Financial Review

"I am pleased to report that, despite challenging conditions in the last two trading months of the year, during which we typically record our strongest trading of the financial year, we have delivered good revenue growth, with underlying profits* in line with the previous year."

Kate Lewis
Chief Financial Officer

Our continued focus on cash flow has resulted in excellent cash conversion* of 109% for the year and a lower than expected net debt figure. This positions the Group well to continue to deliver on its strategy to grow the business both organically and acquisitively, through carefully selected strategic acquisitions.

Financial results

	2022 £'000	2021 £'000
Revenue	**125,604**	103,201
Staff costs	**(76,863)**	(62,707)
Other underlying costs and charges	**(30,610)**	(22,075)
Underlying profit before tax*	**18,131**	18,419
Amortisation of acquisition related intangibles	**(3,815)**	(2,622)
One-off costs on acquisitions*	**(13,260)**	(10,288)
Profit before tax	**1,056**	5,509
Basic EPS	**(3.02p)**	4.14p
Basic Underlying EPS	**17.23p**	18.30p

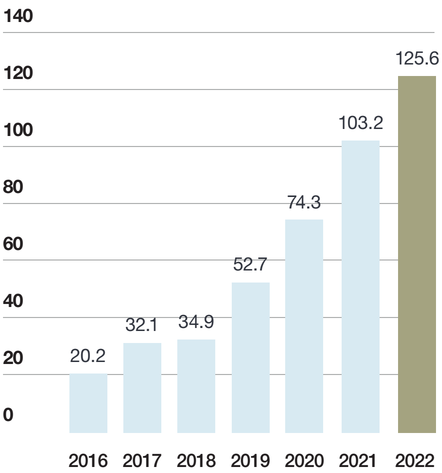
Revenue

Reported revenue for the period was £125.6m compared with £103.2m in FY21, representing a 21.7% increase.

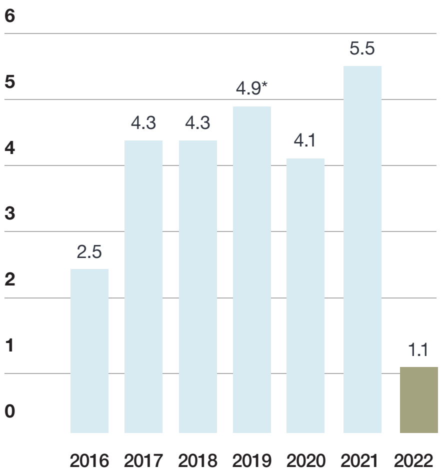
Of this increase 25%, or £5.8m, was from acquisitions made during the financial year and £16.9m was contributed by acquisitions made in FY21, an increase of £14.8m from the revenue relating to those acquisitions recognised in FY21.

The Group achieved organic growth of 1.8% overall for FY22, with organic growth in the first half of the year amounting to £4.3m (9.3%). However, this was offset by a £2.5m (4.6%) reduction in organic revenues in the second half of the year compared to the same period the previous year. This decline was due to the impact of unusually high levels of employee sickness and disruption caused by the Omicron variant and a slight softening in business confidence as a result of macro-economic pressures in the last quarter of the year, typically the most significant trading period of the financial year.

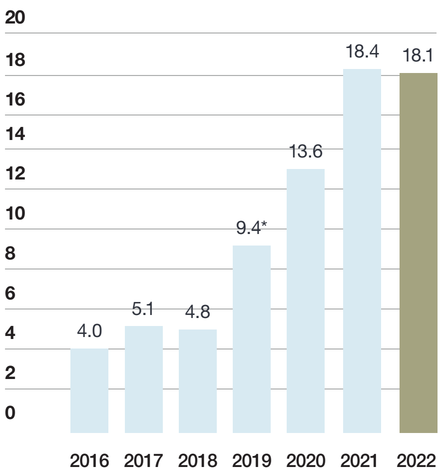
Revenue (£m)



Reported profit before tax (£m)



Underlying profit before tax* (£m)



Note
* See Glossary on pages 126-127.

