Begbies Traynor Group

20 July 2021

Begbies Traynor Group plc

Final results
for the year ended 30 April 2021

Strong performance with results ahead of original expectations

Begbies Traynor Group plc (the 'company' or the 'group'), the business recovery, financial advisory and property services consultancy, today announces its final results for the year ended 30 April 2021.

Financial highlights

	2021 £m	2020 £m
Revenue	83.8	70.5
Adjusted profit before tax*	11.5	9.2
Profit before tax	1.9	2.9
Adjusted basic EPS** (p)	6.9	5.7
Basic EPS (p)	0.1	0.7
Proposed total dividend (p)	3.0	2.8
Net cash (debt)	3.0	(2.8)

** Profit before tax £1.9m (2020: £2.9m) plus transaction costs £6.5m (2020: £3.2m) and amortisation of intangible assets arising on acquisitions £3.1m (2020: £3.1m)*
*** See reconciliation in note 5*

Operational highlights

- Strong performance with results ahead of original expectations due to acquisitions and improved trading
- Revenue growth of 19% (13% acquired; 6% organic)
- Enhanced operating margins of 14.8% (2020: 14.3%)
- Strong adjusted profit growth of 25%; statutory profit before tax reflects increased non-cash acquisition accounting charges
- All areas of the group performed well:
  - *Business recovery and financial advisory:* strong organic performance against a challenging insolvency market backdrop and good returns from acquisitions
  - *Property advisory and transactional services:* strong finish to the year with recovery in activity levels of lockdown impacted service lines
- Three earnings enhancing acquisitions completed in the year and a further acquisition following the year end, significantly expanding the group's scale and capabilities
  - all performing in line with expectations and integration projects proceeding well
- Net cash at year end for the first time, reflecting significant free cash flow from operations and share placing in the year to fund acquisitions
- Recommended 7% increase in the total dividend for the year to 3.0p (2020: 2.8p), the fourth consecutive year of dividend growth

Current trading and outlook

- *Business recovery and financial advisory* well-placed to continue recent track record of growth:
  - Full year benefit of recent acquisitions
  - Anticipate increase in market activity levels as Government support measures are withdrawn from the second half
- *Property advisory and transactional services* to maintain its bounce back:
  - Recovery to normal trading levels following lockdown impact in Spring 2020
  - Well-placed to deliver growth in revenue and profits
- We will provide a further update on activity levels at the time of our annual general meeting scheduled for 23 September 2021

Commenting on the results, Ric Traynor, Executive Chairman of Begbies Traynor Group, said:

"I am pleased to report on a year of real progress for the group, with results ahead of our original expectations due to improved trading and acquisitions. We have delivered a strong financial performance with another year of growth in revenue and adjusted profits, despite the impact of the Covid-19 pandemic, whilst making substantial investments which have significantly increased the scale of the group and its capabilities.

"Over the last four financial years, we have delivered compound annual growth in adjusted earnings per share of 20%, including 10% organic growth. Over the same period we have moved from net debt of £10.3m to net cash of £3.0m at the year end, whilst making value-enhancing acquisitions and delivering 8% compound growth per annum in dividend per share.

"Overall, the group is in a very strong position as we start our new financial year. The four acquisitions we have completed since the beginning of 2021 have significantly increased the scale of the group and its capabilities, enhancing the support and advice we provide to UK businesses. With the benefit of our recent acquisitions, our organic growth and future acquisition opportunities, we are well positioned to deliver the anticipated material growth in earnings in the new financial year."

There will be a webcast and conference call for analysts today at 9:00am. Please contact Florence Mayo via begbies@mhpc.com or on 020 3128 8572 if you would like to receive details.

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Notes to editors

Begbies Traynor Group plc is a leading business recovery, financial advisory and property services consultancy, providing services nationally from a comprehensive network of UK locations. The group has 985 staff and partners and the professional staff include licensed insolvency practitioners, accountants, chartered surveyors and lawyers.

