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Begbies Traynor Group plc

Annual report and accounts 2019

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COMPANIES HOUSE

Registered number 5120043

Our vision

To be leaders in our chosen professional services giving outstanding advice to clients on establishing, protecting, enhancing and realising the value of their assets and businesses throughout the economic cycle.

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

Financial highlights

REVENUE

£60.1m **(+15%)**

(2018: £52.4m)

NET DEBT

£6.0m **(-20%)**

(2018: £7.5m)

ADJUSTED PROFIT BEFORE TAX[1]

£7.1m **(+27%)**

(2018: £5.6m)

PROFIT BEFORE TAX

£3.5m **(+54%)**

(2018: £2.3m)

ADJUSTED BASIC EPS[2]

4.9p **(+23%)**

(2018: 4.0p)

BASIC EPS

2.2p **(+69%)**

(2018: 1.3p)

PROPOSED TOTAL DIVIDEND

2.6p **(+8%)**

(2018: 2.4p)

1 Profit before tax of £3.5 million (2018: £2.3 million) plus amortisation of intangible assets arising on acquisitions of £2.4 million (2018: £1.9 million) and transaction costs of £1.2 million (2018: £1.4 million)

2 See reconciliation in note 9

Strategic report

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At a glance

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

Comprehensive network
of locations across the UK

650
staff and partners

Professional staff
include:
licensed insolvency practitioners
accountants
chartered surveyors

AIM listed
since 2004

Our businesses

Our services

Corporate and personal insolvency

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

Corporate finance

Buy and sell side support on private company transactions.

Financial advisory

Forensic accounting and investigations, debt advisory, business and financial restructuring, due diligence and transactional support.

Valuations

Valuation of property, businesses, machinery and business assets.

Auction and asset sales

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

Property consultancy, planning and management

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

Chairman's statement

"I am pleased to report another year of strong financial performance."

Ric Traynor
Executive chairman

Introduction

I am pleased to report another year of strong financial performance, in line with upgraded expectations[1], in which we have grown the business organically, completed four acquisitions and increased the dividend whilst reducing net debt.

All areas of the group have performed well: business recovery, reflecting the benefits of recent organic investment and an increase in insolvency numbers nationally, advisory services, reflecting the prior year acquisition of Springboard Corporate Finance; and property services, which we have continued to develop through focussed investment and by acquisition.

The benefit of our strategy to increase the scale and quality of the group's businesses through both investment in organic growth and targeted acquisitions is reflected in our financial performance. We have delivered consecutive years of earnings growth since 2015, with compound growth in adjusted earnings per share of 14% over the last four years, enabling us to raise the dividend for the last two years.

The group now has an enhanced breadth of service lines with multiple sources of growth potential. Whilst we retain a counter-cyclical focus, which accounts for 65% of our income, our broad range of services positions the group well to grow across the economic cycle. Our principal activities, which fund our investment programme and enable the payment of dividends, generate strong operating margins and are highly cash generative.

Our insolvency practice continues to develop through targeted recruitment, focussed business development and acquisitions. The practice will also benefit from any cyclical growth in insolvency numbers nationally, reflecting its market-leading position.

Our advisory team has grown through acquisition and recruitment in recent years and we continue to seek opportunities for further growth.

Our property services business has delivered consecutive years of growth since our initial acquisition of Eddisons in December 2014. Our strategy has been to strengthen and broaden both services and geographical coverage, which has resulted in profit growth in the division from £1.9 million at our initial investment in December 2014 to £3.8 million this year. The business is now focussed on three key areas: valuations; auctions and asset sales; and property consultancy, planning and management. In line with our strategy, we will continue to develop and invest in this business.

Results

Group revenue in the year increased by 15% to £60.1 million (2018: £52.4 million), 9% of which was organic. Adjusted[3] profit before tax increased by 27% to £7.1 million (2018: £5.6 million). Statutory profit before tax increased to £3.5 million (2018: £2.3 million).

Adjusted[3] basic earnings per share increased by 23% to 4.9 pence (2018: 4.0 pence). Basic earnings per share increased to 2.2 pence (2018: 1.3 pence).

Net debt decreased to £6.0 million (2018: £7.5 million) with leverage (calculated as net debt to EBITDA[4]) improving to 0.7 times (2018: 1.1 times).

Dividend

The board is pleased to recommend (subject to shareholder approval at the company's annual general meeting) an increased dividend for the year to 2.6 pence (2018: 2.4 pence), an increase of 8%. This comprises the interim dividend already paid of 0.8 pence (2018: 0.7 pence) and a proposed final dividend of 1.8 pence (2018: 1.7 pence).

This is the second consecutive year of dividend growth and reflects our confidence in sustaining our financial track record of earnings growth. The board remains committed to a long-term progressive dividend policy, which takes account of the market outlook, earnings growth and investment plans.

The final dividend will be paid on 7 November 2019 to shareholders on the register on 11 October 2019, with an ex-dividend date of 10 October 2019.

Strategy

Our strategy is to:

- be a trusted advisor to all of our clients, delivering innovative and entrepreneurial advice and solutions;
- increase the scale and quality of our businesses through both organic growth and acquisitions;
- deliver sustainable profitable growth, enabling increased shareholder value; and
- maintain our strong financial position enabling the investment in and development of the group and its people.

People

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

Outlook

We are better positioned than ever with multiple sources of potential growth supported by a strong financial platform. We have a good pipeline of both organic and acquisition opportunities across all of our service lines.

There is currently uncertainty in the UK economy as a result of the Brexit process, but with a combination of our counter-cyclical activities together with our breadth of services, we are well placed to continue our track record of growth in the new financial year and beyond.

We have entered the new financial year with positive momentum and we are confident of delivering current market expectations. As usual, we will provide an update on trading at the time of the company's annual general meeting in September 2019.

Ric Traynor
Executive chairman
8 July 2019

Five year performance

REVENUE (£m)

£60.1m

(2018: £52.4m)

15	16	17	18	19
45.4	50.1	49.7	52.4	60.1

ADJUSTED PROFIT BEFORE TAX (p)

7.1p

(2018: 5.6p)

15	16	17	18	19
3.6	4.5	4.9	5.6	7.1

ADJUSTED BASIC EPS (p)

4.9p

(2018: 4.0p)

15	16	17	18	19
2.9	3.2	3.3	4.0	4.9

NET DEBT (£m)

£6.0m

(2018: £7.5m)

15	16	17	18	19
12.8	10.4	10.3	7.5	6.0

1 Expectations upgraded in the full year trading update on 7 May 2019

2 Profit before tax £3.5 million (2018: £2.3 million) plus transaction costs £1.2 million (2018: £1.4 million) and amortisation of intangible assets arising on acquisitions £2.4 million (2018: £1.9 million)

3 See reconciliation in note 9

4 Profit before tax £3.5 million (2018: £2.3 million) plus interest £0.5 million (2018: £0.5 million), transaction costs £1.2 million (2018: £1.4 million), amortisation of intangible assets arising on acquisitions £2.4 million (2018: £1.9 million), software amortisation £0.2 million (2018: £0.2 million), depreciation £0.6 million (2018: £0.5 million) and share-based payments £0.1 million (2018: £0.3 million)

Business model

Our aims

- Provide our clients with innovative and entrepreneurial advice and solutions.
- Ensure that our people enjoy working for the group, can develop their talents and fulfil their potential.

Our key strengths

People
- Highly experienced and qualified professionals
- Local knowledge
- Entrepreneurial approach

Clients and relationships
- Diverse client base
- Enduring relationships

Know how
- Creative, problem-solving expertise
- Established business practices
- Market knowledge
- Brand and reputation

Financial
- Strong financial position enabling investment in and development of the group

Our activities

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

65%

20%

15%

Profile reflects current group structure including annualised impact of recent acquisitions.

- Increase shareholder value through increasing the scale and quality of our operating businesses, growing earnings per share and paying dividends.

Counter-cyclical activities

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

Cyclical activities

- Corporate finance
- Commercial property agency
- Valuation of property, businesses, machinery and business assets
- Transport planning and design

Uncorrelated activities

- Property auctions
- Machinery and other business asset sales
- Commercial property management
- Building consultancy
- Due diligence and transaction support
- Forensic accounting and investigations

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

Our strategy

Be a **trusted advisor** to all of our clients, delivering innovative and entrepreneurial advice and solutions.

Increase the **scale and quality** of our businesses through both:

Organic growth
- recruitment of new talent;
- retention and development of our existing partners and employees;
- 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.

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

Deliver **sustainable profitable growth,** enabling increased shareholder value.

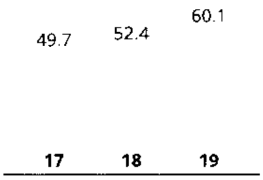
Maintain our **strong financial position**, enabling the investment in and development of the group and its people.

Our key performance indicators

How we have performed

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

REVENUE (£m)



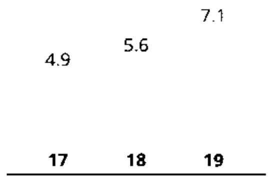
£60.1m

(2018: £52.4m)

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)



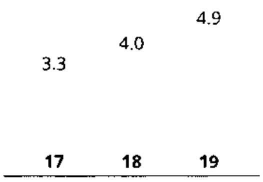
£7.1m

(2018: £5.6m)

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)



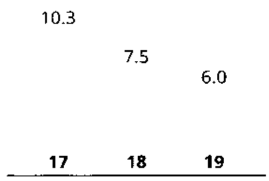
4.9p

(2018: 4.0p)

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

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

NET DEBT (£m)



£6.0m

(2018: £7.5m)

The measure
Borrowings net of cash balances

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

Operating and finance review

Ric Traynor
Executive chairman

Nick Taylor
Group finance director

Business recovery and financial advisory services

REVENUE (£m)

£43.3m

(2018: £38.3m)

17	18	19
36.2	38.3	43.3

SEGMENTAL PROFITS (£m)

£8.7m

(2018: £7.6m)

17	18	19
7.4	7.6	8.7

Property services

REVENUE (£m)

£16.7m

(2018: £14.2m)

17	18	19
13.5	14.2	16.7

SEGMENTAL PROFITS (£m)

£3.8m

(2018: £3.1m)

17	18	19
2.9	3.1	3.8

Business recovery and financial advisory services

Revenue increased by 13.2% to £43.3 million (2018: £38.3 million), reflecting the benefit of increased market activity levels; the continuing development of our advisory services, with the prior year acquisition of Springboard Corporate Finance; and the benefit of organic growth initiatives.

Operating costs increased by £3.9 million to £34.6 million (2018: £30.7 million) principally as a result of costs associated with acquired businesses, organic investment and increased people costs.

Segmental profits[1] increased by 14.5% to £8.7 million (2018: £7.6 million) with margins of 20.0% (2018: 19.8%).

Insolvency volumes nationally increased, with the underlying number of corporate insolvencies[2] in calendar year 2018 growing by 10% to 16,106 (2017: 14,630). In this improving market, we have maintained our market share, continuing to take the largest number of corporate insolvency appointments in the UK.

We have strengthened our team through the recruitment of work-winning senior people and continued to develop our existing teams. We also completed the acquisition of two insolvency boutiques (KRE (North East) in Newcastle and Dunion & Co in Stoke-on-Trent) with seven partners and staff joining the group and integrating with our existing teams.

