| Their aggregate remuneration comprised: | | |
| Wages, salaries and partners' compensation charged as an expense | 63,977 | 58,384 |
| Social security costs | 5,398 | 4,614 |
| Pension costs (note 27) | 3,602 | 3,113 |
| Share-based payments | 1,277 | 1,574 |
| | 74,254 | 67,685 |

Directors' remuneration

| | 2023 £'000 | 2022 £'000 |
|----------------------|---------------|---------------|
| Short-term benefits | 2,053 | 2,106 |
| Share-based payments | 177 | 142 |
| | 2,230 | 2,248 |

| | 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

| | 2023 £'000 | 2022 £'000 |
|-------------------------------------------|---------------|---------------|
| Interest on borrowings | 762 | 375 |
| Finance charge on lease liabilities | 343 | 385 |
| Finance charge on dilapidation provisions | 65 | 75 |
| Total finance costs | 1,170 | 835 |

8. Tax

| | 2023 £'000 | 2022 £'000 |
|------------------------------------|---------------|---------------|
| Total current tax charge | 4,447 | 2,733 |
| Deferred tax credit (note 19) | (1,373) | (1) |
| Impact of change in tax rate | — | 1,817 |
| Total deferred tax (credit) charge | (1,373) | 1,816 |
| Total income tax charge | 3,074 | 4,549 |

Corporation tax is calculated at 19.5% (2022: 19.0%) of the estimated assessable profit for the year.

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

| | 2023 £'000 | 2022 £'000 |
|----------------------------------------------------------------------------------------|---------------|---------------|
| Profit before tax | 5,985 | 4,049 |
| Notional tax charge at the UK corporation tax rate of 19.5% (2022: 19.0%) | 1,167 | 769 |
| Non-deductible impact of transaction costs | 1,624 | 1,545 |
| Impact of change in tax rate on deferred tax balances | — | 1,817 |
| Tax effect of expenses that are not deductible in determining taxable profit | 283 | 418 |
| Total tax charge reported in the consolidated statement of comprehensive income | 3,074 | 4,549 |

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

9. Dividends

| | 2023 £'000 | 2022 £'000 |
|----------------------------------------------------------------------------------|---------------|---------------|
| Amounts recognised as distributions to equity holders in the year | | |
| Interim dividend for the year ended 30 April 2022 of 1.1p (2021: 1.0p) per share | 1,687 | 1,509 |
| Final dividend for the year ended 30 April 2022 of 2.4p (2021: 2.0p) per share | 3,700 | 3,044 |
| | 5,387 | 4,553 |
| Amounts proposed as distributions to equity holders | | |
| Interim dividend for the year ended 30 April 2023 of 1.2p (2022: 1.1p) per share | 1,854 | 1,687 |
| Final dividend for the year ended 30 April 2023 of 2.6p (2022: 2.4p) per share | 4,017 | 3,700 |
| | 5,871 | 5,387 |

The proposed final dividend is subject to approval by shareholders at the annual general meeting in September 2023. The interim dividend for 2023 was paid on 5 May 2023 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 2023

10. Earnings per share

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

| | 2023 £'000 | 2022 £'000 |
|--------------------------------------------------------------------------------------------------|------------------------|------------------------|
| Earnings | | |
| Profit (loss) for the year attributable to equity holders | 2,911 | (500) |
| | | |
| | 2023 number '000 | 2022 number '000 |
| Number of shares | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 155,634 | 154,556 |
| Effect of: | | |
| Share options | 6,423 | 5,968 |
| Contingent shares | 233 | — |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 162,290 | 160,524 |
| | | |
| | 2023 pence | 2022 pence |
| Basic earnings (loss) per share | 1.9 | (0.3) |
| Diluted earnings (loss) per share | 1.8 | (0.3) |

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

| | 2023 £'000 | 2022 £'000 |
|------------------------------------------------------------------------|----------------|---------------|
| Earnings | | |
| Profit (loss) for the year attributable to equity holders | 2,911 | (500) |
| Amortisation of intangible assets arising on acquisitions | 6,226 | 5,486 |
| Transaction costs | 8,440 | 8,224 |
| Tax effect of above items | (1,236) | (1,059) |
| Change in deferred tax rate relating to goodwill and intangible assets | — | 1,990 |
| Adjusted earnings | 16,341 | 14,141 |
| | | |
| | 2023 pence | 2022 pence |
| Adjusted basic earnings per share | 10.5 | 9.1 |
| Adjusted diluted earnings per share | 10.1 | 8.8 |

11. Intangible assets

| | Goodwill £'000 | Software £'000 | Intangible assets arising on acquisitions £'000 | Total £'000 |
|------------------------------------|-------------------|-------------------|-------------------------------------------------------------|----------------|
| Cost | | | | |
| At 1 May 2021 | 60,208 | 2,432 | 38,989 | 101,629 |
| Arising on acquisitions | — | — | 2,900 | 2,900 |
| Additions | — | 188 | — | 188 |
| At 30 April 2022 | 60,208 | 2,620 | 41,889 | 104,717 |
| Arising on acquisitions | — | 36 | 4,433 | 4,469 |
| Additions | — | 20 | — | 20 |
| At 30 April 2023 | 60,208 | 2,676 | 46,322 | 109,206 |
| Amortisation and impairment | | | | |
| At 1 May 2021 | — | 1,897 | 21,845 | 23,742 |
| Amortisation during the year | — | 182 | 5,486 | 5,668 |
| At 30 April 2022 | — | 2,079 | 27,331 | 29,410 |
| Amortisation during the year | — | 184 | 6,226 | 6,410 |
| At 30 April 2023 | — | 2,263 | 33,557 | 35,820 |
| Carrying amount | | | | |
| At 30 April 2023 | 60,208 | 413 | 12,765 | 73,386 |
| At 30 April 2022 | 60,208 | 541 | 14,558 | 75,307 |
| At 30 April 2021 | 60,208 | 535 | 17,144 | 77,887 |