The group's services include:

- Corporate and personal insolvency - we handle the largest number of corporate insolvency appointments in the UK, principally serving the mid-market and smaller companies.
- Financial advisory - Debt advisory, due diligence and transactional support, accelerated corporate finance, pensions advisory, business and financial restructuring, forensic accounting and investigations, finance broking.
- Corporate finance - buy and sell side support on corporate transactions.
- Valuations - valuation of property, businesses, machinery and business assets.
- Property consultancy, planning and management - Building consultancy, lease advisory, commercial property management, specialist insurance and vacant property risk management, transport planning and design.
- Transactional services - Sale of property, machinery and other business assets through physical and online auctions; business sales agency; commercial property agency.

Further information can be accessed via the group's website at www.begbies-traynorgroup.com/investor-relations.

CHAIRMAN'S STATEMENT

INTRODUCTION

I am pleased to report on a year of real progress for the group, with results ahead of our original expectations due to improved trading and acquisitions. We have delivered a strong financial performance with another year of growth in revenue and adjusted profits, despite the impact of the Covid-19 pandemic, whilst making substantial investments which have significantly increased the scale of the group and its capabilities.

Over the last four financial years, we have delivered compound annual growth in adjusted earnings per share of 20%, including 10% organic growth. Over the same period we have moved from net debt of £10.3m to net cash of £3.0m at the year end, whilst making value-enhancing acquisitions and delivering 8% compound growth in dividend per share.

Our business recovery and financial advisory division has performed well in the year with strong revenue growth and improved margins. The insolvency market was subdued over the course of the year due to the Government financial support measures and temporary legislation changes, which continue to suppress the number of insolvencies. Our team has done well to outperform this market with an increase in both our market share and average case size.

We have strengthened the business recovery team and its capabilities with two significant acquisitions towards the end of the financial year: CVR Global ("CVR") in January 2021 and David Rubin & Partners ("DRP") in March 2021. We are delighted to have been able to bring these teams into the group, which has materially increased our scale in the key London market and brought our first offshore offices.

The advisory team had a successful year with an increase in corporate finance income, where the marketplace remained active despite the Covid-19 backdrop. We broadened our service lines at the start of the new financial year through the acquisition of the finance broker, MAF Finance Group, in May 2021. This complements our existing services and broadens the support and advice we can provide to UK businesses.

Our property advisory and transactional services division had a strong close to the year, which enabled us to maintain profit levels from the prior year, having absorbed the significant impact of the first national lockdown at the start of the year. Activity and transaction levels recovered to pre-lockdown norms in the final quarter of our year, leaving the business well-placed as we start our new financial year.

We strengthened the property team in February 2021, with the acquisition of HNG, a London-based chartered surveyors' practice, which will develop our property management, agency and lease advisory teams, whilst increasing our scale in London.

We were delighted with the support we received from both new and existing institutional and retail shareholders for our share placing in March 2021. The fundraise of £22m was significantly oversubscribed and provided the funding for both the DRP acquisition and future investments.

The group has continued to generate strong cash flows in the year, which together with funds raised from the share placing, has enabled the group to end the year in a net cash position, despite having completed three acquisitions in the year. The group's strong financial position enables us to propose an increase in the total dividend for the year, representing our fourth consecutive year of dividend growth.

Overall, the group is in a very strong position as we start our new financial year. Our increased scale and capabilities provide us with the ability to continue to assist UK businesses as the economy recovers from the challenges of the last 18 months.

RESULTS

Group revenue in the year increased by 19% to £83.8m (2020: £70.5m), 6% of which was organic. Adjusted* profit before tax** increased by 25% to £11.5m (2020: £9.2m). Statutory profit before tax was £1.9m (2020: £2.9m).

Adjusted*** basic earnings per share increased by 21% to 6.9p (2020: 5.7p). Basic earnings per share was 0.1p (2020: 0.7p).

At 30 April 2021 the group had net cash of £3.0m (2020: net debt of £2.8m).

