

Company Registration No. 08004376 (England and Wales)

ForrestBrown Limited

**Annual report and financial statements
for the year ended 31 December 2022**

ForrestBrown Limited

Company information

Directors Simon Brown
Shane Frank
Dhaval Jadav
Michael Yirilli

Company number 08004376

Registered office Floor 2
10 Templeback
Bristol
BS1 6FL

Independent auditor Saffery Champness LLP
St Catherine's Court
Berkeley Place
Clifton
Bristol
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ForrestBrown Limited

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ForrestBrown Limited

Strategic report

For the year ended 31 December 2022

The directors present the strategic report for the year ended 31 December 2022.

Fair review of the business

The Directors are pleased to report a positive set of results for the company, with 2022 seeing a return to growth.

Alongside strong financial performance, the company helped clients navigate change and uncertainty in research and development (R&D) tax policy, championed professional standards in the market for tax advice and continued to be a constructive voice in the debate over the future of R&D tax relief.

Turnover was up 24% at £15,272,557 and EBITDA was £1,650,310 as the company traded strongly. Following a particularly challenging year, 2022 saw clients increasing investment in R&D activity post-COVID, with a positive impact on the company's finances. Employee numbers were maintained at a similar level to 2021 through a combination of natural attrition in some areas complemented by strategic hires elsewhere. Headcount averaged 116 across the year.

Having weathered the impacts of COVID the company continues to develop its services, maintaining high levels of technical expertise, client satisfaction and a commitment to building long-lasting relationships. Investment has been made with an eye to the future, from ongoing infrastructure improvements to development of the existing team and nurturing new talent in partnership with local community organisations.

A particular focus in 2022 was ensuring the company's internal claim management system remained in a strong position to continue delivering R&D tax relief advice for clients in a hybrid-working world. The company also grew its office in Glasgow to provide an increased presence in Scotland. These investments will support future growth with further developments planned across IT systems, property, service lines and people to enhance the company's offering and maintain its leading position in an ever more competitive UK marketplace.

As well as enhancing its R&D tax relief support in 2022, the company also set the scene for the development of additional services. For example, its FB Consulting arm's offer widened to include full claim reviews, due diligence on tax risks for mergers and acquisitions and training for in-house teams on project identification, claim methodology and risk management.

Demand for R&D tax relief enquiry support also increased as HMRC focused more resources on compliance as part of its crackdown on error and fraud. FB Consulting works with companies facing scrutiny of claims prepared themselves or with other advisers, devising and delivering strategies that balance preserving claim value, reducing risk of penalties and securing timely solutions.

The company worked with hundreds of accountants in 2022, including a growing list of top 100 firms. This work included claim preparation, provision of sector specialist expertise and enquiry support. The company also partnered with more than 30 industry associations across R&D intensive sectors such as software, precision engineering and renewables, providing support and advice to member businesses.

Principal risks and uncertainties

The company is constantly evaluating the principal risks and uncertainties that could have a potential impact upon its operating and financial performance. The key risks for the business centre around regulation, competition and economic uncertainty.

Piecemeal changes to regulations and continued uncertainty about the future characterised R&D tax policy in 2022. Having promised a 'root and branch' review of the incentive, the government proceeded to announce a series of smaller changes rather than address the big picture problem of a disconnect between policy intent and implementation.

Against this backdrop, the company continued to make the case for a clear statement of intent, a modernised definition of R&D and regulation of the market for tax advice to tackle abuse by spurious advisers. Head of Policy, Jenny Tragner, gave evidence to the House of Lords' Economic Affairs Committee inquiry into R&D tax relief and the company's commentary on the impact of policy changes on businesses featured in the Financial Times. With further reform in the pipeline in 2023, the company will continue to represent clients' interests to stakeholders, highlighting the importance of continued policy support for innovation.