The carrying value of intangible assets arising on acquisitions comprises brands of £2,809,000 (2022: £3,695,000), customer relationships of £8,389,000 (2022: £7,672,000), order books of £1,474,000 (2022: £3,067,000) and websites of £93,000 (2022: £124,000). The remaining useful economic lives of intangible assets arising on acquisition are between one and nine years.

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated wholly to the insolvency CGU, which is within the Insolvency and advisory services operating segment.

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

Key assumptions used in value in use calculation

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

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

Pre-tax discount rate

The group's post-tax weighted average cost of capital has been used to calculate a group pre-tax discount rate of 12.9% (2022: 9.5%), 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 2023

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 historic performance and anticipated growth in the number of insolvencies.

Insolvency CGU EBITDA margins

Margins in the one year forecast are derived from local partners' expectations based on the number of current engagements and cost base. Margins over the extrapolation period are 30%, in line with the current year and expectations of future developments.

Sensitivity to changes in assumptions

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

12. Property, plant and equipment

| | Leasehold improvements £'000 | Office equipment £'000 | Computers £'000 | Motor vehicles £'000 | Total £'000 |
|------------------------------------|------------------------------------|------------------------------|--------------------|----------------------------|----------------|
| Cost | | | | | |
| At 1 May 2021 | 4,406 | 1,612 | 5,194 | 123 | 11,335 |
| Arising on acquisitions | 5 | 26 | 38 | 21 | 90 |
| Additions | 81 | 23 | 772 | — | 876 |
| Disposals | — | — | (2) | (55) | (57) |
| At 30 April 2022 | 4,492 | 1,661 | 6,002 | 89 | 12,244 |
| Arising on acquisitions | 75 | 38 | 103 | — | 216 |
| Additions | 174 | 138 | 619 | — | 931 |
| Disposals | — | — | — | (20) | (20) |
| At 30 April 2023 | 4,741 | 1,837 | 6,724 | 69 | 13,371 |
| Depreciation and impairment | | | | | |
| At 1 May 2021 | 3,825 | 1,526 | 3,877 | 38 | 9,266 |
| Charge for the year | 186 | 34 | 763 | 55 | 1,038 |
| Disposals | — | — | — | (27) | (27) |
| At 30 April 2022 | 4,011 | 1,560 | 4,640 | 66 | 10,277 |
| Charge for the year | 175 | 63 | 863 | 13 | 1,114 |
| Disposals | — | — | — | (13) | (13) |
| At 30 April 2023 | 4,186 | 1,623 | 5,503 | 66 | 11,378 |
| Carrying amount | | | | | |
| At 30 April 2023 | 555 | 214 | 1,221 | 3 | 1,993 |
| At 30 April 2022 | 481 | 101 | 1,362 | 23 | 1,967 |
| At 30 April 2021 | 581 | 86 | 1,317 | 85 | 2,069 |

13. Right of use assets

| | Property £'000 | Motor vehicles £'000 | Office equipment £'000 | Total £'000 |
|------------------------------------|-------------------|----------------------------|------------------------------|----------------|
| Cost | | | | |
| At 1 May 2021 | 13,888 | 2,681 | 577 | 17,146 |
| Arising on acquisitions | 208 | — | — | 208 |
| Additions | 525 | 164 | — | 689 |
| Disposals | (575) | — | — | (575) |
| At 30 April 2022 | 14,046 | 2,845 | 577 | 17,468 |
| Arising on acquisitions | 871 | — | — | 871 |
| Additions | 3,076 | 490 | — | 3,566 |
| Disposals | (218) | — | — | (218) |
| At 30 April 2023 | 17,775 | 3,335 | 577 | 21,687 |
| Depreciation and impairment | | | | |
| At 1 May 2021 | 7,461 | 1,846 | 337 | 9,644 |
| Charge for the year | 1,935 | 518 | 192 | 2,645 |
| Disposals | (313) | — | — | (313) |
| At 30 April 2022 | 9,083 | 2,364 | 529 | 11,976 |
| Charge for the year | 1,680 | 408 | 48 | 2,136 |
| Disposals | (176) | — | — | (176) |
| At 30 April 2023 | 10,587 | 2,772 | 577 | 13,936 |
| Carrying amount | | | | |
| At 30 April 2023 | 7,188 | 563 | — | 7,751 |
| At 30 April 2022 | 4,963 | 481 | 48 | 5,492 |
| At 30 April 2021 | 6,427 | 835 | 240 | 7,502 |

14. Trade and other receivables

| | 2023 £'000 | 2022 £'000 |
|-------------------------------|---------------|---------------|
| Non-current | | |
| Deemed remuneration | 5,200 | 4,175 |
| Current | | |
| Trade receivables | 14,564 | 11,567 |
| Less: impairment provision | (2,912) | (2,501) |
| Trade receivables — net | 11,652 | 9,066 |
| Unbilled income | 37,489 | 35,208 |
| Other debtors and prepayments | 2,987 | 2,715 |
| Deemed remuneration | 3,422 | 2,677 |
| | 55,550 | 49,666 |

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.