** The board uses adjusted performance measures to provide meaningful information on the operating performance of the business. The items excluded from our adjusted results are those which arise due to acquisitions in accordance with IFRS 3. They are not influenced by the day-to-day operations of the group.*

*** Profit before tax £1.9m (2020: £2.9m) plus transaction costs £6.5m (2020: £3.2m) and amortisation of intangible assets arising on acquisitions £3.1m (2020: £3.1m)*

**** See reconciliation in note 5*

DIVIDEND

The board is pleased to recommend (subject to shareholder approval at the company's annual general meeting scheduled for 23 September 2021) a 7% increase in the total dividend for the year to 3.0p (2020: 2.8p), representing our fourth consecutive year of dividend growth. This comprises the interim dividend already paid of 1.0p (2020: 0.9p) and a proposed final dividend of 2.0p (2020: 1.9p).

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

The final dividend will be paid on 4 November 2021 to shareholders on the register on 8 October 2021, with an ex-dividend date of 7 October 2021.

STRATEGY

We believe that the execution of our strategy will continue to enhance shareholder value through the delivery of strong, sustainable financial performance.

Organic growth will be targeted through:

- retention and development of our existing partners and employees;
- recruitment of new talent;
- enhanced cross-selling of our service lines and expertise to our wider client base; and
- investment in technology and processes to enhance working practices and improve the service to our clients.

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

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

PEOPLE

The success of the group is reliant on the quality of advice and service delivered to our clients by our people. I would like to thank all of our partners and staff for their highly valued contribution over the course of the last year and in particular for their commitment and flexibility as we have overcome the challenges presented by Covid-19.

OUTLOOK

We start our new financial year in a strong position and confident in our outlook. The four acquisitions we have completed since the beginning of 2021 have significantly increased the scale of the group and its capabilities, enhancing the support and advice we provide to UK businesses.

Our recovery and advisory teams start the year well-placed to continue our recent track record of growth. Our order book of committed future insolvency revenue is significantly ahead of last year, from our recent acquisitions and strong organic performance.

There remains uncertainty around the timing of Government support measures ending, with some being scheduled to be removed over the course of 2021 and others extended into early 2022. Notwithstanding this, we continue to expect an increase in UK insolvency appointments from the second half of our new financial year as the measures are progressively removed, which we are well-placed to service with our increased scale and capabilities.

Having seen the recovery in our property advisory and transactional service lines to normal trading levels in recent months, we remain confident that the division is well-placed to deliver growth in both revenue and profits in the new year.

Overall, we anticipate our results will have greater second half weighting and we will provide a further update on activity levels across the group at the time of our annual general meeting in September.

With the benefit of our recent acquisitions, our organic growth and future acquisition opportunities, the group is well positioned to deliver the anticipated material growth in earnings in the new financial year.

Ric Traynor
Executive chairman
20 July 2021

BUSINESS REVIEW

OPERATING REVIEW

Business recovery and financial advisory

Financial summary

Revenue increased by 20% (6% organic) to £59.7m (2020: £49.6m), reflecting a strong performance from our advisory team, robust performance in business recovery despite the overall market, and contributions from current and prior year acquisitions.

Operating costs increased by £7.0m to £45.0m (2020: £38.0m) principally from costs associated with acquired businesses, together with organic investment and increased people costs. However, these costs reduced as a percentage of revenue, which together with the increase in revenue, resulted in improved operating margins of 24.6% (2020: 23.4%).

Segmental profits* increased by 27% to £14.7m (2020: £11.6m).

** See note 2*

Acquisitions

We have made significant investments in the division in the year, notably through the acquisitions of CVR (January 2021) and DRP (March 2021), which have increased the scale of the division considerably, with a material increase in the group's size in the key London marketplace.

In addition to the core insolvency activities, these acquisitions have enhanced our advisory capabilities in forensic accounting, pensions advisory and expert witness services, whilst adding our first offshore locations; we now have teams operating from the British Virgin Islands, Guernsey, Jersey, Gibraltar, and Cyprus.