Revenue (continued)

Our strategic focus is to deliver premium services to a high-quality client base and as such, it is necessary in some instances to restructure certain areas of the business to ensure our focus is on executing our overall strategy. During the financial year, both our organic growth and our income from acquisitions was impacted by the restructuring of some less profitable and strategically misaligned teams.

The cessation of volume debt recovery and volume conveyancing business during the last 12 months has impacted organic revenues by circa £2m. Excluding the impact of this restructuring, organic growth for FY22 would be circa 4%.

In relation to acquisition income, for the Keebles acquisition, approximately £0.9m of revenue relating to legal aid matters and other non-strategically aligned areas was transferred to third parties for asset value.

Given the full year impact of acquisitions made during the year, as at 30 April 2022 the run rate revenue for the Group was circa £132m.

2022	£125,604,000
2021	£103,201,000
2020	£74,254,000

Revenue growth

+21.7%

Staff costs

Total staff costs represented 61.2% of revenue during the financial year compared with 60.8% in 2021.

Fee earner staff costs have decreased, from 51.1% to 50.7% of revenue, reflecting our ongoing efforts to control costs whilst continuing to invest in high-quality senior recruits who bring a client following. During the year 19 partners joined the Group as part of our active recruitment process. Each new recruited partner typically requires a period of three to six months minimum before achieving their full expected fee earning run rate.

Support staff costs increased slightly to 10.5% of revenue in the year, compared to 9.7% in the prior year, driven by the full year cost of investment made in our operational infrastructure in FY21, including additional office services employees required to manage the move to an increased level of office-based working.

Staff costs leverage was impacted during the year due to trading headwinds adversely affecting revenue at the end of the financial year. Management continues to focus on ensuring staffing costs are leveraged sufficiently, balancing this with ensuring the business is fully invested in and supported ahead of planned future growth.

Total staff costs (as a % of revenue)

61.2%

2021: 60.8%
2020: 61.4%

Direct staff costs (as a % of revenue)

50.7%

2021: 51.1%
2020: 52.1%

Support staff costs (as a % of revenue)

10.5%

2021: 9.7%
2020: 9.3%

Underlying EPS (p)*

2022	17.23
2021	18.30
2020	14.33

Average number of fee earners

2022	1,015
2021	852
2020	622

Underlying PBT margin*

2022	14.4%
2021	17.8%
2020	18.3%

Cash conversion*

2022	109%
2021	96%
2020	80%

Lock up days*

2022	86
2021	89
2020	85

Reported Basic EPS

2022	(3.02)p
2021	4.14p
2020	2.44p

Note
* See Glossary on pages 126-127.

Financial Review continued

Underlying profit before tax (PBT)*

To reflect the impact of the Omicron variant and softening of business confidence due to the macro-economic environment in the last two months of the financial year, headline figures for the year have been analysed as a half year period in the table below to facilitate a view of the Group's trading performance.

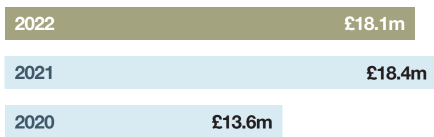
	H1 FY22 £'000	H2 FY22 £'000	FY22 £'000	H1 FY21 £'000	H2 FY21 £'000	FY21 £'000
Revenue	59,730	65,874	125,604	46,237	56,964	103,201
Other operating income	449	821	1,270	539	771	1,310
Staff costs	(37,849)	(39,014)	(76,863)	(29,635)	(33,072)	(62,707)
Depreciation and amortisation charges	(5,226)	(5,552)	(10,778)	(3,367)	(4,363)	(7,730)
Impairment of trade receivables and contract assets	(309)	(189)	(498)	(105)	(118)	(223)
Other operating charges	(10,087)	(11,990)	(22,077)	(7,909)	(8,264)	(16,173)
Non-underlying costs	(4,804)	(8,456)	(13,260)	(6,007)	(4,281)	(10,288)
Operating profit/(loss)	**1,904**	**1,494**	**3,398**	**(247)**	**7,637**	**7,390**
Finance costs	(1,059)	(1,305)	(2,364)	(890)	(991)	(1,881)
Finance income	3	19	22	–	–	–
Profit/(loss) before tax	**848**	**208**	**1,056**	**(1,137)**	**6,646**	**5,509**
Underlying Profit Before Tax*	7,551	10,580	18,131	5,993	12,426	18,419
Underlying PBT margin*	12.6%	16.1%	14.4%	13.0%	21.8%	17.8%
Underlying Profit After Tax*			14,422			15,040
Basic EPS (pence)			(3.02)			4.14
Underlying basic earnings per share (pence)*			17.23			18.30