Notes to the consolidated financial statements

continued

for the year ended 30 April 2023

14. Trade and other receivables continued

The impairment provision comprises a specific loss allowance provision of £2,422,000 (2022: £2,153,000) and an expected credit loss provision of £490,000 (2022: £348,000). 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:

| 30 April 2023 | Days past due | | | | | Total £'000 |
|-------------------------------------------|-------------------|-------------------|-------------------|--------------------|--------------------|----------------|
| | <30 days £'000 | <60 days £'000 | <90 days £'000 | <180 days £'000 | >180 days £'000 | |
| Expected loss rate | 1% | 2% | 4% | 10% | 22% | 4% |
| Gross amount less specific loss provision | 6,201 | 2,262 | 896 | 1,741 | 898 | 11,988 |
| Expected credit loss provision | 29 | 52 | 35 | 175 | 199 | 490 |

| 30 April 2022 | Days past due | | | | | Total £'000 |
|-------------------------------------------|-------------------|-------------------|-------------------|--------------------|--------------------|----------------|
| | <30 days £'000 | <60 days £'000 | <90 days £'000 | <180 days £'000 | >180 days £'000 | |
| Expected loss rate | 1% | 3% | 6% | 14% | 36% | 4% |
| Gross amount less specific loss provision | 6,587 | 1,574 | 471 | 251 | 531 | 9,414 |
| Expected credit loss provision | 52 | 43 | 26 | 36 | 191 | 348 |

Movement in the impairment provision

| | 2023 £'000 | 2022 £'000 |
|-------------------------------------|---------------|---------------|
| Balance at beginning of the year | 2,501 | 2,342 |
| Amounts arising on acquisition | 41 | — |
| Amounts written off during the year | (113) | (86) |
| Amounts recovered during the year | (41) | (61) |
| Impairment charge in the year | 524 | 306 |
| Balance at end of the year | 2,912 | 2,501 |

15. Trade and other payables

| | 2023 £'000 | 2022 £'000 |
|---------------------------------|---------------|---------------|
| Current | | |
| Trade payables | 2,055 | 1,671 |
| Accruals | 10,454 | 9,733 |
| Other taxes and social security | 5,209 | 4,474 |
| Deferred income | 6,503 | 5,611 |
| Other creditors | 14,350 | 13,950 |
| Deferred consideration | 13 | 338 |
| Deemed remuneration liabilities | 4,060 | 1,386 |
| | 42,644 | 37,163 |

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 £4,060,000, there are further obligations based on current forecasts of £16.9m, where the service obligations of selling shareholders have not yet been performed. The maximum potential payments (if all performance conditions are met) would be £35.8m (including the £4.1m provided and £16.9m additional forecasted obligations above).

16. Lease liabilities

| | Property £'000 | Motor vehicles £'000 | Office equipment £'000 | Total £'000 |
|-------------------------|-------------------|----------------------------|------------------------------|----------------|
| Cost | | | | |
| At 1 May 2021 | 7,728 | 845 | 248 | 8,821 |
| Finance charge | 361 | 19 | 4 | 384 |
| Additions — new leases | 468 | 164 | — | 632 |
| Arising on acquisitions | 208 | — | — | 208 |
| Disposals | (150) | — | — | (150) |
| Lease payments | (2,807) | (542) | (201) | (3,550) |
| At 30 April 2022 | 5,808 | 486 | 51 | 6,345 |
| Finance charge | 324 | 19 | — | 343 |
| Additions — new leases | 2,929 | 490 | — | 3,419 |
| Arising on acquisitions | 840 | — | — | 840 |
| Disposals | (46) | — | — | (46) |
| Lease payments | (2,211) | (427) | (51) | (2,689) |
| At 30 April 2023 | 7,644 | 568 | — | 8,212 |
| Current liabilities | 1,328 | 226 | — | 1,554 |
| Non-current liabilities | 6,316 | 342 | — | 6,658 |
| At 30 April 2023 | 7,644 | 568 | — | 8,212 |

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

| | 2023 £'000 | 2022 £'000 |
|----------------------------------------------------------|---------------|---------------|
| Aggregate undiscounted commitments for short-term leases | 73 | 125 |

17. Borrowings

| | 2023 £'000 | 2022 £'000 |
|-----------------------------------|---------------|---------------|
| Non-current | | |
| Unsecured loans at amortised cost | 5,000 | 5,000 |

The group's principal banking facilities at 30 April 2023 are provided by HSBC and 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: £5m was drawn at 30 April 2023 (2022: £5.0m) – effective interest rate of 6.7% (2022: 5.1%);
- acquisition facility undrawn at 30 April 2023 (2022: undrawn).

The group's banking facilities mature on 31 August 2025.

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.

Notes to the consolidated financial statements

continued

for the year ended 30 April 2023

18. Provisions

| | Disposal provisions £'000 | Dilapidation provisions £'000 | Onerous contract provisions £'000 | Total £'000 |
|-------------------------|------------------------------|----------------------------------|--------------------------------------|----------------|
| At 1 May 2022 | 98 | 2,915 | 453 | 3,466 |
| Interest expense | — | 65 | — | 65 |
| Additions | — | 159 | — | 159 |
| Arising on acquisition | — | 90 | — | 90 |
| Disposals | — | (31) | — | (31) |
| Utilised | (7) | (404) | (193) | (604) |
| At 30 April 2023 | 91 | 2,794 | 260 | 3,145 |
| Current liabilities | 91 | 655 | 260 | 1,006 |
| Non-current liabilities | — | 2,139 | — | 2,139 |
| At 30 April 2023 | 91 | 2,794 | 260 | 3,145 |

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 2023.