The integration of these businesses has been completed on target: CVR by the end of the financial year and DRP early in the new financial year. Initial trading results of both businesses have been good and in line with our original expectations.

We also acquired two portfolios of personal insolvency cases in May 2020 and September 2020, which included a team of five fee earners. This increased our operations in Scotland and added to our existing personal insolvency portfolio.

Subsequent to the year end, in May 2021, we acquired MAF Finance Group, a Midlands-based finance broker. MAF supports its clients through arranging facilities for investment in new asset purchases together with refinancing and restructuring existing facilities. The business has a broad client base across a range of sectors. Finance broking complements our existing advisory and transactional services, particularly debt advisory and restructuring, as well as the valuation and sale of assets (including property, plant and machinery). The acquisition will also deepen the group's existing relationships with banks and other lenders.

Operating review

The division has delivered a robust performance against a very challenging market backdrop over the course of the year. The Government's Covid-19 support measures (as noted below) had a material impact on reducing the number of insolvency appointments.

Our order book of committed future insolvency revenue has increased by 49% to £28.3m (2020: £19.0m) due to acquisitions, with the organic position maintained over the year. This represents a strong organic performance with an increase in both market share and average fee size on an organic basis, which has offset the adverse market.

Our overall market share is now 12%* by volume (up from 10% in the prior year) and we continue to take the largest number of corporate insolvency appointments in the UK.

We have been appointed on several high-profile insolvency appointments in the year including Wigan Athletic Football Club, the on-line football gaming site Football Index, and the retailers Brooks Brothers UK and Ralph & Russo.

Our financial advisory team have also had a successful year with increased corporate finance fee income following successful deal completions.

The number of people employed in the division has increased to 555 at 30 April 2021 from 394 at the start of the financial year, with 159 joining the business through acquisitions. The organic and acquired expansion in the team provides the capacity to deliver significant growth in revenue and profit in future years and we continue to consider further recruitment to continue to build capacity for long-term growth.

** collective CVL, administration and CVA appointments for Begbies Traynor, CVR, DRP in 12 months to December 2020 as disclosed in the London, Edinburgh and Belfast Gazettes, Accountant in Bankruptcy, Companies House and excluding compulsory liquidations*

Insolvency market

The insolvency market has been suppressed throughout the financial year due to Government financial support measures (such as the furlough and loan schemes) and temporary legislation changes (such as the temporary prohibition of certain winding up petitions). Corporate insolvencies decreased by 34% in the year ended 31 March 2021* to 11,081 (2020: 16,840), which is the lowest level since 1989.

There remains uncertainty around the timing of Government support measures ending, with some being scheduled to be removed over the course of 2021 (such as the furlough scheme and the prohibition on winding-up petitions and statutory demands) and others extended into early 2022 (including support for commercial property tenants to prevent the forfeiture of leases for non-payment). Notwithstanding this, we continue to expect an increase in UK insolvency appointments in the final quarter of 2021 onwards as the support measures are progressively removed.

** Source: The Insolvency Service quarterly statistics on the number of corporate insolvencies (excluding compulsory liquidations) in England and Wales on a seasonally adjusted basis.*

Property advisory and transactional services

Financial summary

Revenue increased by 15% (6% organic) to £24.1m (2020: £20.9m), reflecting the benefit of both current and prior year acquisitions, and organic development, partially offset by the impact of the first national lockdown in the first quarter of the financial year. Operating costs increased to £20.2m (2020: £17.0m), principally due to costs of acquired businesses.

Segmental profits* were £3.9m (2020: £3.9m), with operating margins reduced to 16.2% (2020: 18.7%) reflecting the impact of lockdown on trading at the start of the year. These restrictions reduced our revenue by c.£1.7m and segmental profits by c.£1.3m from normal levels of trading.

** See note 2*

Acquisitions

In February 2021, we acquired HNG, a London surveyors' practice, which will enhance our existing commercial property management services, improve the national coverage of our commercial property agency, and increase the capabilities of our lease advisory team. The business will be fully integrated with our existing London team early in the new financial year. Initial trading has been in line with our original expectations.

