

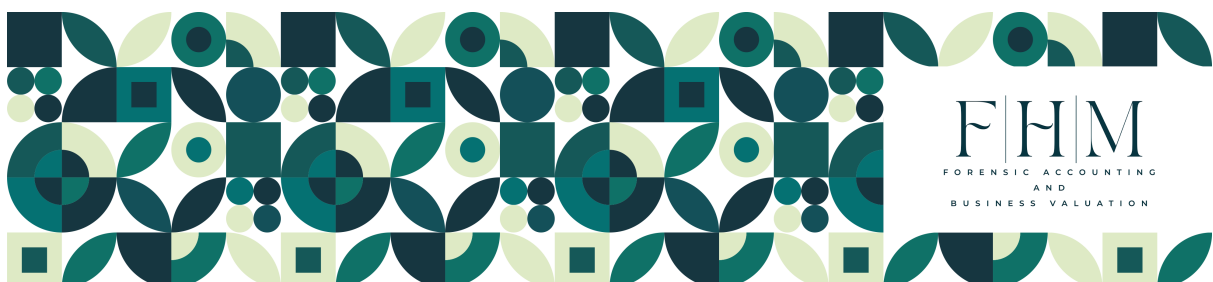
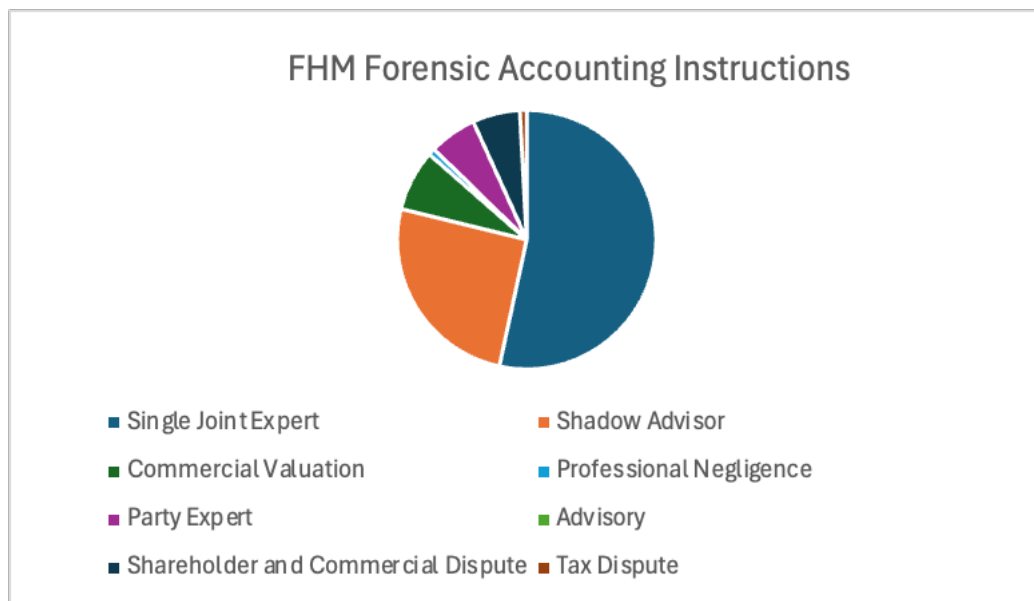