19. Deferred tax

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

| | Goodwill £'000 | Intangibles £'000 | Short-term timing differences £'000 | Total £'000 |
|-----------------------------------------------|-------------------|----------------------|----------------------------------------|----------------|
| At 1 May 2021 | (4,782) | (3,257) | 2,511 | (5,528) |
| Credit to income | — | 1,042 | (1,041) | 1 |
| Arising on acquisitions | — | (676) | (6) | (752) |
| Income statement effect of change in tax rate | (1,510) | (480) | 173 | (1,817) |
| At 30 April 2022 | (6,292) | (3,371) | 1,637 | (8,026) |
| Credit to income | — | 1,213 | 160 | 1,373 |
| Arising on acquisitions | — | (1,059) | 282 | (777) |
| At 30 April 2023 | (6,292) | (3,217) | 2,079 | (7,430) |

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:

| | 2023 £'000 | 2022 £'000 |
|--------------------------|----------------|---------------|
| Deferred tax liabilities | (9,511) | (9,862) |
| Deferred tax assets | 2,081 | 1,836 |
| | (7,430) | (8,026) |

20. Financial instruments

Financial risk management objectives and policies

The group's principal financial instruments comprise:

- cash balances and bank loans, the purpose of which is to raise finance for the group's operations; together with
- 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 2023 and net assets at that date would decrease by £42,000 (2022: £30,000). This is attributable to the group's exposure to movements in interest rate on its variable rate borrowings.

Credit risk

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

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

On the group's transactional activities, invoices are generally raised on completion of the transaction and typically settled from completion monies.

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

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

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

Liquidity risk

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

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

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

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

| | At 30 April 2023 | | | | At 30 April 2022 | | | |
|--------------------------|---------------------------|-------------------------------|---------------------------|----------------|---------------------------|-------------------------------|---------------------------|----------------|
| | 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 | 328 | 5,436 | — | 5,764 | 153 | 5,203 | — | 5,356 |
| Trade and other payables | 42,644 | — | — | 42,644 | 37,163 | — | — | 37,163 |
| Lease liabilities | 2,082 | 6,935 | 1,678 | 10,695 | 3,384 | 4,535 | 737 | 8,656 |
| | 45,054 | 12,371 | 1,678 | 59,103 | 40,700 | 9,738 | 737 | 51,175 |

Notes to the consolidated financial statements

continued

for the year ended 30 April 2023

20. Financial instruments continued

Capital management

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

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

| | 2023 £'000 | 2022 £'000 |
|---------------------|---------------|---------------|
| Shareholders' funds | 84,340 | 84,525 |
| Bank borrowings | 5,000 | 5,000 |
| At 30 April | 89,340 | 89,525 |

Categories of financial instruments

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

| | 2023 £'000 | 2022 £'000 |
|------------------------------------------------|-----------------|---------------|
| Financial assets at amortised cost | | |
| Trade receivables | 11,652 | 9,066 |
| Cash at bank | 8,001 | 9,685 |
| | 19,653 | 18,751 |
| Financial liabilities at amortised cost | | |
| Trade and other payables | (42,644) | (37,163) |
| Bank borrowings | (5,000) | (5,000) |
| | (47,644) | (42,163) |

21. Share capital

| | 2023 thousand | 2022 thousand | 2023 £'000 | 2022 £'000 |
|-------------------------------------------------|------------------|------------------|---------------|---------------|
| Allotted, called up and fully paid | | | | |
| Ordinary shares of 5p | | | | |
| At 1 May | 153,402 | 150,908 | 7,671 | 7,547 |
| Issue of shares for share-based payments | 551 | 1,460 | 28 | 72 |
| Shares issued as consideration for acquisitions | 559 | 1,034 | 28 | 52 |
| At 30 April | 154,512 | 153,402 | 7,727 | 7,671 |

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 £1,445,000 (2022: £1,574,000), of which £43,000 (2022: £43,000) relates to the market value share option scheme, £1,312,000 (2022: £1,455,000) relates to the PSP and £90,000 (2022: £76,000) relates to the SAYE schemes.

The group also operated a cash-settled share-based payment arrangement in the year. The group recognised an expense of £345,000 (2022: £825,000) in relation to the cash-settled share-based payment arrangement.

22. Share-based payments continued

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

| | 2023 | | 2022 | |
|--------------------------------|----------------------------------|---------------------------------------|----------------------------------|---------------------------------------|
| | Number of share options thousand | Weighted average exercise price pence | Number of share options thousand | Weighted average exercise price pence |
| Outstanding at 1 May | 10,316 | 37 | 11,916 | 40 |
| Granted during the period | 918 | 5 | 182 | 5 |
| Forfeited during the period | (269) | 5 | — | — |
| Lapsed during the period | (182) | 5 | — | — |
| Exercised during the period | (978) | 59 | (1,782) | 56 |
| Outstanding at 30 April | 9,805 | 33 | 10,316 | 37 |
| Exercisable at 30 April | 1,500 | 46 | 2,478 | 51 |

The weighted average share price at the date of exercise for options exercised in the year was 139p.