Operating review

Our building consultancy services showed strong growth in the year, notably in the education sector. We secured a significant increase in funding for our clients and managed capital projects totalling £28m in the year, an increase of 50% from the prior year. Project management and consultancy fees from these projects increased to £2.2m (2020: £1.0m).

The plant and machinery sales team and insurance brokerage also increased activity levels from the prior year. Our consultancy and property management teams performed well with revenue maintained at prior year levels.

We have continued to invest in our offering to the public sector and were delighted to be awarded an initial three-year contract providing lease advisory services to the NHS with an anticipated total contract value of £3m. We started to provide the services from May 2021. This contract award was a great achievement by our team and results from the recent strategic focus and recruitment in this key sector.

This strong organic performance mitigated the impact of the March 2020 lockdown on our business sales agency, and commercial property agency, valuation and auction businesses. Activity levels improved over the course of the financial year and returned to pre-lockdown norms by the final quarter of the year.

The number of people employed in the division has increased to 306 at 30 April 2021 from 281 at the start of the financial year, with 13 joining the business through acquisitions.

FINANCE REVIEW

Financial summary

	2021 £m	2020 £m
Revenue	**83.8**	70.5
Operating profit (before transaction costs and amortisation)	**12.4**	10.1
Finance costs	**(0.9)**	(0.9)
Adjusted profit before tax	**11.5**	9.2
Transaction costs	**(6.5)**	(3.2)
Amortisation of intangible assets arising on acquisitions	**(3.1)**	(3.1)
Profit before tax	**1.9**	2.9
Tax charge	**(1.7)**	(2.0)
Profit for the year	**0.2**	0.9

Operating result (before transaction costs and amortisation)

Revenue in the year increased by £13.3m to £83.8m (2020: £70.5m), an overall increase of 19%, of which 6% was organic and 13% was acquired*. Operating profit increased to £12.4m (2020: £10.1m).

These results include the impact of the Covid-19 lockdown in the first quarter of the financial year, which reduced property services revenue by c.£1.7m, partially mitigated by £0.4m of cost reductions, giving a profit impact of £1.3m (2020: profit impact of lockdown of £0.6m).

Operating margins improved to 14.8% (2020: 14.3%), due to profit growth and margin enhancement in business recovery and financial advisory, as the division realises the benefits of increased scale. Shared and central costs as a percentage of group revenue were broadly maintained at 7.4% (2020: 7.6%). Margins were held back in the year due to the lockdown impact in the first quarter in property services; underlying group margins were c.16%, adjusting for this impact.

Adjusted profit before tax increased by 25% to £11.5m (2020: £9.2m).

** part year contribution from acquisitions in the year and full year contribution of prior year acquisitions*

Transaction costs

Transaction costs arise due to acquisitions in accordance with IFRS 3 and include the following:

- Deemed remuneration, which relates to acquisition consideration, where the vendors have obligations in the sale and purchase agreement to provide post-acquisition services for a fixed period. This consideration is charged to profit over the period of service;
- Gains on acquisitions, where the fair value of assets acquired exceeds the consideration (due to elements of consideration being accounted for as deemed remuneration and charged to income as detailed above); and
- Legal and professional fees incurred on acquisitions.

These costs (detailed in note 3) increased to £6.5m (2020: £3.2m) in the year. This reflects an increase in deemed remuneration charges of £1.5m from both current and prior year acquisitions, together with a lower gain on acquisition of £1.9m.