* See Glossary on pages 126-127.

Underlying profit before tax excludes amortisation of acquired intangibles, transaction and onerous lease costs in relation to acquisitions, disposals of acquired assets, restructuring costs as a result of the streamlining of the support function in acquisitions and restructuring undertaken in response to the COVID-19 pandemic in FY21. It also excludes contingent consideration payments required to be reflected through the Statement of Comprehensive Income under IFRS and share-based payments for one-off share awards made at IPO and as part of the acquisitions, and the one-off Share Incentive Plan offered to employees as a result of the listing. Any one-off accelerated charges required under IFRS 2 due to employees leaving the scheme, as a result of COVID or a reduction in the share price following the trading announcement in March 2022, are also excluded from underlying charges as once an individual has left the scheme this charge is an accounting requirement only and is not an alternative form of remuneration for the employee. Any share-based payments charges relating to ongoing SAYE and LTIP schemes are recognised as underlying costs of the Group.

Underlying profit before tax has been calculated as an alternative performance measure (see note 37 of the financial statements) in order to provide a more meaningful measure and year on year comparison of the profitability of the underlying business.

Underlying profit before tax decreased slightly compared with the same period last year, by 1.6% to £18.1m (2021: £18.4m), representing a margin of 14.4% for the full year, compared with 17.8% in the prior year. This decrease in margin is due to the direct impact on profit of the lower than anticipated revenue in the last two trading months of the financial year, as previously explained. The cost base of the business was at a level that budgeted for anticipated revenue of circa £131m. If this revenue budget of £131m had been achieved the additional £5m of revenue would have supported profitability and delivered an underlying PBT margin of circa 17.7%, in line with prior years.



Decrease in underlying PBT*

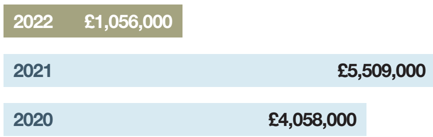
–1.6%

Underlying PBT* growth

Reported profit before tax (PBT)

Reported profit before tax for the year has decreased to £1.1m (2021: £5.5m), reflecting the net impact of the £0.3m decrease in underlying profit before tax, a £1.2m increase in amortisation of acquired intangibles and a £3.0m increase in non-underlying costs.

Non-underlying costs increased from £10.3m in FY21 to £13.3m principally due to the following increases in costs compared to the prior year; £1.4m relating to the impairment of right of use assets, a £0.7m loss on disposal of tangible assets acquired in a business combination, £0.6m in redundancy and reorganisation costs on acquisitions completed during the year, and £0.3m in respect of the contingent consideration element of the purchase cost of acquisitions being recognised in the Statement of Comprehensive Income in accordance with IFRS accounting conventions.



(Loss)/Earnings per share (EPS)

The weighted average number of shares in the year to 30 April 2022 was 83,717,952 (2021: 82,189,113) which gives a basic loss per share (Basic EPS) for the year of (3.02p) (2021: profit of 4.14p). Due to the loss in the year the options are not dilutive; diluted EPS in 2021 was 4.09p.