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

| Scheme | Exercise price pence | 2023 | | 2022 | |
|--------------------------|----------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | | Number of share options thousand | Contractual life remaining years | Number of share options thousand | Contractual life remaining years |
| Share option scheme 2013 | 37 | 1,000 | 0.5 | 1,103 | 1.5 |
| Share option scheme 2017 | 63 | 500 | 4.5 | 1,095 | 5.5 |
| SAYE scheme 2018 | 59 | — | — | 280 | 0.1 |
| Share option scheme 2019 | 88 | 1,500 | 6.5 | 1,500 | 7.5 |
| PSP 2020 | 5 | 4,006 | 7.2 | 4,275 | 8.2 |
| SAYE scheme 2020 | 72 | 1,356 | 1.2 | 1,356 | 2.2 |
| PSP 2021 (issued Jan 21) | 5 | 525 | 7.7 | 525 | 8.7 |
| PSP 2021 (issued Sep 21) | 5 | — | — | 182 | 9.4 |
| SAYE scheme 2022 | 110 | 918 | 3.2 | — | — |

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

| Grant date | SAYE 2022 |
|-------------------------------|-----------|
| Share price at grant date (p) | 137 |
| Exercise price (p) | 110 |
| Vesting period (years) | 3 |
| Time to expiry (years) | 3.5 |
| Expected volatility (%) | 30 |
| Risk free rate (%) | 3.78 |
| Expected dividend yield (%) | 2.7 |
| Fair value per option (p) | 25 |

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.

Notes to the consolidated financial statements

continued

for the year ended 30 April 2023

23. Acquisitions

Budworth Hardcastle

On 25 June 2022 the group acquired the entire issued share capital of Budworth Hardcastle, a chartered surveying practice in Eastern England.

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 | 36 | 616 | 652 |
| Property, plant and equipment | 15 | — | 15 |
| Trade and other receivables | 131 | — | 131 |
| Cash and cash equivalents | 397 | — | 397 |
| Trade and other payables | (113) | — | (113) |
| Provisions | — | (4) | (4) |
| Deferred tax | — | (151) | (151) |
| Total identifiable assets | 466 | 461 | 927 |
| Satisfied by: | | | |
| Consideration under IFRS 3 | | | — |
| Gain on acquisition | | | 927 |
| Consideration accounted for as deemed remuneration under IFRS 3: | | | |
| Cash consideration | | | 600 |
| Equity instruments issued | | | 300 |
| Provisional cash free debt free adjustment | | | 276 |
| Contingent consideration | | | 900 |
| Earn out | | | 600 |
| | | | 2,676 |
| Cash flows arising on acquisition | | | |
| Consideration payments which are deemed remuneration | | | 876 |
| Less: cash and cash equivalents acquired | | | (397) |
| | | | 479 |

Fair value adjustments of £652,000 relating to the separate recognition of intangible assets have been recorded. Details of intangible assets recorded can be found in note 11.

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

Acquisition costs of £36,000 have been charged to the statement of comprehensive income as a transaction cost.

The acquisition contributed £1,600,000 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

Mantra Capital

On 22 July 2022 the group acquired Mantra Capital, a London-based finance brokerage.

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

| | Book value £'000 | Fair value adjustments £'000 | Fair value £'000 |
|-------------------------------------------------------------------------|---------------------|------------------------------------|---------------------|
| Net assets acquired | | | |
| Intangible assets | 36 | 3,270 | 3,306 |
| Investments | 1,459 | (1,459) | — |
| Property, plant and equipment | 190 | (25) | 165 |
| Right of use asset | — | 871 | 871 |
| Trade and other receivables | 2,836 | (2,434) | 402 |
| Cash and cash equivalents | 761 | — | 761 |
| Trade and other payables | (911) | 418 | (493) |
| Corporation tax | (224) | — | (224) |
| Provisions | — | (86) | (86) |
| Lease liabilities | — | (840) | (840) |
| Deferred tax | (10) | (490) | (500) |
| Total identifiable assets | 4,137 | (775) | 3,362 |
| Satisfied by: | | | |
| Consideration under IFRS 3 | | | |
| | | | — |
| Gain on acquisition | | | |
| | | | 3,362 |
| Consideration accounted for as deemed remuneration under IFRS 3: | | | |
| Cash consideration | | | 4,000 |
| Equity instruments issued | | | 500 |
| Provisional cash free debt free adjustment | | | 671 |
| Contingent consideration | | | 5,500 |
| Earn out | | | 8,000 |
| | | | 18,671 |
| Cash flows arising on acquisition | | | |
| Consideration payments which are deemed remuneration | | | 4,671 |
| Less: cash and cash equivalents acquired | | | (761) |
| | | | 3,910 |

Fair value adjustments of £3,270,000 relating to the separate recognition of intangible assets have been recorded. Details of intangible assets recorded can be found in note 11.

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

Acquisition costs of £169,000 have been charged to the statement of comprehensive income as a transaction cost.

The acquisition contributed £3,900,000 of revenue and £1,300,000 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 2023

23. Acquisitions continued

Mark Jenkinson & Son

On 1 March 2023 the group acquired a team of chartered surveyors. 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 | — | 510 | 510 |
| Deferred tax | — | (126) | (126) |
| Total identifiable assets | — | 384 | 384 |
| Satisfied by: | | | |
| Consideration under IFRS 3: | | | |
| Cash paid | | | 375 |
| Gain on acquisition | | | 9 |
| Cash outflows arising on acquisition | | | |
| Consideration | | | 375 |

Fair value adjustments of £510,000 relating to the separate recognition of intangible assets have been recorded. Details of intangible assets recorded can be found in note 11.