Competition continues to evolve, with awareness of R&D tax relief now widespread. The company has made considerable efforts to educate the market on what constitutes good advice in what remains an unregulated environment. HMRC's increased focus on compliance and the resulting rise in the number of enquiries suggests consolidation is likely as many competitors look to exit a more heavily scrutinised market. The company is committed to supporting as many businesses as it can, both large and small, to access the incentives available and sees consolidation as a positive move for the industry, driving out unregulated and spurious advisors.

While Brexit, COVID-19, the war in Ukraine and now rising inflation have created an environment of economic uncertainty over recent years, the company believes the R&D tax incentive will remain an essential part of government strategy to increase productivity in the UK, with innovation remaining central to the economic approach of both major political parties.

Key performance indicators

The key performance indicators used by the Board to monitor progress include turnover, EBITDA, headcount and Net Promoter Score.

Turnover was up 24% in 2022 to £15,272,557 (2021: £12,247,596). As a result, EBITDA also trended upwards. The decision by the Board in 2021 to safeguard jobs for our employees and continue to serve as many of our clients as possible was proven to be the correct strategy enabling the company to exit COVID strongly, protecting longer term revenue as clients returned to relative normality during the latter half of 2021. These actions ensured that the business maintained a strong foundation upon which to build at the start of 2022.

Average headcount reduced slightly to 116 employees (2021: 122), due to natural attrition in non-client facing teams. Recruitment in the business development and client facing teams continues to be a key priority across all our offices during the first half of 2023. The company also remains committed to developing the workforce of tomorrow and is an accredited ICAEW training employer, currently supporting 16 apprentices and three independent learners to study towards professional qualifications. A Professional Qualification Award recognises achievement and aids talent retention.

Finally, our quarterly client satisfaction survey generates a Net Promoter Score which remained above industry average throughout the year, peaking at 94 in Q3. The feedback received informs client service and has already shaped the support provided through FB Consulting, for example.

ForrestBrown Limited

Strategic report (continued)

For the year ended 31 December 2022

On behalf of the board

Simon Brown

Director

12 May 2023

ForrestBrown Limited

Directors' report

For the year ended 31 December 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the company continued to be that of filing research and development claims.

Results and dividends

The results for the year are set out on page 10.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend (2021: £nil).

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Simon Brown
Shane Frank
Dhaval Jadav
Michael Yirilli

Financial instruments

Liquidity risk

The company has significant cash resources to meet its financial obligations.

Interest risk

The company does not have any outstanding loan balances at the period end and so is not exposed to interest rate risk.

Foreign currency risk

The company makes its sales and purchases in sterling and so is not exposed to foreign currency risk.

Credit risk

Credit risk is considered low for the company as credit terms are not provided to the majority of customers.

ForrestBrown Limited

Directors' report (continued)
For the year ended 31 December 2022

Statement of directors' responsibilities

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 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 company and of the profit or loss of the company for that period. 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;
- 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 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.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Simon Brown
Director

12 May 2023

ForrestBrown Limited

Independent auditor's report

To the members of ForrestBrown Limited

Opinion

We have audited the financial statements of ForrestBrown Limited (the 'company') for the year ended 31 December 2022 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

ForrestBrown Limited

Independent auditor's report (continued)

To the members of ForrestBrown Limited

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.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

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 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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 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 company or to cease operations, or have no realistic alternative but to do so.

ForrestBrown Limited

Independent auditor's report (continued)

To the members of ForrestBrown Limited

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the company's financial statements to material misstatement and how fraud might occur, including through discussions with the directors, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the company by discussions with directors and by updating our understanding of the sector in which the company operates.

Laws and regulations of direct significance in the context of the company include The Companies Act 2006 and UK Tax legislation.