In order to compare the EPS year on year, underlying EPS has been calculated showing 17.23p in the year to 30 April 2022 compared with 18.30p in the prior year. This measure eliminates the effect of any non-recurring and non-underlying costs on the EPS calculation. The decrease in the underlying EPS of 6% compared to the prior year is due to an increase in both the tax rate and the average number of shares in issue in FY22 compared to the prior year.

Underlying EPS*

17.23p

2021: 18.30p
2020: 14.33p

Basic EPS

(3.02p)

2021: 4.14p
2020: 2.44p

Corporation tax

The Group's tax charge for the year is £3.6m (2021: £2.1m), made up of a current corporation tax charge of £1.5m (2021: £2.6m) and a deferred tax charge of £2.1m (2021: deferred tax credit of £0.5m).

As corporation tax will increase from 19% to 25% from 1 April 2023 the effect of the new rate on the Group's deferred tax charge has been applied in the year and amounts to £1.7m which is included within the deferred tax charge.

The total effective rate of tax is 340% (2021: 38%) based on reported profit before tax. This has been adversely affected by the change in the rate of deferred tax applied in the year as noted above. The effective rate of tax on the underlying profit of the business is 21% (2021: 18%) (see note 17 of the financial statements).

Effective rate of tax on underlying profit

21%

2021: 18%
2020: 21%

Dividend

As previously outlined, the Board did not declare a dividend during the COVID pandemic. The Board has decided to resume paying dividends in respect of the year ended 30 April 2022 in accordance with the previous dividend policy, being a total dividend payable of circa 20% of profits after tax.

Subject to approval at the AGM in September 2022, the Board is pleased to announce a final dividend for the year of 2.04p per share. This, together with the interim dividend of 1.46p per shares brings the total dividend in respect of FY22 to 3.50p per share.

Dividend per share (pence)

3.50p

2021: 0p
2020: 1.10p

Note
* See Glossary on pages 126-127.

Financial Review continued

Balance sheet

	30 April 22 £'000	30 April 21 £'000
Goodwill and intangible assets	82,172	79,523
Right of use assets	40,663	40,406
Working capital	44,302	36,929
Accrued consideration	–	(8,310)
Other net liabilities	(3,028)	(991)
Lease liabilities	(46,528)	(42,640)
Assets held for resale (net of cash included below)	635	–
	118,216	104,917
Cash and cash equivalents	4,227	4,783
Overdraft	–	(1,852)
Borrowings	(33,153)	(24,064)
Net debt*	**(28,926)**	(21,133)
Deferred consideration	(3,631)	(1,095)
Net assets	**85,659**	82,689

* Net debt excludes lease liabilities.

The Group's net assets as at 30 April 2022 increased by £3.0m from the prior year reflecting the equity consideration on acquisitions in the year and the net result for the year.

Goodwill and intangible assets

Included within intangible assets and goodwill is £30.1m of intangible assets identified on current and prior year acquisitions. This relates to customer relationships, values attached to restrictive covenants and brand. £0.3m relates to computer software, with the remaining balance of £51.8m relating to goodwill from acquisitions.

The Board carries out an impairment review of goodwill each year to ensure the carrying value is supportable. The value in use of the goodwill was calculated using a number of different scenarios, some of which assumed a considerably more negative outcome than is anticipated by the Directors. In all instances, the future trading of the business was more than sufficient to justify the carrying value of goodwill. Therefore, as at 30 April 2022, the Board is satisfied that the goodwill was not impaired.

Goodwill and intangible assets

£82.2m

2021: £79.5m
2020: £69.1m

Working capital

The Group manages its working capital requirements closely, with impact on working capital a key consideration in all business decisions. The management of working capital has always been a key performance indicator, with strong controls and systems in place to monitor the level of debtors and work in progress in the business. Number of lock up days is the primary metric used by the Group to measure the length of time it takes to convert work recorded into cash received and this is discussed fully in the Key Performance Indicators section on pages 45-47 of this report.