Summary of cash flows arising from acquisitions

| | 2023 £'000 | 2022 £'000 |
|--------------------------------------------------------------------------------------|---------------|---------------|
| Acquisition consideration payments which are deemed remuneration under IFRS 3 | | |
| Initial payments | 5,547 | 3,065 |
| Deferred consideration payments | 5,052 | 5,205 |
| | 10,599 | 8,270 |
| Investing acquisition payments | | |
| Cash consideration under IFRS 3 | 375 | 250 |
| Acquisition costs | 434 | — |
| | 809 | 250 |
| Deferred consideration payments | 325 | 36 |
| | 1,134 | 286 |
| Net cash and cash equivalents acquired | (1,158) | (397) |
| Total cash flows arising from acquisitions | 10,575 | 8,159 |

If the acquisitions had been completed on the first day of the financial year, the group revenues for the period would have been £123.8m and group profit before tax would have been £7.4m.

The amounts recognised above are provisional estimates.

24. Reconciliation to the cash flow statement

| | 2023 £'000 | 2022 £'000 |
|------------------------------------------------------------------|----------------|---------------|
| Profit (loss) for the year | 2,911 | (500) |
| Adjustments for: | | |
| Tax | 3,074 | 4,549 |
| Finance costs | 1,170 | 835 |
| Amortisation of intangible assets | 6,410 | 5,668 |
| Depreciation of property, plant and equipment | 1,114 | 1,038 |
| Depreciation of right of use assets | 2,136 | 2,645 |
| Gain on acquisition | (4,298) | (1,974) |
| Acquisition costs | 434 | — |
| Profit on disposal of fixed assets | (13) | (10) |
| Loss (profit) on disposal of ROU assets | 42 | (81) |
| Share-based payment expense | 1,277 | 1,574 |
| Deemed remuneration obligations settled through equity | 800 | 1,250 |
| Increase in deemed remuneration receivable | (1,769) | (531) |
| Increase in deemed remuneration liabilities | 2,675 | 1,016 |
| Operating cash flows before movements in working capital | 15,963 | 15,479 |
| Increase in receivables (excluding deemed remuneration) | (4,656) | (3,916) |
| Increase in payables (excluding deemed remuneration liabilities) | 2,480 | 2,296 |
| (Decrease) increase in provisions | (569) | 376 |
| Cash generated by operations | 13,218 | 14,235 |

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

25. Reconciliation of movement in net cash

| | Cash and cash equivalents £'000 | Non-current borrowings £'000 | Net cash £'000 |
|--------------------------------------------------|---------------------------------------|------------------------------------|-------------------|
| At 1 May 2022 | 9,685 | (5,000) | 4,685 |
| Cash flows | (2,842) | — | (2,842) |
| Net cash and cash equivalents acquired (note 23) | 1,158 | — | 1,158 |
| At 30 April 2023 | 8,001 | (5,000) | 3,001 |

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 2023 or 30 April 2022.

27. Pensions

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

The total cost charged to income of £3,602,000 (2022: £3,113,000) represents contributions payable to these schemes by the group. As at 30 April 2023, contributions of £436,000 (2022: £294,000) 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 2023

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:

On 8 December 2022, the group entered into a lease agreement with William Nelson Limited for a new regional office in Leigh-on-Sea, Essex. Mark Fry has a one third ownership interest in William Nelson Limited. The lease is for a six year term and incorporates a tenant only break clause to terminate the lease at the end of the third year. The annualised rental cost of the property, which is fully fitted out with the landlord's fixtures and fittings (inclusive of appropriate market incentives), is £52,000. The tenant will also pay an appropriate proportion of the service charge and insurance for the property. Rent and service charges paid on this property by entities within the group in the year totalled £30,000 (2022: £nil). At 30 April 2023 £nil (2022: £nil) was payable in respect of this transaction.

This replaces the group's previous property lease in Southend-on-Sea which had been in place throughout the prior year. Mark Fry had a 50% partnership interest share in the Southend-on-Sea property. Rent and service charges paid on this property by entities within the group in the year totalled £47,500 (2022: £95,000). At 30 April 2023 £nil (2022: £nil) was payable in respect of this transaction.

Ric Traynor purchased a controlling interest in Red Flag Alert LLP ('Red Flag') from the group on 10 April 2012, with the group retaining a minority interest in the partnership. On 31 January 2023 the group relinquished this minority interest after electing not to participate in a capital call on the partners as prescribed in the LLP members agreement. During the year, the group continued to provide a number of central support services to Red Flag for which £76,000 was payable by Red Flag during the year (2022: £90,000). This service agreement terminated on 30 April 2023.

The group has an annual rolling contract providing full access to the database and sole marketing rights for the publication of Red Flag quarterly statistics and was charged a fee of £150,000 for the year (2022: £150,000). In addition, there were incidental services provided by Red Flag during the year totalling £9,600 (2022: £6,000). At 30 April 2023 £13,000 was payable in respect of these transactions (2022: £10,000 was owed by Red Flag).

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 33.