Our advisory activities increased in the year, benefiting from the full year impact of the acquisition of Springboard Corporate Finance. The team performed well in the year, advising on 15 completed transactions for a gross value of £117 million.

The number of people employed in the division has increased to 364 as at 30 April 2019 from 351 at the start of the financial year.

1 See note 4

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

Property services

Revenue increased by 18.2% to £16 7 million (2018: £14.2 million), with strong financial performance across the division reflecting the benefit of both current and prior year acquisitions, organic growth initiatives and the completion of several property insolvencies. Operating costs increased by £1.8 million to £12.9 million (2018. £11.1 million) due to acquired businesses and organic investment costs.

Segmental profits[1] increased to £3.8 million (2018: £3.1 million) with margins increasing to 22.5% (2018: 22.1%).

During the year we completed several long-running property insolvencies, which enhanced margin in the year. We have continued to invest in our property valuation team, through the recruitment of experienced surveyors, which has improved our geographical coverage and positions the business well for future years.

Our asset disposal teams performed well. Property auction levels were broadly in line with the prior year We continue to complete the majority of our sales through in-room auctions but have during the year introduced an online platform Machinery and business asset activity levels increased following our prior year acquisition of the CJM Asset Management business, which has integrated well with our existing team.

The building consulting team had a very successful year, increasing our instructions from the education sector which has been a key area of development. We have increased the size of our team through recruitment and it is well positioned to continue to grow.

The division completed two acquisitions in the year, which have increased both our expertise and geographical coverage.

In January 2019, we completed the acquisition of Croft Transport Planning & Design ('Croft'), with the ten employees and management joining our Manchester office Croft provides highways, transport and traffic planning advice on commercial, residential and mixed-use schemes to a corporate client base, which includes developers, house builders and land owners. This expands the consultancy services we can offer to real estate developers and corporate clients.

In April 2019, we acquired Barker Storey Matthews ('BSM'), an independent firm of chartered surveyors with offices in Cambridge, Huntingdon, Peterborough and Bury St Edmunds, with 38 employees joining Eddisons. The core services offered are commercial property agency, property management, building consultancy, professional services (including valuations) and planning services, consistent with our core service offerings. BSM was ranked the overall winner for Eastern England in the EG Deals Competition 2018 for commercial property agents. The addition of the BSM team expands our geographical coverage.

The number of people employed in the division has increased to 245 as at 30 April 2019 from 182 at the start of the financial year.

Partners and employees

As at 30 April 2019, the group employed a total of 650 partners and staff (2018. 576); this comprises 486 fee earners and 164 support staff.

1 See reconciliation in note 4

Financial summary

	2019 £m	2018 £m
Revenue	**60.1**	52.4
Operating profit (before transaction costs and amortisation)	**7.6**	6.1
Interest costs	**(0.5)**	(0.5)
Adjusted profit before tax	**7.1**	5.6
Transaction costs	**(1.2)**	(1.4)
Amortisation of intangible assets arising on acquisitions	**(2.4)**	(1.9)
Profit before tax	**3.5**	2 3
Tax	**(1.1)**	(0.9)
Profit for the year	**2.4**	1.4

Operating result (before transaction costs and amortisation)

Revenue in the year increased by £7.7 million to £60.1 million (2018. £52.4 million), an overall increase of 14.5% in the year, of which 8.6% was organic and 5.9% was acquired.

Operating margins increased in the year to 12.6% (2018. 11.6%), due to increased segmental margins in both divisions and the benefit of operating leverage as the business has grown. Operating profit increased by 24.7% to £7 6 million (2018: £6.1 million).

Adjusted profit before tax increased by £1.5 million to £7.1 million (2018 £5.6 million), an increase of 26.7% in the year as a result of the increased operating profits with interest costs in line with the prior year.

IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have been implemented with effect from 1 May 2018. The adoption of these standards had a minimal impact on reported revenue, profit and earnings per share in the current year. We have applied these standards using the retrospective application method, giving an opening adjustment to retained earnings rather than a restatement of prior periods. This is detailed further in note 1.

Tax

The overall tax charge for the year was £1.1 million (2018: £0.9 million), giving an effective rate of 31% (2018: 38%). This comprised a charge on adjusted profit before tax of £1.6 million (2018 £1.3 million), partially offset by a tax credit resulting from transaction costs and amortisation of £0.5 million (2018 £0 4 million). The tax rate on adjusted profits was 22%, in line with the prior year.

Operating and finance review continued

Earnings per share

Adjusted basic earnings per share[1] increased by 22.5% to 4.9 pence (2018: 4.0 pence). Basic earnings per share increased to 2.2 pence (2018: 1.3 pence).

Acquisitions

During the year the group completed four acquisitions:

- Croft Transport Planning & Design on 31 January 2019 for initial consideration of £1.5 million (£1.125 million in cash and the issue of 640,150 new ordinary shares) with a maximum additional cash payment of £2.5 million subject to financial performance in the five year period following the acquisition.
- KRE (North East) on 13 February 2019 for initial consideration of £0.45 million (in cash) with a maximum additional cash payment of £0.15 million subject to financial performance in the one year period following the acquisition.
- Dunion & Co on 1 March 2019 for initial consideration of £0.1 million (in cash) with a maximum additional cash payment of £0.1 million subject to financial performance in the two year period following the acquisition.
- Barker Storey Matthews on 5 April 2019 for initial consideration of £1.6 million (£1.067 million in cash and the issue of 844,290 new ordinary shares) with a maximum additional cash payment of £1.4 million subject to financial performance in the three year period following the acquisition.

The net cash outflow from acquisitions in the year was £1.2 million, comprising the cash consideration of £2.7 million net of cash acquired of £1.5 million.

The acquired businesses have performed in line with expectations in the post-acquisition period and the integration with our existing businesses is progressing well.

A proportion of the consideration payable for these acquisitions requires post-acquisition service obligations to be performed by the selling shareholders. These amounts are accounted for as deemed remuneration and charged to the consolidated statement of comprehensive income over the period of the service obligation. The value of net assets acquired exceeds the accounting value of consideration and consequently a gain of £2.9 million has been recognised within transaction costs in the year.

Financing

Net debt at the year end reduced to £6.0 million (2018: £7.5 million). This reflected cash generated from operations in the year of £7.3 million (2018: £7.5 million) partially offset by investment in acquisitions (net of cash acquired), deferred consideration payments and capital expenditure of £3.2 million (2018: £2.4 million) and dividends paid of £2.6 million (2018: £2.4 million).

During the year, we agreed an extension to our banking facilities with HSBC, which now provides the group with a committed facility until 2023. These facilities are unsecured, mature on 31 August 2023 and comprise a £25 million committed revolving credit facility and a £5 million uncommitted acquisition facility.

During the year, all bank covenants were comfortably met and the group remains in a strong financial position. As a result of the reduced levels of debt together with increased profits, our leverage (calculated as net debt to EBITDA*) improved to 0.7 times (2018: 1.1 times).

Net assets

At 30 April 2019 net assets were £59.7 million (2018: £59.1 million). The movement in net assets reflects an increase of £2.9 million from post-tax adjusted earnings of £5.5 million net of dividends of £2.6 million; £2.2 million from the issue of new shares, principally in relation to acquisitions; offset by a reduction of £1.4 million from the adoption of IFRS 15 and IFRS 9 at 1 May 2018 (see note 1) and the post-tax impact of acquisition-related transaction and amortisation costs of £3.1 million.

* Profit before tax £3.5 million (2018: £2.3 million) plus interest £0.5 million (2018: £0.5 million), transaction costs £1.2 million (2018: £1.4 million) and amortisation of intangible assets arising on acquisitions £2.4 million (2018: £1.9 million), software amortisation £0.2 million (2018: £0.2 million), depreciation £0.6 million (2018: £0.5 million) and share-based payments £0.1 million (2018: £0.3 million).

Principal risks and uncertainties

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

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

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

Going concern

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

Ric Traynor
Executive chairman
8 July 2019

Nick Taylor
Group finance director
8 July 2019

Chairman's introduction

"The board is committed to maintaining high standards of governance."

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. During the year, we have formalised our governance policies by adopting the QCA Corporate Governance Code ('the QCA Code').

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.

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

We have a clear approach to governance and risk management with a highly experienced leadership team in executive and senior management positions together with robust compliance and governance procedures. We are committed to a culture which ensures that our people enjoy working for the group, can develop their talents and fulfil their potential with us.

In the following sections we have provided details on our approach to governance and the adoption of the QCA Code, including reports from the audit and remuneration committees. I believe that the adoption of the QCA Code will contribute to our ability to deliver long-term shareholder value and assist 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 www.begbies-traynorgroup.com/investor-relations/company-information

Ric Traynor
Executive chairman

Board of directors

Ric Traynor (age 59)
Executive chairman

Appointment date: May 2004

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

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

Nick Taylor (age 48)
Group finance director

Appointment date: December 2010

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

Mark Fry (age 51)
Head of business recovery and advisory

Appointment date: July 2011

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

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

John May (age 64)
Non-executive director

Appointment date: October 2007

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

Graham McInnes (age 67)
Non-executive director

Appointment date: September 2004

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

Mark Stupples (age 57)
Non-executive director

Appointment date: July 2017

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

Corporate governance statement

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

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

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

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

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

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

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

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

Board members
It is important that the board contains the right mix of skills and experience in order to deliver the strategy of the group. As such, the board is comprised of the executive chairman, two other executive directors and three 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 comprises an equal number of non-executive to executive directors, to offer robust and independent challenge of all board decision making, and has appointed Graham McInnes, one of its non-executive directors, as a 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 three 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 three NEDs are independent of management and have no business or other relationship which could interfere materially with the exercise of their judgement.

Company secretary

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

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

An evaluation of board performance was conducted during the year facilitated by the company secretary. This was the first evaluation that we have completed following the adoption of the QCA Code. The process involved the completion of a questionnaire by each director focussed on the ten principles of the QCA Code.

The results were then discussed by the board collectively with areas for development being agreed. These included developing and aligning the group around a single key vision; prioritising investor relations and shareholder and market feedback; and conducting a review of the group's current CSR initiatives. The evaluation also considered the need for the board to allocate time to hold a strategy review to assess the board's long-term vision and strategy.

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.

The board met six times during the year. Attendance at meetings during the financial year is shown in the table below:

Director	Board meetings attended	Meetings eligible to attend
Ric Traynor	6	6
Nick Taylor	6	6
Mark Fry	5	6
John May	6	6
Graham McInnes	5	6
Mark Stupples	6	6

Date on which this information was last reviewed: 8 July 2019.

Audit committee report

Graham McInnes
Chairman of the audit committee

On behalf of the board I am pleased to present the audit committee report for the year ended 30 April 2019

Members of the audit committee

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

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

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

Duties

During the year the committee discharged its responsibilities by:

- approving the external auditor's plan for the audit of the group's annual financial statements, including key audit matters, key risks, confirmation of auditor independence and terms of engagement and audit fees,
- reviewing the group's draft annual report and accounts and the external auditor's detailed audit completion report including the consideration of key audit matters and risks;
- reviewing the group's half year and full year results announcements;
- reviewing a report by management relating to the adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' in this financial year. Following discussions with management and the external auditor the committee approved the adoption and disclosures of these revised accounting policies,
- reviewing the performance of the external auditor, and
- reviewing the group's risk management process including the group's key risks and mitigations.