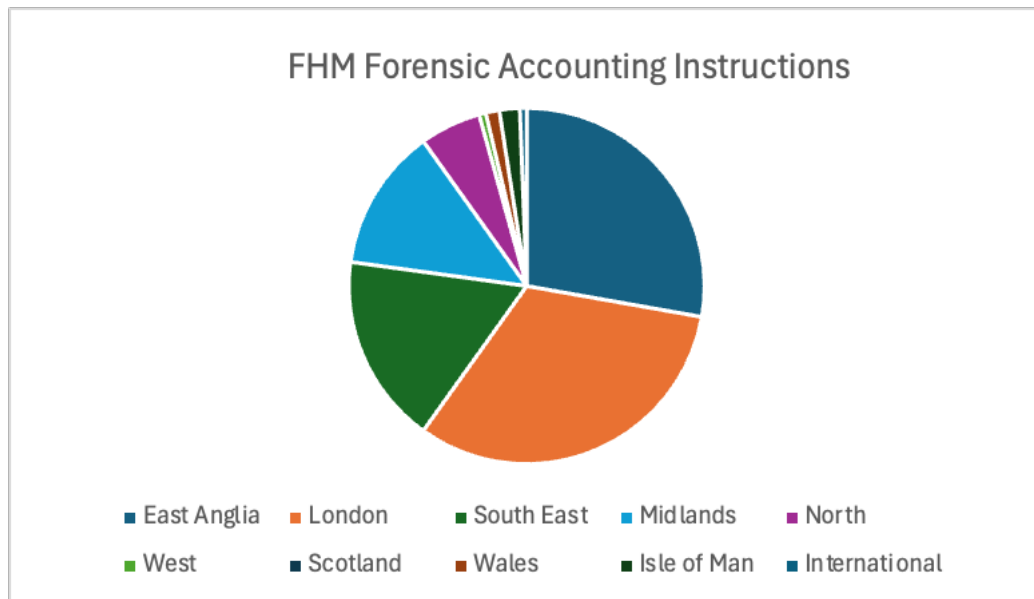
FHM Forensic Accounting Review of 2025

As we reflect on 2025, this review highlights our forensic accounting team's key engagements, professional growth, and the lessons learned while supporting clients through complex financial disputes and business valuations.

The FHM statistics

- ❖ Number of assignments completed – 118
- ❖ Growth in turnover – 70% increase
- ❖ Attendees at FHM CPD webinars in 2025 – 340
- ❖ Team expansion – Kirsty Shuckford joined in May as the fourth team member





Team reflections on 2025

Each team member reflects on an interesting case they worked on in 2025 and what they achieved outside of work.

Tom Arnold – Associate Director and Expert Witness

One of the interesting valuation cases I have worked upon was *Project Sands*.

- ❖ The engagement was as Single joint expert business valuation as part of an employment tribunal involving valuations at several dates.
- ❖ This was interesting as it involved a significant amount of documentation and information which had to be reviewed to determine what was relevant and what would have been available and known at each valuation date.
- ❖ This was further complicated by the fact that the performance of the company had fluctuated significantly with a large number of exceptional items which had to be carefully analysed to ensure that they were accounted for within the valuation as necessary.
- ❖ We were then instructed to provide an additional supplemental report with a further alternative valuation date.

Outside of work this year I have tried to be more consistent with my fitness and particularly in the past six months have focussed on running regularly. Recently I achieved my first sub-25 minute 5k and my current PB is down to 24:39. It is helpful having the flexibility of working from home as it means I can be out running within 10 minutes of logging off for the day.



I am hoping to continue this into the new year and am looking to sign up to some running events such as the Run Norwich 10k and a half-marathon.

Kirsty Shuckford – Assistant Manager

The most interesting case so far has been a shadow expert report regarding an earn-out dispute.

- ❖ We were instructed to review the EBITDA calculations prepared by both the buyers and the sellers of the company on which the earn-out was based and provide reasons (based on the supporting documentation provided to us) as to why we agree or disagree with each adjustment raised.
- ❖ This was interesting as it required a different thought process than some of the other cases I have worked on. I also liked learning more about earn-out agreements and how they work in practice.
- ❖ This was challenging as it required us to think about how EBITDA should be calculated under the earn-out agreement terms instead of the EBITDA calculation that would be required in the valuation of a company, as well as how revenue and expenses should be recognised under the financial reporting standards.

Outside of work, in previous roles I have found myself working a lot of extra hours in the evenings and on weekends out of habit, so I lost the work life balance that I really needed. I have really broken this habit this year which has enabled me to spend a lot more time with family and friends.