29. Reserves

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

| | |
|----------------------------|------------------------------------------------------------------------------------------------------------------------------|
| Share premium | Amount subscribed for share capital in excess of nominal value. |
| Merger reserve | Formation of the group in 2004, and premium for shares issued on acquisitions in accordance with Companies Act requirements. |
| Capital redemption reserve | Repurchase of own share capital. |
| Retained earnings | Cumulative net gains and losses recognised in the consolidated statement of comprehensive income. |

30. Post-balance sheet events

On 4 May 2023 the group acquired the entire issued share capital of BLC No1 Limited, which trades as Banks Long & Co, a firm of chartered surveyors operating in Lincolnshire and Humberside. 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 £1.5m: £1.125m cash from the group's existing facilities and the issue of 292,170 new ordinary shares. Under the terms of the acquisition, there is deferred consideration of up to £1.5m dependent on the financial performance over the five years from completion. The company had net assets of £2.1m (including £1.4m cash) as at 31 August 2022. Further detail on the fair value of assets and liabilities acquired has not been included as it was not available at the date of signing these accounts.

Company balance sheet

at 30 April 2023

| | Notes | 2023 £'000 | 2022 £'000 |
|----------------------------------------------------------------|-------|----------------|---------------|
| Fixed assets | | | |
| Investment in subsidiaries | 4 | 79,701 | 63,324 |
| Current assets | | | |
| Trade and other receivables | 5 | 40,348 | 46,023 |
| Creditors: amounts falling due within one year | | | |
| Trade and other payables | 6 | (2,741) | (1,038) |
| Net current assets | | 37,607 | 44,985 |
| Total assets less current liabilities | | 117,308 | 108,309 |
| Creditors: amounts falling due after more than one year | | | |
| Trade and other payables | 6 | (18,861) | (10,279) |
| Net assets | | 98,447 | 98,030 |
| Capital and reserves | | | |
| Called-up share capital | 7 | 7,727 | 7,671 |
| Share premium account | | 29,973 | 29,787 |
| Merger reserve | | 27,944 | 27,172 |
| Capital redemption reserve | | 304 | 304 |
| Profit and loss account | | 32,499 | 33,096 |
| Shareholders' funds | | 98,447 | 98,030 |

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 2023 of £3,513,000 (2022: loss of £17,000).

The financial statements of Begbies Traynor Group plc, registered number 5120043, were approved by the board of directors and authorised for issue on 10 July 2023. 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 2023

| | Share capital £'000 | Share premium £'000 | Merger reserve £'000 | Capital redemption reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|----------------------------------------------------------|------------------------|------------------------|-------------------------|-------------------------------------|----------------------------|-----------------------|
| At 1 May 2021 | 7,547 | 29,325 | 25,974 | 304 | 36,122 | 99,272 |
| Loss for the year | — | — | — | — | (17) | (17) |
| Dividends | — | — | — | — | (4,553) | (4,553) |
| Credit to equity for equity-settled share-based payments | — | — | — | — | 1,544 | 1,544 |
| Shares issued as consideration for acquisitions | 52 | — | 1,198 | — | — | 1,250 |
| Shares issued for share-based payments | 72 | 462 | — | — | — | 534 |
| At 30 April 2022 | 7,671 | 29,787 | 27,172 | 304 | 33,096 | 98,030 |
| Profit for the year | — | — | — | — | 3,513 | 3,513 |
| Dividends | — | — | — | — | (5,387) | (5,387) |
| Credit to equity for equity-settled share-based payments | — | — | — | — | 1,277 | 1,277 |
| Shares issued as consideration for acquisitions | 28 | — | 772 | — | — | 800 |
| Shares issued for share-based payments | 28 | 186 | — | — | — | 214 |
| At 30 April 2023 | 7,727 | 29,973 | 27,944 | 304 | 32,499 | 98,447 |

Notes to the company financial statements

for the year ended 30 April 2023

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 is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Share-based payments

The fair value of services received in exchange for the grant of options is recognised as an expense over the vesting period in accordance with FRS 102. Options are valued using the Black-Scholes option pricing model. Further details are provided in note 22 of the consolidated financial statements.

Critical accounting judgements and key sources of uncertainty

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

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

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

FRS 102 exemption

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

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

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

2. Auditor's remuneration

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

3. Staff costs

The company has seven employees (2022: six employees).

| | 2023 £'000 | 2022 £'000 |
|-----------------------------------------|---------------|---------------|
| Their aggregate remuneration comprised: | | |
| Salaries | 927 | 806 |
| Social security costs | 135 | 97 |
| Pension costs | 15 | 12 |
| | 1,077 | 915 |

Notes to the company financial statements

continued

for the year ended 30 April 2023

4. Investment in subsidiaries

£'000

Cost and net book value

| | |
|---------------------------------|---------------|
| At 1 May 2021 and 30 April 2022 | 63,324 |
| Additions | 16,377 |
| At 30 April 2023 | 79,701 |