Audit response to risks identified

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

ForrestBrown Limited

Independent auditor's report (continued)

To the members of ForrestBrown Limited

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

Neil Davies

Senior Statutory Auditor

For and on behalf of Saffery Champness LLP

12 May 2023

Chartered Accountants

Statutory Auditors

St Catherine's Court
Berkeley Place
Clifton
Bristol
BS8 1BQ

ForrestBrown Limited

**Statement of comprehensive income
For the year ended 31 December 2022**

		2022	2021
	Notes	£	£
Turnover	3	15,272,557	12,247,596
Cost of sales		(9,661,459)	(9,171,270)
		<hr/>	<hr/>
Gross profit		5,611,098	3,076,326
Administrative expenses		(4,511,129)	(4,830,471)
Other operating income		186,880	51,928
		<hr/>	<hr/>
Operating profit/(loss)	4	1,286,849	(1,702,217)
Interest receivable and similar income	7	18,117	9,778
		<hr/>	<hr/>
Profit/(loss) before taxation		1,304,966	(1,692,439)
Tax on profit/(loss)	8	(260,103)	117,004
		<hr/>	<hr/>
Profit/(loss) for the financial year		<u>1,044,863</u>	<u>(1,575,435)</u>

The income statement has been prepared on the basis that all operations are continuing operations.

ForrestBrown Limited**Statement of financial position
As at 31 December 2022**

		2022		2021	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	9		274,391		397,828
Current assets					
Debtors	10	12,332,344		9,958,691	
Cash at bank and in hand		4,988,641		4,544,559	
		<u>17,320,985</u>		<u>14,503,250</u>	
Creditors: amounts falling due within one year	11	<u>(3,020,665)</u>		<u>(1,675,961)</u>	
Net current assets			<u>14,300,320</u>		<u>12,827,289</u>
Total assets less current liabilities			<u>14,574,711</u>		<u>13,225,117</u>
Creditors: amounts falling due after more than one year	12		-		(65,579)
Provisions for liabilities					
Provisions	13	285,348		285,348	
		<u></u>	<u>(285,348)</u>	<u></u>	<u>(285,348)</u>
Net assets			<u>14,289,363</u>		<u>12,874,190</u>
Capital and reserves					
Called up share capital	17		124		124
Share premium account			2,327		2,327
Profit and loss reserves			14,286,912		12,871,739
Total equity			<u>14,289,363</u>		<u>12,874,190</u>

The financial statements were approved by the board of directors and authorised for issue on 12 May 2023 and are signed on its behalf by:

Simon Brown
Director

Company Registration No. 08004376 (England and Wales)

ForrestBrown Limited

**Statement of changes in equity
For the year ended 31 December 2022**

	Share capital	Share premium account	Profit and loss reserves	Total
Notes	£	£	£	£
Balance at 1 January 2021	124	2,327	13,065,658	13,068,109
Year ended 31 December 2021:				
Loss and total comprehensive income for the year	-	-	(1,575,435)	(1,575,435)
Credit to equity for equity settled share-based payments	16	-	1,381,516	1,381,516
Balance at 31 December 2021	124	2,327	12,871,739	12,874,190
Year ended 31 December 2022:				
Profit and total comprehensive income for the year	-	-	1,044,863	1,044,863
Credit to equity for equity settled share-based payments	16	-	370,310	370,310
Balance at 31 December 2022	124	2,327	14,286,912	14,289,363

ForrestBrown Limited

**Statement of cash flows
For the year ended 31 December 2022**

		2022	2021
	Notes	£	£
Cash flows from operating activities			
Cash generated from/(absorbed by) operations	21	816,495	(2,355,511)
Income taxes paid		(151,048)	(215,312)
		<u>665,447</u>	<u>(2,570,823)</u>
Net cash inflow/(outflow) from operating activities			
		665,447	(2,570,823)
Investing activities			
Purchase of tangible fixed assets		(240,024)	(56,323)
Proceeds on disposal of tangible fixed assets		542	5,333
Interest received		18,117	9,778
		<u>(221,365)</u>	<u>(41,212)</u>
Net cash used in investing activities			
		(221,365)	(41,212)
Net increase/(decrease) in cash and cash equivalents			
		444,082	(2,612,035)
Cash and cash equivalents at beginning of year		4,544,559	7,156,594
		<u>4,988,641</u>	<u>4,544,559</u>
Cash and cash equivalents at end of year		<u><u>4,988,641</u></u>	<u><u>4,544,559</u></u>