The reported working capital balance has been impacted by the year end corporation tax position. The Group pays its corporation tax quarterly in advance based on budgeted profit levels for the year.

Tax instalments in the first half of the year were based on a higher level of year end profitability resulting in an overpayment of £1.8m. The net impact of the corporation tax asset in FY22, compared to the liability as at FY21 resulted in a reported increase in working capital of £2.5m. Excluding corporation tax balances at each year end working capital has increased from £37.7m at 30 April 2021 to £42.5m at 30 April 2022, an increase of 13% which is in line with the increase in the run rate level of revenue at each year end taking into account the full year impact of acquisitions during the year. As at 30 April 2022 run rate revenue is circa £132m being £126m reported plus circa £6m for the full year impact of FY22 acquisitions.

Bad debt (as a % of revenue)

0.4%

2021: 0.2%
2020: 0.2%

Due to the strong controls already in place the Group did not experience any significant change in its working capital cycle throughout the year as a result of the pandemic. Bad debts have increased slightly but remain at a very low level at 0.4% of turnover.

Management is satisfied with the level of working capital at the year end and the management of working capital over the period.

Right of use assets and lease liabilities

The right of use assets capitalised in the Statement of Financial Position represent the present value of property, equipment and vehicle leases. The increase in right of use assets during the year from £40.4m in FY21 to £40.7m in FY22 was the result of new leases acquired as part of the acquisitions completed during the year and new leases entered into by the Group during the period less depreciation of £4.8m.

The lease liabilities represent the present value of the total liabilities recognised for right of use assets and the increase during the year to £46.5m (FY21: £42.6m) again reflects the leases in acquired entities and new leases entered into during the period, less repayment in the period.

During the year the Group entered into a lease for new premises in Maidstone and completed on a lease in York. Under IFRS16 these are accounted for as right of use assets and accordingly £2.3m has been capitalised within non-current assets in the Consolidated Statement of Financial Position.

During the year, in order to minimise the cost of some unoccupied property space, the Group agreed to lease one floor of an existing office to a third party. This has resulted in the Group recognising total lease receivables of £1.2m in the Statement of Financial Position during the period (FY21:£nil), representing the total present value of amounts receivable under the sub lease.

Right of use assets

£40.7m

2021: £40.4m
2020: £23.7m

Lease liabilities

£46.5m

2021: £42.6m
2020: £23.8m

Lease receivables

£1.2m

2021: £nil
2020: £nil

Net debt, financing and leverage

Strong cash conversion in the period has resulted in net debt of £28.9m at the year end. This figure represents an increase in net debt from £21.1m as at 30 April 2021 due to an aggregate cash outlay of £18.0m relating to consideration for acquisitions completed during the period, deferred consideration paid in relation to acquisitions in prior years, repayment of debt on acquisitions and contingent consideration charged as remuneration.

The Group's RCF facility was extended to £60m during the period, giving significant headroom to continue to support the growth strategy into 2023 through organic recruitment and strategic acquisitions.

Net debt

£28.9m

2021: £21.1m
2020: £15.9m

Leverage (multiple of underlying EBITDA*)

1.1 x

2021: 0.8 x
2020: 0.9 x

Cash conversion

	2022 £'000	2021 £'000
Net cash generated from underlying operating activities*	**25,060**	20,378
Tax paid	**(4,095)**	(2,125)
Cash outflow for IFRS 16 leases (rental payments excluded from operating activity cash flows under IFRS 16)	**(5,302)**	(3,741)
Free cash flow	**15,663**	14,512
Underlying profit after tax*	**14,422**	15,040
Cash conversion	**109%**	96%

The cash conversion percentage measures the Group's conversion of its underlying profit after tax into free cash flow. Due to a continued focus on management of working capital and lock up, the Group has again delivered strong cash conversion of 109% (2021: 96%) demonstrating strong cash controls.