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 | Insolvency | England and Wales |
| Begbies Traynor (London) LLP | Insolvency | England and Wales |
| Begbies Traynor (SY) LLP | Insolvency | England and Wales |
| Springboard Corporate Finance LLP | Corporate finance | England and Wales |
| BTG Corporate Finance LLP | Corporate finance | England and Wales |
| BTG Advisory LLP | Financial consulting | England and Wales |
| BTG Global Advisory Limited | International network organisation | England and Wales |
| BTG Corporate Solutions Limited | Insolvency | England and Wales |
| Midlands Asset Finance Limited | Finance broking | England and Wales |
| Mantra Consulting & Capital Limited | Finance broking | England and Wales |
| Mantra Insurance Brokers Limited | Insurance brokerage | England and Wales |
| MAF Property Limited ¹ | Dormant | England and Wales |
| Asset Finance Compared Limited | Dormant | England and Wales |
| Axiom Consulting & Investments Limited | Dormant | England and Wales |
| Ellayaan Limited | Dormant | England and Wales |
| Eness Capital Limited | Dormant | England and Wales |
| Mantra Capital Holdings Limited | Dormant | England and Wales |
| Mantra Private Finance Limited | Dormant | England and Wales |
| Mantra Midlands Limited | Dormant | England and Wales |
| Mantra Capital Partners Limited | Dormant | England and Wales |
| David Rubin & Partners Limited ¹ | Insolvency | England and Wales |
| Begbies Traynor (Guernsey) Limited | Insolvency | Guernsey |
| CVR Global LLP | Insolvency | England and Wales |
| Begbies Traynor (Jersey) Limited | Insolvency | Jersey |
| Begbies Traynor (Gibraltar) Limited | Insolvency | Gibraltar |

4. Investment in subsidiaries continued

| Subsidiary undertaking | Nature of business | Country of incorporation |
|-------------------------------------------------------------------------|----------------------|--------------------------|
| Begbies Traynor (B.V.I) Limited | Insolvency | British Virgin Islands |
| CVR Global (Cyprus) Limited | Insolvency | Cyprus |
| Begbies Traynor (Isle of Man) Limited | Insolvency | Isle of Man |
| CV Business Rescue Limited | Dormant | England and Wales |
| Business Credit Management (UK) Limited | Dormant | England and Wales |
| Insolvency Advice Limited ¹ | Dormant | England and Wales |
| Begbies Traynor Legal Services LLP | Dormant | England and Wales |
| BTG Tax LLP | Dormant | England and Wales |
| 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 |
| Pugh & Company Limited | Auctioneers | England and Wales |
| Ernest Wilsons & Co Limited | Property consultancy | England and Wales |
| Daniells Harrison Surveyors LLP | Property consultancy | England and Wales |
| Budworth Hardcastle Limited | Property consultancy | England and Wales |
| Ernest Wilson's (West Yorkshire) Limited | Dormant | England and Wales |
| Hargreaves Newberry Gyngell Limited | Dormant | England and Wales |
| Eddisons Holdings Limited | Dormant | England and Wales |
| BSMH Limited | Dormant | 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 |
| Theauctionpeople.co Limited | Dormant | England and Wales |

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

All shareholdings relate to ordinary shares.

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

Notes to the company financial statements

continued

for the year ended 30 April 2023

4. Investment in subsidiaries continued

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

Subsidiary undertaking

BTG Global Advisory Limited

BTG Corporate Solutions Limited

BTG Corporate Finance LLP

Springboard Corporate Finance LLP

MAF Property Limited

Midlands Asset Finance Limited

Ernest Wilsons & Co Limited

Pugh & Company Limited

Eddisons Holdings Limited

Hargreaves Newberry Gyngell Limited

David Rubin & Partners Limited

Mantra Consulting & Capital Limited

Mantra Insurance Brokers Limited

Daniells Harrison Surveyors LLP

Budworth Hardcastle Limited

CVR Global LLP

Axiom Consulting & Investments Limited

Ellayaan Limited

Eness Capital Limited

Mantra Capital Holdings Limited

Mantra Private Finance Limited

Mantra Midlands Limited

Mantra Capital Partners Limited

Begbies Traynor (Gibraltar) Limited

Begbies Traynor (Jersey) Limited

Begbies Traynor (Guernsey) Limited

5. Trade and other receivables

| | 2023 £'000 | 2022 £'000 |
|--------------------------------------------|---------------|---------------|
| Amounts falling due within one year | | |
| Amounts owed by group undertakings | 40,314 | 45,991 |
| Other debtors | 34 | 32 |
| | 40,348 | 46,023 |

6. Trade and other payables

| | 2023 £'000 | 2022 £'000 |
|-----------------------------------------------------|---------------|---------------|
| Amounts falling due within one year | | |
| Deferred consideration | 2,741 | 1,038 |
| Amounts falling due after more than one year | | |
| Deferred consideration | 18,861 | 10,279 |

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

7. Share capital

| | 2023 thousand | 2022 thousand | 2023 £'000 | 2022 £'000 |
|-------------------------------------------------|------------------|------------------|---------------|---------------|
| Allotted, called up and fully paid | | | | |
| Ordinary shares of 5p | | | | |
| At 1 May | 153,402 | 150,908 | 7,671 | 7,547 |
| Issue of shares for share-based payments | 551 | 1,460 | 28 | 72 |
| Shares issued as consideration for acquisitions | 559 | 1,034 | 28 | 52 |
| At 30 April | 154,512 | 153,402 | 7,727 | 7,671 |

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
M Donald

Secretary

J A Humphrey

Company number

5120043

Registered office

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M3 4LY

Bankers

HSBC Bank plc

Landmark
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M1 4PB

Auditor

Crowe U.K. LLP

Chartered accountants and statutory auditor
Manchester, United Kingdom

Registrar

Computershare Investor Services Plc

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Corporate and financial PR advisors

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Nominated advisor and joint broker

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Joint broker

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