ForrestBrown Limited

Notes to the financial statements For the year ended 31 December 2022

1 Accounting policies

Company information

ForrestBrown Limited is a private company limited by shares incorporated in England and Wales. The registered office is Floor 2, 10 Templeback, Bristol, BS1 6FL.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Whilst there are new inflationary pressures and rising interest rates, the Company is in a strong position to support UK businesses with their R&D tax advice. The Company's client base is diversified and robust with a large proportion of revenue coming from strong existing client relationships. The Company has no debt or financing arrangements in place and is funded solely through its trading activity and has healthy cash balances. All of this puts the Company in a strong position to support the going concern basis of accounting.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Turnover from contracts for the provision of professional services represents the majority of the income. This turnover is recognised when claims have been submitted to the tax authorities as the outcome of an assignment is probable once a claim is submitted. A provision is made to cover claims that may be subject to enquiry and subsequently adjusted. This provision is based on an analysis of retrospective data.

1 Accounting policies (continued)

1.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	Straight line over the remaining life of the lease
Fixtures and fittings	Straight line over 3 years
Computers	Straight line over 2 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible 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 the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1 Accounting policies (continued)

1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Classification of financial liabilities

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 company after deducting all of its liabilities.

1 Accounting policies (continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement 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 company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies (continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition 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 reporting end 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. Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.10 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1 Accounting policies (continued)

1.12 Retirement benefits

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Any unpaid contributions are shown in accruals as a liability in the Statement of Financial Position. Assets of the plan are held separately from the Company in independently administered funds.

1.13 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

When share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. When the Company participates in a share based payment arrangement in which the share options are in its parent Company, the Company accounts for the expense with the corresponding credit being taken to retained earnings and treated as a capital contribution.

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.15 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.16 Interest income

Interest income is recognised in profit or loss using the effective interest method.

1.17 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Enquiry provision

The Company recognises revenue at the point at which it can be reliably estimated and is considered probable. This is deemed to be upon claim submission. The tax authorities can however open an enquiry into any claim for a period after submission and this enquiry may lead to the claim being restated downwards leading to a reduction in the Company's share of revenue.

Management exercise judgement in estimating the provision required for claims that do go to enquiry and that are subsequently restated downwards as a result. Management base their assessment on an analysis of historical enquiry data which shows that the impact on revenue recognised has not been significant in the past and is not expected to be for claims submitted to the year end date.

Management continually review trends in respect of claims that go to enquiry and revise the provision accordingly.

Work-in-progress

No provision is made for the additional work required for dealing with the enquiries. In addition, no work-in-progress is provided for unsubmitted claims at varying stages of completion at the year end date as the impact of these is not considered to be material.

3 Turnover and other revenue

	2022	2021
	£	£
Turnover analysed by class of business		
Provision of professional services	15,272,557	12,247,596

ForrestBrown Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

3 Turnover and other revenue (continued)

	2022	2021
	£	£
Turnover analysed by geographical market		
United Kingdom	15,272,557	12,247,596

	2022	2021
	£	£
Other revenue		
Interest income	18,117	9,778
Grants received	186,880	-

4 Operating profit/(loss)

	2022	2021
	£	£
Operating profit/(loss) for the year is stated after charging/(crediting):		
Government grants	(186,880)	-
Fees payable to the company's auditor for the audit of the company's financial statements	25,250	-
Fees payable to the company's previous auditor for the audit of the company's financial statements	-	28,150
Depreciation of owned tangible fixed assets	363,461	363,439
Profit on disposal of tangible fixed assets	(542)	(5,181)
Share-based payments	370,310	1,381,516
Operating lease charges	763,015	835,050

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022	2021
	Number	Number
Average number	116	122

ForrestBrown Limited**Notes to the financial statements (continued)**

For the year ended 31 December 2022

5 Employees (continued)

Their aggregate remuneration comprised:

	2022	2021
	£	£
Wages and salaries	7,906,260	7,913,267
Social security costs	905,930	708,123
Pension costs	248,436	248,377
	<u>9,060,626</u>	<u>8,869,767</u>