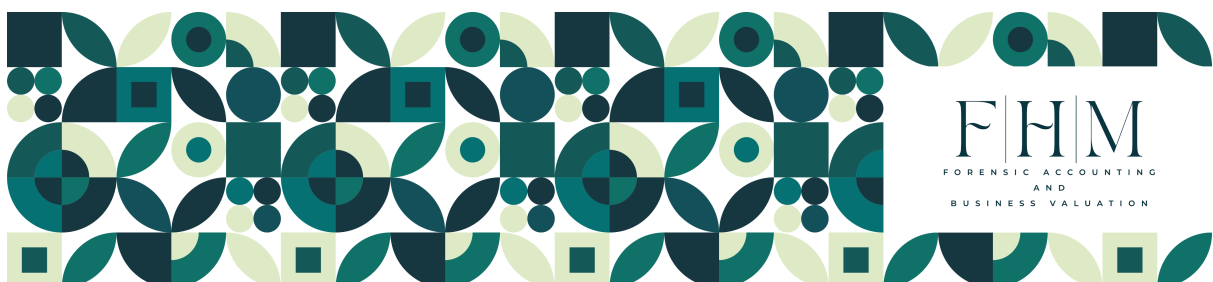
Fiona Hotston Moore – Director and Expert Witness

We have worked on a great number of interesting cases in 2025 and it is difficult to select just one. We are increasingly doing more shadow adviser reports where we review and give a view on the Single Joint Expert report.

One such case involved the valuation of a substantial shareholding where there were various share classes in the company with distinct shareholder rights. Each shareholder held a distinct share class. Our client's shareholding held all voting rights giving control of the operation of the company, declaration of dividends and the right to wind up the company.

The Single Joint Expert had ignored the rights attaching to different share classes and apportioned the company value with respect only to the number of shares held.

In my report I explored the guidance in the Company's Articles and the Companies Act, as well as the technical guidance in the International Valuation Standards. I concluded that in my view the company valuation should be apportioned between share classes to reflect the rights attaching and therefore the share class with voting rights should be



valued considerably higher than the shareholding with no rights. I adopted a couple of methodologies to arrive at a premium of 60% for the voting shares.

Outside of work I have also valued the opportunity afforded by our fully flexible remote business model to focus on getting fitter and running during the week, rather than just at the weekend. I have managed to fit in a lot of travel as well as volunteering with Samaritans.

Graham Hines – Director

I have worked on a couple of bank analysis cases this year tracing movements of money in multiple currencies across a number of UK and overseas accounts. Part of the challenge is that different banks use different terminology for their transaction descriptions and, in some cases of course, different languages. Statements that are not machine-readable also make the process quite time-consuming and so a very methodical approach is needed to avoid errors.

A lot of the work involves distilling a large amount of information into a format that separates out the routine from the unusual which is what clients are typically looking for.

Outside of work I try to find time to work in my (digital) darkroom on the photos that I take throughout the year when travelling. I find myself taking more photos than I have time to process but hopefully this year I'll be able to carve out some more time.



Predictions from the FHM forensic accounting experts

Our experts, Fiona Hotston Moore and Tom Arnold, share their predictions for 2026.

Fiona and Tom are forensic accountants at FHM and regularly write expert reports in financial disputes. Here they share their predictions for their area of expert witness work.

Business valuations

As valuation experts we value businesses relating to financial disputes but also to assist business owners in strategic planning.

We anticipate a relatively benign economy in the start of 2026 with an expectation of two further small cuts in interest rates and modest cost inflation. This should help smaller businesses and tends to result in more consistent trading performance. In valuing businesses, we will typically review historic accounts to assess the value that the business will generate in the future to its shareholders. Valuation is inherently subjective and becomes more so in periods of uncertainty or fluctuating financial performance.

Typically, in more volatile economic times, we will receive more instructions for updating business valuations to address a perceived change in the fortunes – and therefore the value – of a company.

In 2026, we expect an uptick in business owners looking for an exit or a partial exit. In light of recent tax changes they may be considering alternatives to Employee Ownership Trusts (EOTs). We are often asked to give an independent view on company valuation before the business owner starts a sale process or undertakes succession planning. We anticipate succession and associated family tax planning will stay on the agenda for business owners.