Role of the external auditor

The committee monitors the relationship with the external auditor, BDO, to ensure that auditor independence and objectivity are maintained BDO has been the company's auditor since 2017, which followed a tender process. The committee will keep under review the need for a further external tender. Any instruction for BDO to provide non-audit services to the group must be approved in advance by the committee Fees payable to BDO for non-audit services provided during the year were £34,400.

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

Audit process

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

Internal audit

The committee has considered the need for an internal audit function and concluded that management is currently able to derive sufficient assurance on the adequacy and effectiveness of internal controls without one at this time.

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. Reforecasting is undertaken when variances are material and, if adverse, cannot be eliminated by such action.

The principal risks and uncertainties faced by the group, together with mitigating activities, are disclosed in the strategic report on page 13.

Attendance at audit committee meetings

The committee met three times during the year and reports to the board following each meeting Attendance at meetings during the financial year is shown in the table below

Committee member	Meetings attended	Meetings eligible to attend	% of meetings attended
Graham McInnes	3	3	100
John May	3	3	100

Graham McInnes
Chairman of the audit committee
8 July 2019

Remuneration committee report

John May
Chairman of the remuneration committee

Remuneration committee report

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

Members of the remuneration committee

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

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

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

Policy

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

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

Directors' remuneration

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

The executive bonus scheme, which is applicable to Ric Traynor and Nick Taylor, pays a percentage of salary/fixed profit share based on maintaining or growing the group's adjusted earnings per share in the year, with a maximum bonus payable for growth of at least 20%. Full bonus payments were achieved in the year.

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

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

Long-term incentive plans

The share-based incentive scheme which has been put in place for some of the executive directors seeks to incentivise the relevant executive directors to enhance shareholder value through growing the group's share price. Details of the group's share-based incentive schemes are set out on page 54 with a proportion of such awards also being conditional on delivering sustained growth in earnings and total shareholder return No additional awards under this scheme were made in the year

Non-executive directors

Non-executive directors' remuneration is determined by the board

Remuneration committee report continued

Directors' emoluments

Name of director	Directors' fees and profit share/salary £	Variable profit share £	Bonus £	Benefits in kind £	**2019 total £**	2018 total £
Executive						
Ric Traynor	323,312	—	225,000	26,683	**574,995**	573,737
Nick Taylor	200,000	—	95,000	1,183	**296,183**	296,072
Mark Fry	15,000	958,920	—	30,000	**1,003,920**	684,979
Non-executive						
John May	40,000	—	—	—	**40,000**	40,000
Graham McInnes	40,000	—	—	—	**40,000**	40,000
Mark Stupples	40,000	—	—	—	**40,000**	32,290
Aggregate emoluments	658,312	958,920	320,000	57,866	**1,995,098**	1,667,078

Directors' share options

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

Name of director	Number at 1 May 2018	Granted in year	Exercised in year	Expired in year	**Number at 30 April 2019**	Exercise price (pence)	Earliest exercise date	Expiry date
Mark Fry	1,000,000	—	—	—	**1,000,000**	36.7	30 April 2016	25 October 2023
Nick Taylor	125,000	—	(125,000)	—	**—**	36.7	30 April 2016	25 October 2023
	250,000	—	—	—	**250,000**	51.0	25 July 2017	25 July 2024
	500,000	—	—	—	**500,000**	63.1	31 October 2020	31 October 2028

The market price of the company's shares at the end of the financial year was 60 pence and the range of market prices during the year was 58 pence to 75 pence.

Details of share options granted by the company at 30 April 2019 are given in note 19. None of the terms and conditions of the share options were varied in the year. Gains on options exercised in the year were £44,763.

Directors' interests

The directors who held office at 30 April 2019 had the following interests in the shares of the group:

		30 April 2019		1 May 2018	
Name of directors	Description of shares	**number**	**%**	number	%
Ric Traynor	Ordinary shares	**27,178,980**	**23.77**	27,178,980	24.68
Nick Taylor	Ordinary shares	**117,540**	**0.10**	80,798	0.07
Mark Fry	Ordinary shares	**127,466**	**0.11**	127,466	0.12
John May	Ordinary shares	**276,574**	**0.24**	276,574	0.25
Graham McInnes	Ordinary shares	**917,432**	**0.80**	917,432	0.83
Mark Stupples	Ordinary shares	**30,727**	**0.03**	—	—

No changes took place in the interests of directors between 30 April 2019 and 8 July 2019.

John May
Chairman of the remuneration committee
8 July 2019

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 2019. 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.

Directors

The names and brief biographical details of the directors are shown on page 15.

Risks and uncertainties

The principal business risks and uncertainties to which the company is exposed are detailed on page 13 of the strategic report.

Dividends

The directors recommend a final dividend of 1.8 pence (2018: 1.7 pence per ordinary share) to be paid on 7 November 2019 to shareholders on the register at 11 October 2019. This, together with the interim dividend of 0.8 pence paid on 9 May 2019 (2018: 0.7 pence), makes a total dividend of 2.6 pence for the year (2018: 2.4 pence).

Substantial shareholdings

On 1 July 2019, the company had been notified, in accordance with sections 791 to 828 of the Companies Act 2006, of the following interests in the ordinary share capital of the company:

Name of holder	Number	Percentage held
Hof Hoorneman Bankiers	11,848,158	10.35
Fidelity International	9,077,452	7.93
OVMK Vermogensbeheer	6,984,326	6.10
Close Brothers Asset Management	5,912,296	5.16
Allianz Global Investors	4,074,940	3.56
Nordea Asset Management	3,574,547	3.13

Other than the above holdings and those of the directors (see page 20), 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 17.

Capital structure

Details of the issued share capital, together with details of the movements in share capital during the year, are shown in note 18.

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.

Employee involvement

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

Employees are able to share in the group's success through membership of our Sharesave scheme. Sharesave is a HMRC-approved save-as-you-earn share option scheme, which allows participants to purchase shares out of the proceeds of a linked savings contract at a price set at the time of the option grant. Participants may elect to save up to £250 per month and options may normally be exercised in the six months following the maturity of the linked three year savings contract.

Social policies

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

Auditor

Each of the directors at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

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

John Humphrey
Company secretary
8 July 2019

Directors' responsibilities statement

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

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

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

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

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

Website publication

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

Independent auditor's report

to the members of Begbies Traynor Group plc

Opinion

We have audited the financial statements of Begbies Traynor Group Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 April 2019 which comprise the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement, the Company balance sheet, the Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard in the United Kingdom and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion,

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 April 2019 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Independent auditor's report continued

to the members of Begbies Traynor Group plc

Key audit matters

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

Carrying value of goodwill

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 46.

In accordance with IAS 36, an annual impairment review of goodwill (see note 10) is required at each year end.

The impairment assessment is performed by management based on comparing the value in use to the carrying value of goodwill. This calculation involves a number of management judgements and estimates, and as such holds the potential for bias or error. Management's assessment found significant headroom and concluded no impairment was required

Furthermore, the £50.2m goodwill figure held in the statement of financial position at the year end is highly material and there is a risk that this value may not be supported.

How we addressed the Key Audit Matter in the audit

- Management prepared impairment calculations based on the forecasts of the insolvency cash-generating unit (CGU), to which all the goodwill belongs. We reviewed the methodology applied by management to ensure consistency with prior year calculations.
- We reviewed the assumptions used within the forecast figures for the insolvency CGU We compared these to the actual results of this CGU in the financial year ended 30 April 2019, investigating and challenging management on any unusual or significant movements expected going forward.
- We reviewed the key assumptions made within the calculation. The key assumptions are considered to be the weighted average cost of capital (WACC), the growth rate applied to the calculations and the economic cycles assumed in the model (based on historical trends) as this drives volumes forecast for the Insolvency practice, which is counter-cyclical to the general economic environment in the UK.
- We engaged the use of an internal auditor's expert to consider the appropriateness of managements WACC estimate, and whether it was reasonable for use in this calculation.
- Management applied sensitivity analysis to those assumptions, see note 10. We tested those sensitivity calculations and applied our own sensitivity analysis to the key assumptions to consider the headroom available.

Revenue and unbilled income recognition

The Group's revenue recognition policy is set out in note 2 of these financial statements.

In line with auditing standards, there is a presumed significant risk of fraud in relation to revenue recognition. We have considered the application of the Group revenue recognition policies and determined that the significant risk in the period is that of the overstatement of unbilled income recorded at year end through either the manipulation of provisions for unrecoverable amounts or cut-off of employee costs incurred around year end, from which unbilled income balances are calculated. As noted in the accounting policies (note 2 (j)), judgements are formed over a large portfolio of cases meaning individual judgements are not material, however, as a result of the large number of insolvency cases being handled by the Group, the aggregate balance of unbilled income is significant. As a result of the significant level of estimation involved in the balance there is potential for material misstatement and significant audit work was performed in this area.

How we addressed the Key Audit Matter in the audit

- We tested a key control to ensure that there is sufficient challenge placed by the group finance team on monthly unbilled income estimates and judgements, including provisions. Group finance review and challenge that key estimates and provisions against unbilled income are appropriately calculated, each month, by individual insolvency practitioners and fee earners. We have attended a sample of monthly finance review meetings and observed the level of challenge and follow up of individual cases, which provides assurance over the internal control in place.
- A sample of year end unbilled income balances was tested through questionnaires being issued to the fee earners and then reviewing their responses and associated evidence e.g. creditors resolutions, property valuations, balances held in bank accounts, against the year end position set out.
- We re-performed the stage of completion calculations for a sample of cases and robustly challenged the judgements and estimates made by management in relation to the status of cases and ultimate recovery of fees.
- We performed cut-off testing around the year end to ensure revenue had been recognised in the correct period.
- We also reviewed the stage of completion estimates made in the prior years for a sample of cases and assessed their accuracy based on actual outcomes.
- We performed a high level review of the ageing of year end unbilled income, to evaluate movements in ageing from the prior year and confirm the ageing profile is in line with our understanding of the business.

Our application of materiality

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

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

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

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

Group materiality	**£350,000 (2018: £275,000)**
Group performance materiality	£245,000 (2018: £192,500)
Parent Company materiality	£260,000 (2018. £205,000)
Parent Company performance materiality	£182,000 (2018: £153,750)
Basis for Group materiality	5% of adjusted profit before tax
Rationale for the benchmark adopted	Begbies Traynor Group plc is AIM listed, with profit making intentions, and significant investors external to the Group. Adjusted profit is considered to be the key KPI for the Group and as such a profit based materiality basis is considered appropriate We adjusted for amortisation and transaction costs as these costs do not specifically relate to any underlying operating activities. The adjusted figure gives a more appropriate basis in line with a benchmark used for business decision making and used by the investor/shareholder community.

For each component in the Group audit we allocated a materiality lower than our overall Group materiality and used £260,000 (2018: £185,000) as a maximum component materiality with a restriction of 75% for performance materiality.