6 Directors' remuneration

	2022	2021
	£	£
Remuneration for qualifying services	113,640	144,754
Company pension contributions to defined contribution schemes	1,587	5,200
	<u>115,227</u>	<u>149,954</u>

7 Interest receivable and similar income

	2022	2021
	£	£
Interest income		
Other interest income	18,117	9,778
	<u>18,117</u>	<u>9,778</u>

8 Taxation

	2022	2021
	£	£
Current tax		
UK corporation tax on profits for the current period	346,232	1,778
Adjustments in respect of prior periods	-	(69,800)
Total current tax	<u>346,232</u>	<u>(68,022)</u>
Deferred tax		
Origination and reversal of timing differences	(86,129)	(48,982)
Total tax charge/(credit)	<u>260,103</u>	<u>(117,004)</u>

ForrestBrown Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

8 Taxation (continued)

The actual charge/(credit) for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	2022	2021
	£	£
Profit/(loss) before taxation	1,304,966	(1,692,439)
	<u> </u>	<u> </u>
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	247,944	(321,563)
Tax effect of expenses that are not deductible in determining taxable profit	81,301	264,242
Tax effect of income not taxable in determining taxable profit	(8,306)	(8,307)
Adjustments in respect of prior years	-	(69,800)
Deferred tax adjustments in respect of prior years	-	17,597
Fixed asset differences	11,926	827
Effect of change in deferred tax rates	(20,671)	-
Movement in deferred tax not recognised	(52,091)	-
	<u> </u>	<u> </u>
Taxation charge/(credit) for the year	260,103	(117,004)
	<u> </u>	<u> </u>

ForrestBrown Limited

Notes to the financial statements (continued)
For the year ended 31 December 2022

9 Tangible fixed assets

	Leasehold improvements	Fixtures and fittings	Computers	Total
	£	£	£	£
Cost				
At 1 January 2022	1,063,799	142,883	272,606	1,479,288
Additions	90,302	20,825	128,897	240,024
Disposals	-	(1,020)	(8,921)	(9,941)
At 31 December 2022	1,154,101	162,688	392,582	1,709,371
Depreciation and impairment				
At 1 January 2022	726,744	125,848	228,868	1,081,460
Depreciation charged in the year	269,084	25,654	68,723	363,461
Eliminated in respect of disposals	-	(1,020)	(8,921)	(9,941)
At 31 December 2022	995,828	150,482	288,670	1,434,980
Carrying amount				
At 31 December 2022	158,273	12,206	103,912	274,391
At 31 December 2021	337,055	17,035	43,738	397,828

10 Debtors

	2022	2021
	£	£
Amounts falling due within one year:		
Trade debtors	3,040,652	653,499
Amounts owed by group undertakings	5,360,656	3,740,929
Other debtors	11,298	496,733
Prepayments and accrued income	3,816,658	5,050,579
	12,229,264	9,941,740
Amounts falling due after more than one year:		
Deferred tax asset (note 14)	103,080	16,951
Total debtors	12,332,344	9,958,691

ForrestBrown Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

11 Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	225,251	332,645
Corporation tax	195,184	-
Other taxation and social security	925,402	393,747
Other creditors	90,441	1,514
Accruals and deferred income	1,584,387	948,055
	<u>3,020,665</u>	<u>1,675,961</u>

12 Creditors: amounts falling due after more than one year

	2022	2021
	£	£
Accruals and deferred income	-	65,579
	<u>-</u>	<u>65,579</u>

13 Provisions for liabilities

	2022	2021
	£	£
Dilapidations provision	285,348	285,348
	<u>285,348</u>	<u>285,348</u>

Movements on provisions:

	Dilapidations provision
	£
At 1 January 2022 and 31 December 2022	<u>285,348</u>

ForrestBrown Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

14 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Assets 2022	Assets 2021
	£	£
Balances:		
Timing differences	103,080	16,951
	<u> </u>	<u> </u>
Movements in the year:		2022
		£
Asset at 1 January 2022		(16,951)
Credit to profit or loss		(86,129)
		<u> </u>
Asset at 31 December 2022		(103,080)
		<u> </u>

The deferred tax asset set out above is expected to reverse within 12 months and relates to the utilisation of tax losses against future expected profits of the same period.