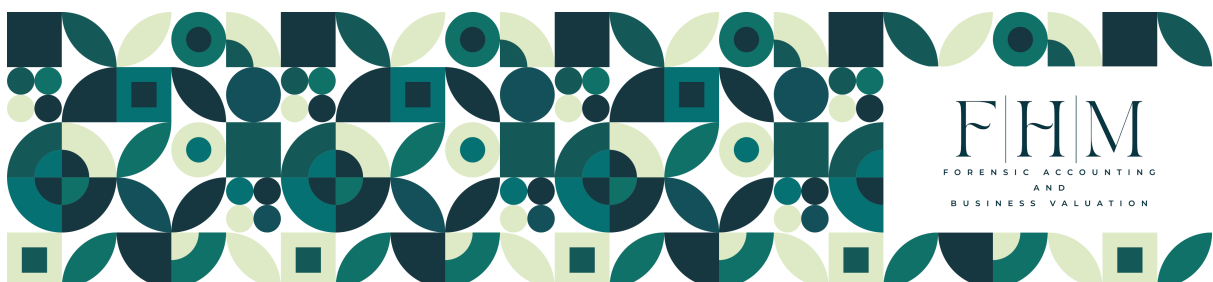
Shadow Experts/Advisers

We expect to see greater use of shadow advisors to, for example, assist in assessing financial disclosures, reviewing Single Joint Expert or Party Expert reports and giving independent tax input on settlement proposals.

As Shadow Expert we can help solicitors review the opinion of the court-appointed expert(s) explaining the key assumptions and sensitivities.

The impact of AI on tax compliance

Over the next few years, we anticipate that HMRC will be making greater use of technology and AI to identify tax evasion. This will result in focused tax investigations and the need for experts to consider the impact of tax disputes on company valuations



and personal financial disputes. This can be trickier where the tax investigation is ongoing; tax disputes can take years to resolve. As financial experts we will be required to give an independent view on the contingent tax liability.

Business fraud and fraud on charities

Reported fraud is increasing and we expect this to continue. In our experience, all too often simple controls and checks would have picked up internal frauds. Fraud within charities and family businesses are particularly stressful for all involved. We advise management and those charged with governance to get an independent review of internal checks and to act on any concerns expeditiously. Furthermore, if you have a feeling that there might be an issue, we recommend getting an independent view as early as possible.

Tax issues in settlements of financial disputes

In our experience, there is often insufficient consideration of the impact on tax on financial settlements. The maximum tax rate on dividends is 39.35% compared to a tax rate on capital gains of 24% (ignoring Business Asset Disposal Relief and annual exemptions). Structuring a lump sum payment in a shareholder or matrimonial matter using a Company Purchase of Own Shares could make a significant difference to the after-tax sum received. In any event, clients need to appreciate the tax costs of capital extraction which can otherwise mean the cost of a proposed settlement is substantially more than anticipated when the deal is being struck.

In some corporate matters it may be tax advantageous to restructure a group or shareholdings. To optimise the tax outcome, it may be advisable to obtain tax clearances from HMRC. Such clearances can take several weeks so early consultation with tax experts is recommended.

In disputes generally, such as partnerships, shareholder and employment disputes, there can be opportunities to mitigate the tax costs of a settlement and so find a resolution that is acceptable to the parties.

Unfortunately, our experience is that tax is often considered very late in a negotiation. Tax is rarely straightforward and tax input at an early stage of negotiations is advisable.

Estimating the likely quantum of a business loss claim

As forensic accountants we recommend obtaining an independent view on the available published accounts early on in a dispute. Published accounts often contain limited information on the trading performance of a company. A financial expert can advise on the key further information required to give a preliminary view on a claim. An independent view may help the parties reach a settlement early in the dispute and mitigating legal fees and stress on the parties.



Errors in published accounts

Surprisingly often, we come across errors in the accounts on Companies House when preparing valuation and financial reports. These can be simple arithmetic errors or more technical ones such as the incorrect categorisation of a share premium as a liability, the omission of a deferred tax liability on a property revaluation, a material overstatement of an asset such as stock. These errors can substantially change our expert view on the company valuation or financial settlement due in a dispute.

Less than 5% of companies now require a statutory audit and therefore the level of independent scrutiny applied to published accounts is limited. We expect to continue identifying published financial accounts with errors in the figures which result in a misrepresentation of the financial position.

The role of experts

Our final prediction is that the role of experts will remain key in financial disputes. Whilst there may be a role for AI and technology in aspects of an investigation, the experienced expert opinion cannot be replaced by automation.