Capital expenditure
Capital expenditure during the year was £2.5m (FY21: £4.3m).

During the year the Group continued to invest in its systems and premises to expand capacity and ensure staff continue to benefit from a high-quality working environment, with consistent systems across the Group to aid integration of acquisitions and support its 'one team' culture.

This includes refurbishment of offices that were part of acquisitions of circa £1.0m and system/equipment upgrades for acquisitions of £0.5m.

Capital budgets for FY23 include the normal level of expected investment in general IT, communications, and infrastructure to ensure we continue to have the capacity required for a growing business.

Note
* See Glossary on pages 126-127.

Financial Review continued

Cash conversion continued

Capital expenditure continued
Due to the acquisitions completed during FY22 and early FY23, and some potential relocation of offices due to expiring leases, we expect some one-off refurbishment costs amounting to circa £2.5m in the current financial year.

Acquisitions
During the year we signed and completed two acquisitions, and finalised the integration of the Keebles acquisition for which contracts were exchanged at the end of FY21.

The table below summarises the net impact of acquisitions on cashflows during the year and in future years. This shows the impact of consideration payable net of any cash in the acquired businesses.

For completeness, the table also shows the cash impact of the acquisition post year end of Coffin Mew that completed on 8 July 2022.

Financial year ended	Cash impact from acquisitions in the year £m	Repayment of debt on acquisitions £m	Cash impact from prior year acquisitions £m	Total cash impact from acquisitions £m	Cash impact of post year end acquisitions £m
2022	**6.8**	**4.7**	**6.5**	**18.0**	**–**
2023	2.6	–	2.5	5.1	5.5
2024	2.6	–	1.4	4.0	2.0
2025	2.6	–	–	2.6	2.0
2026	–	–	–	–	2.0

The above includes estimated contingent consideration charged as remuneration in the Consolidated Statement of Comprehensive Income.

Tax – Cash flow impact

Corporation tax

Corporation tax of £4.1m (FY21: £2.1m) was paid during the year. This included an overpayment of circa £1.8m due to the quarterly payment scheme calculations. Cash payments due for 2023 will be reduced by this amount.

Key performance indicators

The management team uses a number of key performance indicators (KPIs) to monitor the Group's performance against its strategic objectives. These comprise a number of financial and non-financial measures which are agreed and monitored regularly at Board meetings.

The financial indicators are calculated based on underlying results excluding any one-off transactional and acquisition related costs. The Board is of the opinion that these KPIs are key drivers of the Group's financial success.

Since our first acquisition in 2012, the management team has been focused on growing the profitability and improving the cash generation of the business. As a result of this, the Board reviews KPIs relating to these metrics in line with our long-term strategy of building a strong and sustainable business with good cash flows and increasing underlying profitability.

As the business has grown and diversified, the Board has de-emphasised the importance of KPIs related to absolute fees and profits generated per fee earner. Focus is now increasingly placed on overall growth in fee income and profitability with a view to improving the profit margins achieved across the business, whilst still maintaining a well invested business with a strong management and support function able to meet its evolving needs.

With a strategic focus on building a high-quality business, delivering a premium, profitable service to a high-quality client base, the Executive Directors review all work streams on a continual basis, taking action to move away from any areas that are not profitable or aligned with the Group's overall strategy. In these instances, there may be a short-term impact on reported revenue growth, necessary to achieve longer term strategic goals.

As well as Underlying profit before Tax (PBT) discussed on page 40 and net debt and cash conversion, discussed on page 43 the Board also considers the following KPIs on a regular basis.

Lock up

Lock up days is a crucial KPI that is monitored closely by management to ensure continued delivery of a strong cash performance. It is the primary metric used by the Group to measure the length of time it takes to convert work delivered into cash received.

Lock up days is calculated as the combined debtor and work in progress (WIP) days for the Group. Management of lock up has continued to be a key focus of the Group over the period as it drives the cash generation necessary to support its growth strategy.