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 £14,000 (2018: £13,750). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

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

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

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

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

Other information

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

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

Independent auditor's report continued

to the members of Begbies Traynor Group plc

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

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

Mark Langford (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Leeds
8 July 2019

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

Consolidated statement of comprehensive income

for the year ended 30 April 2019

	Notes	2019 £'000	2018 £'000
Revenue	3	**60,058**	52,441
Direct costs		**(34,276)**	(30,141)
Gross profit		**25,782**	22,300
Other operating income		**393**	400
Administrative expenses		**(22,163)**	(19,922)
Operating profit (before amortisation and transaction costs)		**7,553**	6,059
Transaction costs	5	**(1,180)**	(1,364)
Amortisation of intangible assets arising on acquisitions	10	**(2,361)**	(1,917)
Operating profit		**4,012**	2,778
Finance costs		**(486)**	(482)
Profit before tax		**3,526**	2,296
Tax	7	**(1,092)**	(872)
Profit and total comprehensive income for the year		**2,434**	1,424
Earnings per share			
Basic	9	**2.2 pence**	1.3 pence
Diluted	9	**2.1 pence**	1.3 pence

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

Consolidated statement of changes in equity

for the year ended 30 April 2019

	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
At 1 May 2017	5,640	22,335	18,507	—	11,618	58,100
Total comprehensive income for the year	—	—	—	—	1,424	1,424
Dividends	—	—	—	—	(2,356)	(2,356)
Credit to equity for equity-settled share-based payments	—	—	—	—	295	295
Own shares acquired in the year	(304)	—	—	304	(226)	(226)
Shares issued as consideration for acquisitions	101	—	1,374	—	—	1,475
Shares issued as deferred consideration	33	—	367	—	—	400
SIP shares issued	3	34	—	—	—	37
Other share options	35	420	—	—	(455)	—
At 30 April 2018	5,508	22,789	20,248	304	10,300	59,149
Adjustment for changes in accounting policy (note 2)	—	—	—	—	(1,448)	(1,448)
At 1 May 2018	5,508	22,789	20,248	304	8,852	57,701
Total comprehensive income for the year	—	—	—	—	2,434	2,434
Dividends	—	—	—	—	(2,649)	(2,649)
Credit to equity for equity-settled share-based payments	—	—	—	—	99	99
Shares issued as consideration for acquisitions	74	—	834	—	—	908
Shares issued as deferred consideration	93	—	1,107	—	—	1,200
SIP shares issued	1	7	—	—	—	8
Other share options	43	394	—	—	(437)	—
At 30 April 2019	**5,719**	**23,190**	**22,189**	**304**	**8,299**	**59,701**

A description of the nature and purpose of each reserve is included within note 27.

Consolidated balance sheet

at 30 April 2019

	Notes	**2019 £'000**	2018 £'000
Non-current assets			
Intangible assets	10	**59,392**	59,061
Property, plant and equipment	11	**1,766**	1,512
Trade and other receivables	12	**3,220**	1,759
		64,378	62,332
Current assets			
Trade and other receivables	12	**32,653**	30,829
Cash and cash equivalents		**4,009**	3,518
		36,662	34,347
Total assets		**101,040**	96,679
Current liabilities			
Trade and other payables	13	**(22,664)**	(17,268)
Current tax liabilities		**(1,976)**	(1,548)
Provisions	15	**(588)**	(783)
		(25,228)	(19,599)
Net current assets		**11,434**	14,748
Non-current liabilities			
Trade and other payables	13	**—**	(1,093)
Borrowings	14	**(10,000)**	(11,000)
Provisions	15	**(763)**	(414)
Deferred tax	16	**(5,348)**	(5,424)
		(16,111)	(17,931)
Total liabilities		**(41,339)**	(37,530)
Net assets		**59,701**	59,149
Equity			
Share capital	18	**5,719**	5,508
Share premium		**23,190**	22,789
Merger reserve		**22,189**	20,248
Capital redemption reserve		**304**	304
Retained earnings		**8,299**	10,300
Equity attributable to owners of the company		**59,701**	59,149

The financial statements of Begbies Traynor Group plc, registered number 5120043, were approved by the board of directors and authorised for issue on 8 July 2019. 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 2019

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities			
Cash generated by operations	21	**9,178**	9,065
Income taxes paid		**(1,362)**	(980)
Interest paid		**(489)**	(558)
Net cash from operating activities		**7,327**	7,527
Investing activities			
Purchase of intangible fixed assets	10	**(216)**	(77)
Purchase of property, plant and equipment	11	**(784)**	(394)
Deferred consideration payments		**(1,030)**	(1,132)
Acquisition of businesses (net of cash acquired)	20	**(1,167)**	(803)
Net cash used in investing activities		**(3,197)**	(2,406)
Financing activities			
Dividends paid	8	**(2,649)**	(2,356)
Proceeds on issue of SIP scheme shares		**10**	38
Repayment of loans		**(1,000)**	(6,000)
Net cash used in financing activities		**(3,639)**	(8,318)
Net increase (decrease) in cash and cash equivalents		**491**	(3,197)
Cash and cash equivalents at beginning of year		**3,518**	6,715
Cash and cash equivalents at end of year		**4,009**	3,518

Notes to the consolidated financial statements

for the year ended 30 April 2019

1. General information

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

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

2. Accounting policies

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

(a) Basis of accounting

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

The financial statements have been prepared on the historical cost basis and all accounting policies have been applied consistently throughout the current and preceding year, apart from those affected by the implementation of IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' as noted in (g) and (j) below. These impact the accounting policies for revenue and trade receivables.

Going concern

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

Furthermore, notes 14 and 17 to the financial statements include full details of the group's borrowings, in addition to the group's objectives and policies for managing its capital, its financial risk management objectives and its exposures to credit, interest rate and liquidity risk.

The group has principal committed banking facilities of £25 million, of which £6 million was utilised (£10 million drawn less £4 million of cash balances) at 30 April 2019.

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

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

Adjusted performance measures

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

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

(b) Basis of consolidation

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

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

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

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

Notes to the consolidated financial statements continued

for the year ended 30 April 2019

2. Accounting policies continued

(c) Business combinations

The acquisition of subsidiaries and businesses is accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree

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.

In accordance with the IFRS Interpretations Committee's interpretation of paragraph B55 of IFRS 3, the cost of the business combination excludes consideration which requires post-acquisition service obligations to be performed by the selling shareholders. These amounts are accounted for as deemed remuneration and are charged to the consolidated statement of comprehensive income over the period of the service obligation. Consideration paid in advance of the service obligation being delivered is 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.

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

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

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

(d) Intangible assets

Goodwill

Goodwill arising on consolidation is recognised as an asset.

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

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

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

Other intangible assets

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

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

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

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

2. Accounting policies continued

(e) Property, plant and equipment

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

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

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

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

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

(f) Impairment of tangible and intangible assets

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

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

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

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

(g) Financial instruments

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

Cash and cash equivalents

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

Trade and other receivables (excluding deemed remuneration)

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

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

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

Other receivables are stated at their fair value.

Trade and other payables

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

Notes to the consolidated financial statements continued

for the year ended 30 April 2019

2. Accounting policies continued

(g) Financial instruments continued

Financial liabilities and equity instruments

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

Equity instruments

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

Bank borrowings

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

(h) Provisions

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

(i) Leases

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

The group as lessee

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

The group as lessor

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

(j) Revenue recognition

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

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

The group recognises revenue from the following activities:

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

Insolvency and advisory services

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

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

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.

2. Accounting policies continued

(j) Revenue recognition continued

Insolvency and advisory services continued

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

In determining the amount of revenue and the related balance sheet items (such as trade receivables, unbilled income and deferred income) to recognise in the period, management is required to form a judgement on each individual contract of the total expected fees and total anticipated costs. These estimates and judgements may change over time as the engagement completes and this will be recognised in the consolidated statement of comprehensive income in the period in which the revision becomes known. These judgements are formed over a large portfolio of contracts and are therefore unlikely to be individually material.

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

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

Corporate finance services

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

Commercial property management

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

Property consultancy services

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

Commercial property and other business asset disposals

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

Financing component

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

(k) Borrowing costs

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

(l) Pensions and retirement benefits

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

(m) Share-based payments

Equity-settled share-based payments are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 19.

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.

(n) Dividends

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

Notes to the consolidated financial statements continued

for the year ended 30 April 2019

2. Accounting policies continued

(o) Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

The anticipated liability to the group under this option (as detailed in note 26) is charged to the consolidated statement of comprehensive income over the period of the contractual obligation, and included as a transaction cost within administrative expenses.

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

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

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

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

Goodwill

The group records all assets and liabilities acquired in business combinations, including goodwill, at fair value. Goodwill is not amortised but is subject, at a minimum, to annual tests for impairment The initial goodwill recorded and subsequent impairment review require management to make subjective judgements concerning the value in use of cash-generating units. This requires an estimate of the future cash flows expected to arise from the cash-generating unit and a suitable discount rate to calculate present value. Details of the assumptions made are provided in note 10.

(r) Other sources of estimation uncertainty

Intangible assets in a business combination

On the acquisition of a business the identifiable intangible assets may include brands, customer relationships, customer contracts, order backlogs and websites. The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset where no active market for the assets exists. The use of different assumptions for the expectations of future cash flows and the discount rate would change the valuation of the intangible assets, and the estimate of expected contingent consideration payable affects the resulting gain on acquisition recognised Details in relation to current year acquisitions are in note 20.

2. Accounting policies continued
(s) Recently issued accounting pronouncements
International Financial Reporting Standards
At the date of authorisation of these financial statements, the following relevant standards and interpretations were in issue but not yet effective and have not been applied in these financial statements:

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

IFRS 16 'Leases'
IFRS 16 'Leases' replaces IAS 17 'Leases' and its related interpretations. IFRS 16 establishes new principles for the recognition, measurement, presentation and disclosure of leases and is effective for the group from 1 May 2019.

Prior to this date, all of the group's leases where the group is a lessee were operating leases. The group recognised a charge in the income statement based on straight-line recognition of the lease payments payable on each lease, after adjustment for lease incentives received.

IFRS 16 requires lessees to recognise a lease liability in respect of the obligation to make lease payments and a right-of-use asset in respect of the lessee's right to the exclusive use and control of the asset. In the income statement, the operating lease charge as recognised under the current rules will be replaced with a straight-line depreciation charge on the right-of-use asset and an interest cost on the lease liability. Under IFRS 16, the lease payments will be charged directly against the lease liability.

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

The group has assessed the impact of the application of this standard, and expects to recognise lease liabilities of between £9 million and £10 million and recognise right-of-use assets of between £8 million and £9 million.

The group expects there to be minimal impact on statutory and adjusted profit before tax as a result of adopting this new standard.

The group's activities as a lessor are not material and hence the group does not expect any significant impact on the financial statements with respect to sub-leasing activities.

(t) Adoption of new accounting standards
The following standards became effective in the financial year commencing 1 May 2018 and have been applied using the retrospective application method, giving an opening adjustment to retained earnings rather than a restatement of prior periods. The comparative information is not restated, and is therefore presented in line with the accounting standard applicable in the comparative year.

IFRS 15 'Revenue from Contracts with Customers'
IFRS 15 introduces a new model for revenue recognition, which is based upon the transfer of control rather than the transfer of risks and rewards under IAS 18 'Revenue'. On the majority of the group's engagement types the point at which revenue is recognised has not changed, as the point of transfer of control under IFRS 15 (which determines revenue recognition) is the same as the point of transfer of risks and rewards (which determines revenue recognition under IAS 18).

However, on two of the group's engagement types, the adoption of IFRS 15 has resulted in a change in revenue recognition as either:

- IFRS 15 requires the group to have enforceable rights to payment to meet recognition criteria for revenue having satisfied a performance obligation. On a number of contracts the group may not have enforceable rights to payment at the early stage of the contract and revenue will not be recognised until these rights are in place; or
- IFRS 15 requires certain contracts to be combined, where they are entered into at or near the same time, with the same customer and negotiated with a single commercial objective or a single performance obligation.