15 Retirement benefit schemes

	2022	2021
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	248,436	248,377
	<u> </u>	<u> </u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

ForrestBrown Limited**Notes to the financial statements (continued)**

For the year ended 31 December 2022

16 Share-based payment transactions

In March 2018, 44,729 share options were granted to employees (or closely connected individuals) of ForrestBrown Limited. These options are registered in the name of the Company's ultimate parent company alliantgroup, L.P. The options vest based on continued employment and vest in equal instalments of 25% each year over 4 years. 75% were exercisable as at 31 December 2021, with the remaining options vesting in the year. In deriving the fair value, the parent company used the Black Scholes model. The full expense was recognised in ForrestBrown Limited being where the service is provided. The total expense recognised in the year was £202,242 (2021: £1,213,449). All the options were exercisable at the end of the year.

In April 2020, 5,500 share options were granted to employees of ForrestBrown Limited. These options are registered in the name of the Company's ultimate parent company alliantgroup, L.P. The options vest on continued employment and vest in equal instalments at 25% each year over 4 years. 25% were exercisable as at 31 December 2021 and a further 25% were exercisable as at 31 December 2022. In deriving the fair value the parent company used the Black Scholes model. The full expense has been recognised in Forrest Brown Limited being where the service is provided. The total expense recognised in 2022 was £168,068 (2021: £168,067). All the options were exercisable at the end of the year.

17 Share capital

	2022	2021	2022	2021
	Number	Number	£	£
Ordinary share capital				
Issued and fully paid				
A Ordinary shares of 1p each	5,500	5,500	55	55
B Ordinary shares of 1p each	4,500	4,500	45	45
C Ordinary shares of 1p each	2,350	2,350	24	24
	<u>12,350</u>	<u>12,350</u>	<u>124</u>	<u>124</u>

18 Operating lease commitments**Lessee**

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022	2021
	£	£
Within one year	654,394	748,574
Between two and five years	2,080,968	2,207,322
In over five years	259,393	778,178
	<u>2,994,755</u>	<u>3,734,074</u>

ForrestBrown Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

19 Related party transactions

Under FRS 102, the Company is not required to disclose transactions entered into between itself and Alliant Global Corporation ("AGC") as it is a wholly owned subsidiary of AGC.

Key management remuneration amounted to £1,825,733 (2021: £1,592,850).

Share options were also present in the year, issued to key management personnel. Further details on this scheme is included in note 16. Share options issued to key management personnel fully vested in the year.

20 Ultimate controlling party

The company's immediate parent company is Alliant Global Corporation ("AGC") by virtue of its entire holding of the entity's share capital. AGC is a wholly-owned subsidiary of alliantgroup, L.P. Both companies are incorporated in the United States of America.

The company's results are not consolidated into accounts that are publicly available. There is not considered to be an ultimate controlling party.

21 Cash generated from/(absorbed by) operations

	2022	2021
	£	£
Profit/(loss) for the year after tax	1,044,863	(1,575,435)
Adjustments for:		
Taxation charged/(credited)	260,103	(117,004)
Investment income	(18,117)	(9,778)
Gain on disposal of tangible fixed assets	(542)	(5,181)
Depreciation and impairment of tangible fixed assets	363,461	363,439
Equity settled share based payment expense	370,310	1,381,516
Movements in working capital:		
Increase in debtors	(2,287,524)	(509,184)
Increase/(decrease) in creditors	1,083,941	(1,883,884)
Cash generated from/(absorbed by) operations	816,495	(2,355,511)

ForrestBrown Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

22 Analysis of changes in net funds

	1 January 2022	Cash flows	31 December 2022
	£	£	£
Cash at bank and in hand	4,544,559	444,082	4,988,641
	<u> </u>	<u> </u>	<u> </u>

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