Year end lock up days of 86 represent a 3 day decrease against the 89 lock up days as at 30 April 2021. An analysis of lock up at each year end shows the following:

	30 April 2022	30 April 2021
Debtor days	**31**	36
WIP days	**55**	53
Total lock up	**86**	89

The above shows that the control over cash collection remains excellent with debtor days reducing to 31 days at the period end, reflecting our continued focus on cash collection. The reported WIP days has increased by 2 days due to the inclusion of the WIP days of businesses acquired during FY21 in the calculations as at 30 April 2022. WIP days of acquisitions in the last quarter of the year are excluded from the calculation therefore these were not included in the reported figure as at 30 April 2021. Progress has been made in reducing the lock up of the FY21 acquisitions (including Keebles) with an average lock up days of 149 at the date of acquisition reducing to 89 as at 30 April 2022.

Management is satisfied with the overall level of lock up at the year end which continues to be significantly better than the industry average.

Financial Review continued

Key performance indicators continued

Fee earner to non-fee earner ratio*

This ratio varies depending on the progression of the Group's growth strategy at a particular point in time. As at 30 April 2022 the Group was operating at a ratio of 3.5 fee earners for every one support staff (30 April 2021: 4.5:1) a relatively low ratio for the Group, but one that reflects continued investment in IT development, compliance and finance teams to ensure systems are developed appropriately and individuals supported adequately so that work can be completed in the most efficient manner, ensuring overall staff costs of the business are leveraged in the most effective way.

Lock up days

86 days

2021: 89 days
2020: 85 days

excluding the impact of the extended lock up on acquisitions made during the year

Underlying profit before tax*

£18.1m

2022	14.4%
2021	17.8%
2020	18.3%

Fee earner to non-fee earner ratio

3.5:1

2021: 4.5:1
2020: 4.8:1

Revenue growth

The Board's strategy is to grow a profitable, cash generative business. Therefore, in addition to monitoring the profitability and lock up of the Group, revenue growth is also a crucial KPI. Revenue growth is achieved via a combination of organic and acquisitive growth. The level of fee income growth is monitored closely by the Board on a monthly basis though the Board seeks to ensure that revenue growth always aligns with the Group's overall strategy of building a profitable, high-quality, culturally aligned business. As such strategic decisions may occasionally negatively impact the revenue growth reported in a year if the Board feels that strategically, they are in the long-term best interests of the Group.

Acquisitive growth is generated through making carefully selected, culturally aligned acquisitions each year. No acquisition revenue targets are set for the year as acquisitions will always be led by cultural fit and general business synergies rather than revenue growth targets. Income from acquisitions is treated as acquisitive income growth in the year of acquisition and the first full financial year following acquisition based on the fees generated by the individuals joining the Group from newly acquired offices. Recruitment of individuals into the acquired offices post acquisition is treated as part of the organic growth of the business. All acquisitions are integrated into the business within approximately 12 months post acquisition. As such, at the end of the first full financial year following acquisition the income from acquired businesses is deemed to form part of the base Group business and any future growth/decline in revenues impacts the organic growth of the Group. This can have a negative impact on the reported organic growth if a strategic decision is made to discontinue a particular acquired work stream after the first full year of trading. The Board's focus remains on building a strong, strategically aligned Group, rather than meeting short term KPI targets.

Organic growth in revenue is achieved via annual pricing reviews and improving recovery of time recorded, improving productivity, cross selling of additional services to existing clients, new client wins and recruitment of experienced fee earners who bring a good quality client following.

Acquisitive fee income growth

Acquisitions that exchanged and completed during the year contributed £5.8m to revenue for the year. This included the acquisition of Archers Law LLP in November 2021 and the acquisition of Langleys Solicitors LLP which was agreed in January 2022 and completed on 25 March 2022. To date, revenue contributions from the acquisitions made in FY22 are ahead of budgeted levels.