The accounting policy for revenue recognition under IFRS 15 is provided in note 2(j). This replaces the previous accounting policy (applied in the comparative year) under IAS 18 of:

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

Notes to the consolidated financial statements continued

for the year ended 30 April 2019

2. Accounting policies continued

(t) Adoption of new accounting standards continued

IFRS 15 'Revenue from Contracts with Customers' continued

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

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

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

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

IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities The introduction of IFRS 9 impacts the group's accounting policy for trade receivables, where we have moved to an expected loss method of providing for future impairment. This replaces the previous accounting policy (applied in the comparative year) to initially recognise trade receivables at fair value, and then subsequently state at amortised cost less allowances for estimated irrecoverable amounts. There was no reclassification adjustment upon transition to IFRS 9.

Opening adjustment to retained earnings

The adoption of these standards at 1 May 2018 reduced trade and other receivables by £1.8 million and increased deferred tax assets by £0.4 million, giving a reduction in net assets of £1.4 million.

The tables below show the impact of adopting these new accounting policies in the year

Consolidated statement of comprehensive income

	As reported 30 April 2019 £'000	IFRS 15 adjustment £'000	IFRS 9 adjustment £'000	**Balances without adoption of new standards 30 April 2019 £'000**	Year ended 30 April 2018 £'000
Revenue	60,058	15	—	**60,073**	52,441
Direct costs	(34,276)	—	—	**(34,276)**	(30,141)
Gross profit	25,782	15	—	**25,797**	22,300
Other operating income	393	—	—	**393**	400
Administrative expenses	(22,163)	—	31	**(22,132)**	(19,922)
Operating profit before amortisation and transaction costs	7,553	15	31	**7,599**	6,059
Transaction costs	(1,180)	—	—	**(1,180)**	(1,364)
Amortisation	(2,361)	—	—	**(2,361)**	(1,917)
Operating profit	4,012	15	31	**4,058**	2,778
Finance costs	(486)	—	—	**(486)**	(482)
Profit before tax	3,526	15	31	**3,572**	2,296
Tax	(1,092)	(3)	(6)	**(1,101)**	(872)
Profit and total comprehensive income for the year	2,434	12	25	**2,471**	1,424
Earnings per share					
Basic	2.2 pence			**2.2 pence**	1 3 pence
Diluted	2.1 pence			**2.1 pence**	1.3 pence

2. Accounting policies continued
(t) Adoption of new accounting standards continued
Opening adjustment to retained earnings continued

Consolidated balance sheet

	As reported 30 April 2019 £'000	IFRS 15 adjustment £'000	IFRS 9 adjustment £'000	**Balances without adoption of new standards 30 April 2019 £'000**	30 April 2018 £'000
Non-current assets	64,378	—	—	**64,378**	62,332
Current assets					
Trade and other receivables	32,653	1,261	391	**34,305**	30,829
Cash and cash equivalents	4,009	—	—	**4,009**	3,518
	36,662	1,261	391	**38,314**	34,347
Total assets	101,040	1,261	391	**102,692**	96,679
Current liabilities					
Trade and other payables	(22,664)	182	—	**(22,482)**	(17,268)
Current tax liabilities	(1,976)	(3)	(6)	**(1,985)**	(1,548)
Provisions	(588)	—	—	**(588)**	(783)
	(25,228)	179	(6)	**(25,055)**	(19,599)
Net current assets	11,434	1,440	385	**13,259**	14,748
Non-current liabilities					
Trade and other payables	—	—	—	—	(1,093)
Borrowings	(10,000)	—	—	**(10,000)**	(11,000)
Provisions	(763)	—	—	**(763)**	(414)
Deferred tax	(5,348)	(271)	(67)	**(5,686)**	(5,424)
	(16,111)	(271)	(67)	**(16,449)**	(17,931)
Total liabilities	(41,339)	(92)	(73)	**(41,504)**	(37,530)
Net assets	59,701	1,169	318	**61,188**	59,149

Notes to the consolidated financial statements continued

for the year ended 30 April 2019

3. Revenue

Revenue recognised in the year of £60,058,000 (2018: £52,441,000) was exclusively from contracts with customers recognised in accordance with IFRS 15. An analysis of revenue by nature of activity and recognition method is detailed in note 4.

The contract balances recognised are:

	2019 £'000	2018 £'000
Contract assets		
Trade receivables	**6,485**	5,658
Unbilled income	**21,310**	21,719
	27,795	27,377
Contract liabilities		
Deferred income	**(3,338)**	(1,807)

The movement in contract assets in the year comprises: £1.8 million reduction upon adoption of IFRS 9 and IFRS 15 at 1 May 2018, £1.1 million increase from acquisitions in the year and £1.1 million increase due to organic growth in the year.

Revenue recognised in the year that was included in deferred income at the beginning of the year was £1.1 million. The increase in deferred income in the year relates to formal insolvency appointments.

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

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

4. Segmental analysis

The group's operating segments are established on the basis of the components of the group that are evaluated regularly by the chief operating decision maker. The group is managed as two operating segments: business recovery and financial advisory services, and property services.

In accordance with IFRS 15, the analysis of revenue by basis of recognition and by service line is presented for 2019 following adoption of the new standard on 1 May 2018.

4. Segmental analysis continued

Segmental information about these businesses is presented below.

Continuing operations	Business recovery and financial advisory services 2019 £'000	Property services 2019 £'000	Consolidated 2019 £'000
Revenue			
Total revenue from rendering of professional services	43,313	16,903	60,216
Inter-segment revenue	—	(158)	(158)
Revenue from external customers	43,313	16,745	60,058
Over time	40,459	2,098	42,557
At a point in time	2,854	14,647	17,501
Revenue from external customers by basis of recognition	43,313	16,745	60,058
Insolvency and advisory services	40,459	—	40,459
Corporate finance	2,854	—	2,854
Commercial property management	—	2,098	2,098
Property consultancy services	—	8,921	8,921
Commercial property and other business asset disposals	—	5,726	5,726
Revenue from external customers by service line	43,313	16,745	60,058
Segmental result	8,658	3,765	12,423
Shared and central costs			(4,870)
Operating profit before amortisation and transaction costs			7,553
Transaction costs			(1,180)
Amortisation of intangible assets arising on acquisitions			(2,361)
Operating profit			4,012
Finance costs			(486)
Profit before tax			3,526
Tax			(1,092)
Profit for the financial year			2,434
Balance sheet			
Assets			
Segment assets	83,440	13,591	97,031
Unallocated corporate assets			4,009
Consolidated total assets			101,040
Liabilities			
Segment liabilities	(16,035)	(7,980)	(24,015)
Unallocated corporate liabilities			(17,324)
Consolidated total liabilities			(41,339)
Net assets			59,701

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

Notes to the consolidated financial statements continued

for the year ended 30 April 2019

4. Segmental analysis continued

	Business recovery and financial advisory services 2019 £'000	Property services 2019 £'000	Consolidated 2019 £'000
Other information			
Non-current assets additions from acquisitions	**432**	**2,274**	**2,706**
Capital and software additions	**941**	**59**	**1,000**
Depreciation and software amortisation	**618**	**142**	**760**

	Business recovery and financial advisory services 2018 £'000	Property services 2018 £'000	Consolidated 2018 £'000
Revenue			
Total revenue from rendering of professional services	38,273	14,288	52,561
Inter-segment revenue	—	(120)	(120)
External revenue	38,273	14,168	52,441
Segmental result	7,563	3,132	10,695
Shared and central costs			(4,636)
Operating profit before amortisation and transaction costs			6,059
Transaction costs			(1,364)
Amortisation of intangible assets arising on acquisitions			(1,917)
Operating profit			2,778
Finance costs			(482)
Profit before tax			2,296
Tax			(872)
Profit for the financial year			1,424
Balance sheet			
Assets			
Segment assets	85,928	7,233	93,161
Unallocated corporate assets			3,518
Consolidated total assets			96,679
Liabilities			
Segment liabilities	(15,085)	(4,473)	(19,558)
Unallocated corporate liabilities			(17,972)
Consolidated total liabilities			(37,530)
Net assets			59,149

4. Segmental analysis continued

	Business recovery and financial advisory services 2018 £'000	Property services 2018 £'000	Consolidated 2018 £'000
Other information			
Non-current assets additions from acquisitions	2,276	444	2,720
Capital and software additions	412	59	471
Depreciation and software amortisation	545	125	670

Geographical segments

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

5. Profit for the year

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

	2019 £'000	2018 £'000
Depreciation of property, plant and equipment	**563**	488
Amortisation of intangible assets	**2,558**	2,099
Staff costs (note 6)	**34,673**	31,121
Operating lease rentals payable	**2,754**	2,687
Impairment of receivable balances (note 12)	**276**	466
Reversal of impairment losses recognised on trade receivables (note 12)	**(195)**	(247)

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

	2019 £'000	2018 £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	**30**	30
Fees payable to the company's auditor and its associates for other services to the group		
– the audit of the company's subsidiaries pursuant to legislation	**82**	74
Total audit fees	**112**	104
– other advisory services	**34**	8
Total non-audit fees	**34**	8

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

	2019 £'000	2018 £'000
Deemed remuneration	**2,806**	1,678
Acquisition costs	**154**	117
Gain on acquisition (note 20)	**(2,909)**	(1,189)
Charge arising under Begbies Traynor London (LLP) put and call option (note 26)	**1,129**	758
Total transaction costs	**1,180**	1,364

These transaction costs are all included within administrative expenses.

Notes to the consolidated financial statements continued

for the year ended 30 April 2019

6. Staff costs

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

	2019 number	2018 number
Partners and consultants	**55**	47
Fee earning staff	**397**	360
Support staff	**155**	149
	607	556

	2019 £'000	2018 £'000
Their aggregate remuneration comprised:		
Wages, salaries and partners' profit share	**30,917**	27,493
Social security costs	**2,257**	2,130
Pension costs (note 25)	**1,400**	1,203
Share-based payments	**99**	295
	34,673	31,121

Directors' remuneration

	2019 £'000	2018 £'000
Short-term benefits	**1,995**	1,667
Share-based payments	**2**	2
	1,997	1,669

	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. Tax

	2019 £'000	2018 £'000
Current tax charge	**1,303**	1,224
Adjustment in respect of prior year	**—**	(4)
Total current tax charge	**1,303**	1,220
Deferred tax credit (note 16)	**(211)**	(244)
Adjustment in respect of prior year	**—**	(104)
Total deferred tax credit	**(211)**	(348)
Total income tax charge	**1,092**	872

Corporation tax is calculated at 19% (2018: 19%) of the estimated assessable profit for the year.

7. Tax continued

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

	2019 £'000	2018 £'000
Profit before tax	**3,526**	2,296
Notional tax charge at the UK corporation tax rate of 19% (2018: 19%)	**670**	436
Adjustments in respect of current income tax of prior years	**—**	(108)
Tax effect of expenses that are not deductible in determining taxable profit	**422**	544
Total tax expense reported in the consolidated statement of comprehensive income	**1,092**	872

8. Dividends

	2019 £'000	2018 £'000
Amounts recognised as distributions to equity holders in the year		
Interim dividend for the year ended 30 April 2018 of 0.7 pence (2017: 0.6 pence) per share	**771**	640
Final dividend for the year ended 30 April 2018 of 1.7 pence (2017: 1.6 pence) per share	**1,878**	1,716
	2,649	2,356
Amounts proposed as distributions to equity holders		
Interim dividend for the year ended 30 April 2019 of 0.8 pence (2018: 0.7 pence) per share	**914**	771
Final dividend for the year ended 30 April 2019 of 1.8 pence (2018: 1.7 pence) per share	**2,058**	1,872
	2,972	2,643

The proposed final dividend is subject to approval by shareholders at the annual general meeting in September 2019. The interim dividend for 2019 was not paid until 9 May 2019 and, accordingly, has not been included as a liability in these financial statements nor as a distribution to equity shareholders.

9. Earnings per share

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

	2019 £'000	2018 £'000
Earnings		
Profit for the year attributable to equity holders	**2,434**	1,424

	2019 number	2018 number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**112,547,759**	108,998,901
Effect of:		
Share options	**404,262**	1,264,656
Contingent shares as consideration for capital transactions	**3,476,190**	3,196,612
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**116,428,211**	113,460,169

	2019 pence	2018 pence
Basic earnings per share	**2.2**	1.3
Diluted earnings per share	**2.1**	1.3

Notes to the consolidated financial statements continued

for the year ended 30 April 2019

9. Earnings per share continued

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

	2019 £'000	2018 £'000
Earnings		
Profit for the year attributable to equity holders	**2,434**	1,424
Amortisation of intangible assets arising on acquisitions	**2,361**	1,917
Transaction costs	**1,180**	1,364
Tax effect of above items	**(449)**	(364)
Adjusted earnings	**5,526**	4,341

	2019 pence	2018 pence
Adjusted basic earnings per share	**4.9**	4.0
Adjusted diluted earnings per share	**4.7**	3.8

10. Intangible assets

	Goodwill £'000	Software £'000	Intangible assets arising on acquisitions £'000	Total £'000
Cost				
At 1 May 2017	50,129	1,729	19,203	71,061
Arising on acquisitions	84	—	2,528	2,611
Additions	—	77	—	77
At 30 April 2018	50,213	1,806	21,731	73,750
Arising on acquisitions	—	—	2,673	2,673
Additions	—	216	—	216
At 30 April 2019	**50,213**	**2,022**	**24,404**	**76,639**
Amortisation and impairment				
At 1 May 2017	—	1,185	11,405	12,590
Amortisation during the year	—	182	1,917	2,099
At 30 April 2018	—	1,367	13,322	14,689
Amortisation during the year	—	197	2,361	2,558
At 30 April 2019	**—**	**1,564**	**15,683**	**17,247**
Carrying amount				
At 30 April 2019	**50,213**	**458**	**8,721**	**59,392**
At 30 April 2018	50,213	439	8,409	59,061
At 30 April 2017	50,129	544	7,798	58,471

10. Intangible assets continued

The carrying value of intangible assets arising on acquisitions comprises brands of £2,852,000 (2018: £2,680,000), customer relationships of £4,456,000 (2018: £3,832,000), order books of £1,197,000 (2018: £1,650,000) and websites of £216,000 (2018: £247,000). The remaining useful economic lives of intangible assets arising on acquisition are between one and nine years.

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

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

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

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

Key assumptions used in value in use calculation

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

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

Pre-tax discount rate

The group's post-tax weighted average cost of capital has been used to calculate a group pre-tax discount rate of 10% (2018: 10%), which reflects current market assessments of the time value of money for the period under review and the risks specific to the group. As the insolvency CGU comprises the majority of the group's activities this has been used as the discount rate for the purpose of the value in use calculation.

Revenue

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

Operating profit margins

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

Sensitivity to changes in assumptions

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

Notes to the consolidated financial statements continued

for the year ended 30 April 2019

11. Property, plant and equipment

	Leasehold improvements £'000	Office equipment £'000	Computers £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 May 2017	4,288	1,424	3,144	—	8,856
Arising on acquisitions	26	11	19	52	108
Additions	6	72	316	—	394
Disposals	(219)	(1)	—	—	(220)
At 30 April 2018	4,101	1,506	3,479	52	9,138
Arising on acquisitions	—	29	4	—	33
Additions	355	37	392	—	784
At 30 April 2019	**4,456**	**1,572**	**3,875**	**52**	**9,955**
Depreciation and impairment					
At 1 May 2017	3,428	1,256	2,674	—	7,358
Charge for the year	188	81	215	4	488
Disposals	(219)	(1)	—	—	(220)
At 30 April 2018	3,397	1,336	2,889	4	7,626
Charge for the year	197	71	278	17	563
At 30 April 2019	**3,594**	**1,407**	**3,167**	**21**	**8,189**
Carrying amount					
At 30 April 2019	**862**	**165**	**708**	**31**	**1,766**
At 30 April 2018	704	170	590	48	1,512
At 30 April 2017	860	168	470	—	1,498

12. Trade and other receivables

	2019 £'000	2018 £'000
Non-current		
Deemed remuneration	**3,220**	1,759
Current		
Trade receivables	**7,823**	6,740
Less: impairment provision	**(1,338)**	(1,082)
Trade receivables – net	**6,485**	5,658
Unbilled income	**21,310**	21,719
Other debtors and prepayments	**2,379**	2,153
Deemed remuneration	**2,479**	1,299
	32,653	30,829

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 17 for disclosures on credit risk.

12. Trade and other receivables continued

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

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

The impairment provision previously recognised at 30 April 2018 under IAS 39 of £1,082,000 was increased by £359,000 to £1,441,000, being the expected credit loss provision calculated in accordance with IFRS 9.

1 May 2018	Days past due <30 days £'000	<60 days £'000	<90 days £'000	<180 days £'000	>180 days £'000	Total £'000
Expected loss rate	1%	3%	16%	10%	34%	6%
Gross carrying amount	3,277	947	268	462	704	5,658
Expected credit loss provision	26	29	16	46	242	359

Following adoption on 1 May 2018 impairment provision under IAS 39 was increased by £359,000 to reflect adoption of IFRS 9, an increase from the £1,082,000 recognised at 1 May 2018 under IAS 39

Movement in the impairment provision

	2019 £'000	2018 £'000
Balance at beginning of the year	**1,082**	1,020
Adjustment for change in accounting policy (see note 2(t))	**359**	—
	1,441	1,020
Amounts arising on acquisition	**20**	—
Amounts written off during the year	**(204)**	(157)
Amounts recovered during the year	**(195)**	(247)
Increase in allowance recognised in profit or loss	**276**	466
Balance at end of the year	**1,338**	1,082

In accordance with the transitional provision under IFRS 9, the comparative figures have not been restated. The following disclosures relate to the FY18 comparatives:

	Total £'000	Neither past due nor impaired up to 30 days £'000	Past due but not impaired 1–3 months £'000	>4 months £'000
2018	5,658	4,348	618	692

Notes to the consolidated financial statements continued

for the year ended 30 April 2019

13. Trade and other payables

	2019 £'000	2018 £'000
Current		
Trade payables	**953**	1,414
Accruals	**7,125**	6,902
Other taxes and social security	**3,308**	2,319
Deferred income	**3,338**	1,807
Other creditors	**4,830**	4,249
Deemed remuneration liabilities	**3,110**	577
	22,664	17,268
Non-current		
Deemed remuneration liabilities	**—**	1,093

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 £3.1 million, there are further anticipated obligations based on current forecasts of £3.3 million as a result of acquisitions where the service obligations of the selling shareholders have not yet been performed.

14. Borrowings

	2019 £'000	2018 £'000
Non-current		
Unsecured loans at amortised cost	**10,000**	11,000

The group's principal banking facilities at 30 April 2019 comprise an unsecured, revolving credit facility ('RCF') of £25 million and an uncommitted acquisition facility of £5 million which were entered into on 1 November 2016. The principal features of these borrowings are summarised as follows:

- RCF of £25 million provided by HSBC, of which £10 million was drawn at 30 April 2019 (2018. £11 million). The effective interest rate was 3.5%; together with
- uncommitted acquisition facility of £5 million provided by HSBC, which was undrawn at 30 April 2019 (2018: undrawn).

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

All borrowings and cash balances are denominated in sterling. The directors consider that the fair values of the group's financial instruments approximate to their book value.

15. Provisions

	Disposal provisions £'000	Property exit provisions £'000	£'000
At 1 May 2018	267	930	1,197
Charged	—	577	577
Arising on acquisition	—	50	50
Utilised	(7)	(466)	(473)
At 30 April 2019	**260**	**1,091**	**1,351**
Current liabilities	90	498	588
Non-current liabilities	170	593	763
At 30 April 2019	**260**	**1,091**	**1,351**

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

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

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

16. Deferred tax

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

	Tax deductible goodwill £'000	Intangibles £'000	Short-term timing differences £'000	Total £'000
At 1 May 2017	(4,181)	(1,232)	4	(5,409)
(Charge) credit to income	(82)	192	134	244
Arising on acquisitions	—	(469)	106	(363)
Income statement effect of change in tax rate	—	—	104	104
At 30 April 2018	(4,263)	(1,509)	348	(5,424)
(Charge) credit to income	(27)	449	(211)	211
Arising on acquisitions	—	(475)	2	(473)
Arising from accounting policy change	—	—	338	338
At 30 April 2019	**(4,290)**	**(1,535)**	**477**	**(5,348)**

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:

	2019 £'000	2018 £'000
Deferred tax liabilities	**(5,899)**	(5,844)
Deferred tax assets	**551**	420
	(5,348)	(5,424)

Notes to the consolidated financial statements continued

for the year ended 30 April 2019

17. Financial instruments

Financial risk management objectives and policies

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

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

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

Interest rate risk

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

If interest rates had been 50 basis points higher and all other variables were held constant, the group's profit for the year ended 30 April 2019 and net assets at that date would decrease by £37,000 (2018: £41,000). This is attributable to the group's exposure to movements in interest rate on its variable rate borrowings.

Credit risk

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

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

On other engagements, the timescale to receive payment from the date of invoice is typically longer as the group's standard 30 day payment terms (referred to in note 12) 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 12. The group does not believe it is exposed to any material concentrations of credit risk.

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

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 2019				At 30 April 2018			
	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	**275**	**10,905**	**—**	**11,180**	298	11,653	—	11,951
Trade payables	**953**	**—**	**—**	**953**	1,414	—	—	1,414
Deemed remuneration liabilities	**3,110**	**—**	**—**	**3,110**	577	1,093	—	1,670
	4,338	**10,905**	**—**	**15,243**	2,289	12,746	—	15,035

17. 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:

	2019 £'000	2018 £'000
Shareholders' funds	**59,701**	59,149
Bank borrowings	**10,000**	11,000
At 30 April	**69,701**	70,149

Categories of financial instruments

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

	2019 £'000	2018 £'000
Financial assets at amortised cost		
Trade receivables	**6,485**	5,658
Cash at bank	**4,009**	3,518
	10,494	9,176
Financial liabilities at amortised cost		
Trade payables	**(953)**	(1,414)
Bank borrowings	**(10,000)**	(11,000)
	(10,953)	(12,414)

18. Share capital

	2019 thousand	2018 thousand	**2019 £'000**	2018 £'000
Allotted, called up and fully paid				
Ordinary shares of 5 pence				
At 1 May	**110,127**	106,704	**5,508**	5,336
Staff SIP scheme	**13**	60	**1**	3
Issue of shares for share-based payments	**834**	692	**43**	35
Shares issued as consideration for acquisitions	**1,485**	2,019	**74**	101
Shares issued as deferred consideration	**1,892**	652	**93**	33
At 30 April	**114,351**	110,127	**5,719**	5,508
Allotted, called up and fully paid				
Deferred shares of 1 pence				
At 1 May	**—**	30,378	**—**	304
Cancellation of shares	**—**	(30,378)	**—**	(304)
At 30 April	**—**	—	**—**	—
Issued share capital	**114,351**	110,127	**5,719**	5,508

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

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

Notes to the consolidated financial statements continued

for the year ended 30 April 2019

19. Share-based payments

Share option scheme

The group operates a share option scheme which is settled in ordinary shares.