Acquisitive income in the year also includes total income of £16.9m from acquisitions undertaken in FY21, OTB Eveling LLP, Mundays LLP, Housing Law Services LLP and Keebles LLP. The FY21 reported fee income of £103.2m included £2.1m from these acquisitions. As such £14.8m of the growth in reported income in FY22 compared to FY21 relates to the full year impact of these acquisitions. At the time of acquisition, the historic reported revenues of these four businesses was circa £22.7m. Based on the reported revenue of £16.9m, this shows retained revenue at circa 74%. This is slightly lower than the normal budgeted retention rate of 80% due in part to the challenges faced by the rest of the Group at the end of the year and also the decision to restructure some small parts of the acquired businesses that were not strategically aligned with the rest of the Group. This amounted to a revenue reduction of circa £0.9m.

Organic fee income growth

Excluding the impact of acquisitions in FY21 and FY22, as summarised above, the overall movement in organic fee income for the year shows an increase of 2%.

	FY22 £m	FY21 £m
Income from FY22 acquisitions	5.8	–
Income from FY21 acquisitions	16.9	2.1
Organic income	102.9	101.1
Total income	125.6	103.2

The table above shows that organic income has increased to £102.9m from £101.1m in FY21.

* See Glossary on pages 126-127.

Revenue growth (continued)

As discussed, although revenue growth is an important KPI for the Board, its priority is to ensure that all areas of the business are operating profitably and are strategically aligned. Therefore, during the year management took the decision to stop providing volume debt recovery and volume conveyancing services. The provision of the volume conveyancing services, in particular, was not aligned with our focus on delivering premium residential property services to clients. In FY22 these businesses contributed circa £2m to revenues. Excluding this from the base revenues used to calculate organic growth would give an organic growth figure for the year of circa 4%.

Organic revenue levels in any year are driven by a number of factors, including charge out rate increases, changes in productivity, recruitment of new senior professionals with client followings, new client wins, and providing more services for existing clients. Despite the difficulties impacting productivity at the end of the financial year, there has been positive client momentum during FY22. There have been a number of significant new client wins during the year including the Teesside Regional Development Corporation, Aesop, Ecoserve and Arriva. There has also been positive momentum with existing clients, with revenues for the top 50 recurring clients showing overall revenue growth of 33% from FY21 levels to £20.5m. This increase is driven by annual pricing increases but also the strengthening of client relationships and the use by clients of more services within the Group.

The management team remains focused on maximising the organic growth opportunities available to the Group by continuing to develop existing as well as new client relationships and recruiting high-calibre individuals with a strong client following.

Fee earners and fees per fee earner

Although not standalone KPIs, the level of fee income generated by the Group is a product of the number of fee earners employed and the fees per fee earner generated by those individuals during the year. During the year to 30 April 2022 the average fees per fee earner have increased from £121k to £124k. Our focus continues on recruiting and retaining high-quality individuals and a focus on pricing and recovery of the value of time spent on work delivered. This metric will vary year on year depending on the mix of work and grade of fee earners in the business and although linked, does not always directly correlate to profitability of the Group. Management feels that there is scope to increase the fees per fee earner further in core business over the medium term.

The full time equivalent number (FTE) of fee earners is used to calculate the fees per fee earner as this takes into account flexible and part-time working patterns. The average number of FTE fee earners during the year was 1,015. Actual FTE fee earners employed at the year end was 978.

Average full time equivalent fee earners during the year

1,015

2021: 852
2020: 622

Fees per fee earner

£124k

2021: £121k
2020: £119k

In summary

Given the unexpected trading headwinds at the end of the financial year, the Board is pleased to deliver in line with its revised expectations, continuing to drive good levels of revenue growth and cash conversion.

The lower than anticipated levels of net debt as at the end of the year are the result of the Group's continued excellent cash management policy. The Group is in a strong position to invest in growing the business both organically and through strategic acquisition opportunities with headroom within its current RCF facility of over £30m.

Kate Lewis
Chief Financial Officer

11 July 2022