Additional share options were issued during the year. The exercise of the grants is subject to the following: 50% have no performance conditions; 25% require an overall increase in adjusted earnings per share over a three year period of RPI plus 2 5%; and 25% require average total shareholder return to exceed that of a comparator group over a three year period

Directors' remuneration information is provided on pages 19 and 20.

Employee Shareholder Status (ESS) shares

Certain employees held Employee Shareholder Status shares, which where converted into ordinary shares in Begbies Traynor Group plc during the year.

Save-As-You-Earn Scheme

Employees are able to share in the group's success through membership of our Sharesave scheme. Sharesave is a HMRC-approved save-as-you-earn share option scheme, which allows participants to purchase shares out of the proceeds of a linked savings contract at a price set at the time of the option grant. Participants may elect to save up to £250 per month and options may normally be exercised in the six months following the maturity of the linked three year savings contract.

Share-based payments were valued using the Black-Scholes option pricing model with the following assumptions:

Grant date	Share option scheme 25 October 2013	Share option scheme 25 July 2014	ESS 17 October 2016	Share option scheme 31 October 2017	Share option scheme 25 April 2018	SAYE scheme 20 November 2018
Share price at grant date (pence)	38	52	48	63	69	74
Exercise price (pence)	37	51	—	63	68	59
Vesting period (years)	3	3	1–3	3	3	3
Time to expiry (years)	10	10	1–3	10	10	4
Expected volatility (%)	23	25	8	17	17	17
Risk free rate (%)	0.8	0 8	0 5	0.5	0.5	0.5
Expected dividend yield (%)	6.2	6.2	4.4	3.6	3.5	3 4
Fair value per option (pence)	3 3	9.8	48	4.4	5 4	7.9

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

Details of movements in shares under option during the year are as follows:

	2019		2018	
	Number of share options thousand	**Weighted average exercise price £**	Number of share options thousand	Weighted average exercise price £
Outstanding at 1 May	**5,137**	**0.43**	4,795	0.26
Granted during the period	**1,134**	**0.59**	2,250	0.63
Forfeited during the period	**(122)**	**—**	—	—
Exercised during the period	**(965)**	**0.10**	(1,608)	0.17
Expired during the period	**—**	**—**	(300)	0.62
Outstanding at 30 April	**5,184**	**0.54**	5,137	0.43
Exercisable at 30 April	**1,800**	**0.40**	975	0.37

The group recognised an expense of £99,000 (2018: £295,000) in relation to equity-settled share-based payments.

The weighted average share price at the date of exercise for options exercised in the year was 58 pence.

The range of exercise prices for options outstanding at 30 April 2019 is between nil and 68 pence. The weighted average remaining contractual life for share options outstanding is 5.5 years.

20. Acquisitions

Croft Transport Planning

On 31 January 2019 the group acquired the entire issued share capital of MMXI Limited trading as Croft Transport Planning & Design ('Croft'), a business providing highways, transport and traffic advice

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

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Net assets acquired			
Intangible assets	—	1,029	1,029
Property, plant and equipment	4	—	4
Trade and other receivables	650	(10)	640
Cash and cash equivalents	1,592	—	1,592
Trade and other payables	(236)	(50)	(286)
Corporation tax	(240)	—	(240)
Deferred tax	(1)	(181)	(182)
Total identifiable assets	1,769	788	2,557
Satisfied by:			
Cash			1,125
Equity instruments (640,150 ordinary shares in Begbies Traynor Group plc)			375
Initial consideration			1,500
Fair value of contingent consideration at acquisition			1,172
Payment re cash at completion subject to completion accounts adjustments			1,000
Final payment due following completion accounts adjustments			181
Less: amounts treated as deemed remuneration			(2,672)
Total consideration			1,181
Gain on acquisition			(1,376)
Cash outflows arising on acquisition			
Cash consideration			2,125
Less: cash and cash equivalents acquired			(1,592)
			533

Fair value adjustments of £1,029,000 relating to the separate recognition of intangible assets have been recorded. Details of intangible assets recorded can be found in note 10.

Under the terms of the acquisition, contingent consideration (payable in cash) of up to £2,500,000 will become payable subject to the achievement of financial targets in the five year period directly following completion. The initial and contingent 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 treated as deemed remuneration and charged to the consolidated statement of comprehensive income over the period of the obligation.

Acquisition costs of £46,000 have been charged to the statement of comprehensive income as a transaction cost.

The acquisition contributed £446,000 of revenue and £98,000 to the group's adjusted profit before tax 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 2019

20. Acquisitions continued

Barker Storey Matthews

On 5 April 2019 the group acquired the entire issued share capital of BSMH Limited, which trades as Barker Storey Matthews ('BSM'), an independent firm 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	—	1,214	1,214
Property, plant and equipment	77	(50)	27
Trade and other receivables	435	(10)	425
Cash and cash equivalents	1,401	—	1,401
Trade and other payables	(348)	(75)	(423)
Provisions	(50)	—	(50)
Corporation tax	(209)	—	(209)
Deferred tax	(10)	(202)	(212)
Total identifiable assets	1,296	877	2,173
Satisfied by:			
Cash			1,067
Equity instruments (844,290 ordinary shares in Begbies Traynor Group plc)			533
Initial consideration			1,600
Fair value of contingent consideration at acquisition			926
Payment re cash at completion subject to completion accounts adjustments			778
Final payment due following completion accounts adjustments			228
Less. amounts treated as deemed remuneration			(2,526)
Total consideration			1,006
Gain on acquisition			1,167
Cash outflows arising on acquisition			
Cash consideration			1,845
Less: cash and cash equivalents acquired			(1,401)
			444

Fair value adjustments of £1,214,000 relating to the separate recognition of intangible assets have been recorded. Details of intangible assets recorded can be found in note 10.

Under the terms of the acquisition, contingent consideration of up to £1,400,000 will become payable subject to the achievement of financial targets in the five year period directly following completion. The initial and contingent 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 treated as deemed remuneration and charged to the consolidated statement of comprehensive income over the period of the obligation.

Acquisition costs of £54,000 have been charged to the statement of comprehensive income as a transaction cost.

The acquisition contributed £375,000 of revenue and £15,000 to the group's adjusted profit before tax for the period between the date of acquisition and the balance sheet date

20. Acquisitions continued

KRE (North East)

On 13 February 2019 the group acquired the entire issued share capital of KRE (North East) Limited, an insolvency practice based in Newcastle

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	—	345	345
Property, plant and equipment	5	(5)	—
Trade and other receivables	65	223	288
Cash and cash equivalents	74	—	74
Trade and other payables	(22)	(194)	(216)
Corporation tax	(44)	—	(44)
Deferred tax	—	(62)	(62)
Total identifiable assets	78	307	385
Satisfied by:			
Initial consideration (paid in cash)			450
Final payment due following completion accounts adjustments			33
Fair value of contingent consideration at acquisition			150
Less: amounts treated as deemed remuneration			(600)
Total consideration			33
Gain on acquisition			352

Fair value adjustments of £345,000 relating to the separate recognition of intangible assets have been recorded. Details of intangible assets recorded can be found in note 10.

Under the terms of the acquisition, contingent consideration of up to £150,000 will become payable subject to the achievement of financial targets in the one year period directly following completion. The initial and contingent consideration payable for this acquisition requires post-acquisition service obligations to be performed by the selling shareholder over a three year period. These amounts are treated as deemed remuneration and charged to the consolidated statement of comprehensive income over the period of the obligation.

Acquisition costs of £34,000 have been charged to the statement of comprehensive income as a transaction cost.

The acquisition contributed £110,000 of revenue and £73,000 to the group's adjusted profit before tax 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 2019

20. Acquisitions continued

Dunion & Co

On 1 March 2019 the group acquired the entire issued share capital of Dunion & Co Limited, an insolvency practice based in Stoke-on-Trent.

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	—	85	85
Property, plant and equipment	2	—	2
Trade and other receivables	12	34	46
Cash and cash equivalents	286	—	286
Trade and other payables	(7)	(96)	(103)
Corporation tax	5	—	5
Deferred tax	—	(16)	(16)
Total identifiable assets	298	7	305
Satisfied by:			
Initial consideration (paid in cash)			100
Final payment due following completion accounts adjustments			291
Fair value of contingent consideration at acquisition			100
Less: amounts treated as deemed remuneration			(200)
Total consideration			291
Gain on acquisition			14

Fair value adjustments of £85,000 relating to the separate recognition of intangible assets have been recorded Details of intangible assets recorded can be found in note 10.

Under the terms of the acquisition, contingent consideration of up to £100,000 will become payable subject to the achievement of financial targets in the two year period directly following completion The initial and contingent consideration payable for this acquisition requires post-acquisition service obligations to be performed by the selling shareholder over a three year period. These amounts are treated as deemed remuneration and charged to the consolidated statement of comprehensive income over the period of the obligation.

Acquisition costs of £11,000 have been charged to the statement of comprehensive income as a transaction cost

The acquisition contributed £52,000 of revenue and £30,000 to the group's adjusted profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisitions had been completed on the first day of the financial year, the group revenues for the period would have been £64 7 million and group profit before tax would have been £4 5 million.

The amounts recognised above are provisional estimates. There have been no material changes to prior year estimates.

20. Acquisitions continued

Reconciliation of cash outflows from acquisition of businesses

	2019 £'000	2018 £'000
Cash consideration	**(2,742)**	(1,565)
Payments re cash at completion	**(1,778)**	(1,250)
Cash and cash equivalents acquired	**3,353**	2,012
Net cash and cash equivalents acquired	**1,575**	762
Net cash outflow from acquisition of businesses	**(1,167)**	(803)

21. Reconciliation to the cash flow statement

	2019 £'000	2018 £'000
Profit for the year	**2,434**	1,424
Adjustments for:		
Tax	**1,092**	872
Finance costs	**486**	482
Amortisation of intangible assets	**2,558**	2,099
Depreciation of property, plant and equipment	**563**	488
Deemed remuneration	**2,806**	1,678
Charge relating to the put and call option over Begbies Traynor (London) LLP	**1,129**	758
Gain on acquisition	**(2,909)**	(1,189)
Share-based payment expense	**99**	295
Operating cash flows before movements in working capital	**8,258**	6,907
Increase in receivables	**(827)**	(458)
Increase in payables	**1,643**	2,742
Increase (decrease) in provisions	**104**	(126)
Cash generated by operations	**9,178**	9,065

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.

22. Reconciliation of movement in net debt

	Cash and cash equivalents £'000	Non-current borrowings £'000	Net debt £'000
At 1 May 2018	3,518	(11,000)	(7,482)
Cash flows	(84)	—	(84)
Repayment of non-current borrowings	(1,000)	1,000	—
Net cash and cash equivalents acquired (note 20)	1,575	—	1,575
At 30 April 2019	**4,009**	**(10,000)**	**(5,991)**

Notes to the consolidated financial statements continued

for the year ended 30 April 2019

23. Contingent liabilities

The group had no material contingent liabilities at 30 April 2019 or 30 April 2018.

24. Operating lease arrangements

The group as lessee

	2019 £'000	2018 £'000
Minimum lease payments under operating leases recognised as an expense in the year	**2,754**	2,687

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

	2019 £'000	2018 £'000
Within one year	**2,102**	2,105
In the second to fifth years inclusive	**4,720**	3,385
After five years	**36**	105
	6,858	5,595

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

The group as lessor

Rental income earned during the year was £133,000 (2018: £133,000). At the balance sheet date, the group had contracted with tenants for the following future minimum lease payments.

	2019 £'000	2018 £'000
Within one year	**40**	161
In the second to fifth years inclusive	**—**	40
	40	201

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

25. Pensions

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

The total cost charged to income of £1,400,000 (2018: £1,203,000) represents contributions payable to these schemes by the group. As at 30 April 2019, contributions of £149,000 (2018: £113,000) in respect of the current year, which were not yet due for payment, had not been paid over to the schemes.

26. Related party transactions

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

Trading transactions

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

Various commercial properties used by members of the group during the year are owned or part owned by Ric Traynor or his personal pension fund. Rent and service charges paid on those properties by entities within the group in the year totalled £13,458 (2018: £155,500). At 30 April 2019 £nil (2018: £nil) was payable in respect of these transactions

One commercial property used by members of the group during the year is part owned by Mark Fry. Rent and service charges paid on this property by entities within the group in the year totalled £95,000 (2018: £85,000). At 30 April 2019 £nil (2018: £nil) was payable in respect of this transaction. Mark Fry also part owns a company which provides archiving facilities to entities within the group. £24,000 (2018: £24,000) was paid by entities within the group for this service during the year At 30 April 2019 £6,000 (2018: £6,000) was payable in respect of this service.

Ric Traynor purchased the 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. The group continues to provide a number of central support services to Red Flag for which £96,000 was payable by Red Flag during the year (2018: £96,000). The group has negotiated an agreement to retain full access to the database and joint marketing rights for the publication of Red Flag Alert quarterly statistics and was charged a fee of £150,000 for the year (2018: £150,000). At 30 April 2019 £141,000 (2018: £201,000) was owed by Red Flag Alert LLP

Begbies Traynor (London) LLP option

There is a put and call option in place for the group to acquire Mark Fry's interest in Begbies Traynor (London) LLP during a three month period after 30 September 2019, for £4 million (determined as an agreed multiple of average profit over the three year period ended 30 April 2019). At the group's discretion the payment can be made through a combination of cash and ordinary shares, subject to the condition that at least £2 million of the total consideration must be cash.

The anticipated liability to the group under this option is accounted for in accordance with the group's policy for business combinations (note 2c) and charged to the consolidated statement of comprehensive income as a transaction cost as disclosed in note 5 to the financial statements. The charge in the current financial year was £1.1 million (2018: £0.8 million) with a liability of £2.2 million recognised at 30 April 2019 within current deemed remuneration liabilities.

Key management personnel

The remuneration of the directors, who are the key management personnel of the group, is set out in the directors' remuneration report on page 20.

27. 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.
Translation reserve	Exchange differences arising on the retranslation of reserves of foreign subsidiaries
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

Company balance sheet

at 30 April 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Investment in subsidiaries	5	**36,682**	35,737
Current assets			
Trade and other receivables	6	**32,033**	31,381
Creditors: amounts falling due within one year			
Trade and other payables	7	**(49)**	(1,413)
Net current assets		**31,984**	29,968
Total assets less current liabilities		**68,666**	65,705
Creditors: amounts falling due after more than one year			
Trade and other payables	7	**(500)**	(500)
Net assets		**68,166**	65,205
Capital and reserves			
Called-up share capital	8	**5,719**	5,508
Share premium account		**23,190**	22,789
Merger reserve		**22,189**	20,248
Capital redemption reserve		**304**	304
Profit and loss account		**16,764**	16,356
Shareholders' funds		**68,166**	65,205

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 2019 of £3,110,000 (2018: £1,782,000).

The financial statements of Begbies Traynor Group plc, registered number 5120043, were approved by the board of directors and authorised for issue on 8 July 2019. 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 2019

	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
At 1 May 2017	5,640	22,335	18,507	—	17,398	63,880
Profit for the year	—	—	—	—	1,782	1,782
Dividends	—	—	—	—	(2,356)	(2,356)
Credit to equity for equity-settled share-based payments	—	—	—	—	6	6
Own shares acquired in the year	(304)	—	—	304	(226)	(226)
Shares issued as consideration acquisitions	101	—	1,374	—	—	1,475
Shares issued as deferred consideration	33	—	367	—	—	400
SIP shares issued	3	34	—	—	—	37
Other share options	35	420	—	—	(248)	207
At 30 April 2018	5,508	22,789	20,248	304	16,356	65,205
Profit for the year	—	—	—	—	3,110	3,110
Dividends	—	—	—	—	(2,649)	(2,649)
Credit to equity for equity-settled share-based payments	—	—	—	—	38	38
Shares issued as consideration for acquisitions	74	—	834	—	—	908
Shares issued as deferred consideration	93	—	1,107	—	—	1,200
SIP shares issued	1	7	—	—	—	8
Other share options	43	394	—	—	(91)	346
At 30 April 2019	**5,719**	**23,190**	**22,189**	**304**	**16,764**	**68,166**

Notes to the company financial statements

for the year ended 30 April 2019

1. Significant accounting policies

Basis of accounting

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

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Investments

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

Share-based payments

The fair value of services received in exchange for the grant of options is recognised as an expense over the vesting period in accordance with FRS 102. Options are valued using the Black-Scholes option pricing model. Further details are provided in note 19 of the consolidated financial statements.

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

Critical accounting judgements and key sources of uncertainty

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

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

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

FRS 102 exemption

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

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

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

2. Statement of compliance

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

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

3. Profit for the year

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

4. Staff costs

The company has five employees (2018: no employees).

	2019 £'000	2018 £'000
Their aggregate remuneration comprised.		
Salaries	**569**	—
Social security costs	**73**	—
Pension costs	**19**	—
	661	—

5. Investment in subsidiaries

	£'000
Cost and net book value	
At 1 May 2017	31,868
Additions	3,869
At 30 April 2018	35,737
Additions	945
At 30 April 2019	**36,682**

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

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

Subsidiary undertaking	Nature of business	Country of incorporation
340 Deansgate, Manchester M3 4LY		
Begbies Traynor Limited[1]	Holding company	England and Wales
BTG Consulting Limited[1]	Holding company	England and Wales
Begbies Traynor International Limited[1]	Holding company	England and Wales
Begbies Traynor (Central) LLP	Business recovery	England and Wales
Begbies Traynor (London) LLP	Business recovery	England and Wales
Begbies Traynor (SY) LLP	Business recovery	England and Wales
Springboard Corporate Finance LLP (formerly BTG Advisory (CF) LLP)	Corporate finance	England and Wales
BTG Corporate Finance LLP	Corporate finance	England and Wales
BTG Advisory (Investigations) Limited	Investigation agency	England and Wales
BTG Advisory LLP	Financial consulting	England and Wales
BTG Global Advisory Limited	International network organisation	England and Wales
BTG Corporate Solutions Limited	Business recovery	England and Wales
IK (North East) Limited (formerly KRE (North East) Limited)	Business recovery	England and Wales
Dunion & Co Limited	Business recovery	England and Wales
JSDNSW Limited (formerly Springboard Corporate Finance Limited)[1]	Corporate finance	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
BTG Risk LLP	Dormant	England and Wales
Toronto Square, Toronto Street, Leeds LS1 2HJ		
Eddisons Commercial (Holdings) Limited[1]	Property consultancy	England and Wales
Eddisons Commercial Limited	Property consultancy	England and Wales
Eddisons Commercial (Property Management) Limited	Property consultancy	England and Wales
Eddisons Insurance Services Limited	Insurance brokerage	England and Wales
Eddisons Holdings Limited	Holding company	England and Wales
MMXI Limited	Property consultancy	England and Wales
BSMH Limited	Property consultancy	England and Wales
BSMSR Limited	Dormant	England and Wales
The London Silver Vaults and Chancery Lane Safe Deposit Company Limited	Management company	England and Wales
TBS&V Ltd	Property consultancy	England and Wales
Pugh & Company Limited	Auctioneers	England and Wales

Notes to the company financial statements continued

for the year ended 30 April 2019

5. Investment in subsidiaries continued

Subsidiary undertaking	Nature of business	Country of incorporation
CJM Asset Management Limited	Property consultancy	England and Wales
Taylors Business Surveyors and Valuers Limited	Dormant	England and Wales
Theauctionpeople.co Limited	Dormant	England and Wales
c/o S&P Consulting S.L, Urb. Calypso, C.C. Valdepinos, 1 y 3 A 29649 Mijas Costa, Malaga, Spain		
Eddisons Spain S.L	Facilities management	Spain
c/o Schaffner & Orth, Kaiserhofstrasse 10, 60313 Frankfurt am Main, Deutschland		
Eddisons Germany GmbH	Facilities management	Germany

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

All shareholdings relate to ordinary shares.

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

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

Subsidiary undertaking
BTG Consulting Limited
BTG Corporate Solutions Limited
BTG Corporate Finance LLP
BTG Advisory (Investigations) Limited
Springboard Corporate Finance LLP (formerly BTG Advisory (CF) LLP)

6. Trade and other receivables

	2019 £'000	2018 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	**32,001**	31,357
Other debtors	**32**	24
	32,033	31,381

7. Trade and other payables

	2019 £'000	2018 £'000
Amounts falling due within one year		
Other creditors	**49**	1,413
Amounts falling due after more than one year		
Other creditors	**500**	500

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

8. Share capital

	2019 thousand	2018 thousand	2019 £'000	2018 £'000
Allotted, called up and fully paid				
Ordinary shares of 5 pence				
At 1 May	**110,127**	106,704	**5,508**	5,336
Staff SIP scheme	**13**	60	**1**	3
Issue of shares for share-based payments	**834**	692	**43**	35
Shares issued as consideration for acquisitions	**1,485**	2,019	**74**	101
Shares issued as deferred consideration	**1,892**	652	**93**	33
At 30 April	**114,351**	110,127	**5,719**	5,508
Allotted, called up and fully paid				
Deferred shares of 1 pence				
At 1 May	**—**	30,378	**—**	304
Cancellation of shares	**—**	(30,378)	**—**	(304)
At 30 April	**—**	—	**—**	—
Issued share capital	**114,351**	110,127	**5,719**	5,508

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

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

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

The company has issued share options as set out in note 19 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

Secretary
J A Humphrey

Company number
5120043

Registered office
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M3 4LY

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

Auditor
BDO LLP
Chartered accountants and statutory auditor
Leeds, United Kingdom

Registrar
Computershare Investor Services Plc
PO Box 82
The Pavilions
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Bristol
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Corporate and financial PR advisors
MHP Communications Limited
6 Agar Street
London
WC2N 4HN

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

Joint broker
Shore Capital Stockbrokers Limited
The Corn Exchange
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