Tax

The overall tax charge for the year was £1.7m (2020: £2.0m) as detailed below:

	2021				2020			
	Profit before tax £m	**Tax £m**	**Profit after tax £m**	***Effective rate***	Profit before tax £m	Tax £m	Profit after tax £m	*Effective rate*
Adjusted	**11.5**	**(2.3)**	**9.2**	***20%***	9.2	(2.0)	7.2	*21%*
Transaction costs	**(6.5)**	**-**	**(6.5)**	**-**	(3.2)	-	(3.2)	-
Amortisation	**(3.1)**	**0.6**	**(2.5)**	***19%***	(3.1)	0.6	(2.5)	*19%*
Change in rate*	**-**	**-**	**-**	**-**	-	(0.6)	(0.6)	-
Statutory	**1.9**	**(1.7)**	**0.2**	***89%***	2.9	(2.0)	0.9	*68%*

* Deferred tax charge of £0.6m from an increase in deferred tax liabilities due to the cancellation of the previously enacted reduction in the UK corporation tax rate to 17%. The increase in rate from 19% to 25% was enacted on 24 May 2021 and will result in a further increase in deferred tax liabilities of £1.8m, which will be charged in the new financial year.

Earnings per share

Adjusted basic earnings per share* increased by 21% to 6.9p (2020: 5.7p). Basic earnings per share was 0.1p (2020: 0.7p).

** See reconciliation in note 5*

Partners and employees

The average number of full-time equivalent (FTE) partners and staff working in the group increased over the year as a result of acquisitions and organic investment.

	2021				2020			
	Business recovery and financial advisory	**Property advisory and transactional services**	**Shared and support teams**	**Total**	Business recovery and financial advisory	Property advisory and transactional services	Shared and support teams	Total
Partners	**70**	**-**	**-**	**70**	60	-	-	60
Staff	**285**	**237**	**-**	**522**	234	237	-	471
Fee earners	**355**	**237**	**-**	**592**	294	237	-	531
Support teams	**45**	**5**	**68**	**118**	44	6	61	111
Total	**400**	**242**	**68**	**710**	338	243	61	642

The ratio of our support teams to fee earning partners and staff improved to 5.0 (2020: 4.8) over the year.

Acquisitions

During the financial year, the group acquired three businesses:

- CVR Global LLP ("CVR") on 16 January 2021 for initial cash consideration of £12.0m (cash free, debt free); contingent cash consideration of up to £4.0m subject to profit-enhancing performance conditions in the three years post acquisition; and earn out of up to £4.8m subject to successful fee realisations on three long-running contentious insolvency appointments.

  In the financial year ended 31 March 2020, CVR reported annual revenue of £9.5m and normalised pre-tax profits of £1.2m when reported on the same basis as the group.
- Hargreaves Newberry Gyngell Limited ("HNG") on 8 February 2021 for initial cash consideration of £0.4m (cash free, debt free) and contingent cash consideration of up to £0.6m subject to the stretching targets in the two years post acquisition.

  In the financial year ended 30 September 2020, HNG reported revenue of £1.5m and normalised pre-tax profits of £0.2m when reported on the same basis as the group.

- David Rubin & Partners Limited ("DRP") on 17 March 2021 for initial consideration of £12.0m (£10.0m funded through a vendor placing and £2.0m in shares - cash free, debt free); contingent cash consideration of up to £8.0m subject to maintaining financial performance in the four years post acquisition; and earn out of up to £5.0m subject to achieving growth targets in the five years post acquisition.

  In the financial year ended 30 April 2020, DRP reported fee income of £10.3m and normalised pre-tax profits of £3.3m when reported on the same basis as the group.

In addition, we acquired two portfolios of personal insolvency cases in May 2020 and September 2020 for initial consideration of £0.35m and contingent consideration of £0.25m subject to fee income generated from the case load post completion.

The net cash outflow from acquisitions was £23.9m, comprising current year acquisitions of £20.9m and prior year acquisitions of £3.0m.

The value of net assets acquired exceeds the accounting value of consideration (as a result of the elements of consideration being accounted for as deemed remuneration) and consequently a gain of £0.2m has been recognised within transaction costs in the year.

Liquidity

The group is in a strong financial position. At 30 April 2021, the group had net cash of £3.0m (2020: net debt of £2.8m), represented by cash balances of £8.0m (2020: £7.2m) net of drawn borrowing facilities of £5.0m (2020: £10.0m). All bank covenants were comfortably met during the year.

The group has significant levels of liquidity. Our borrowing facilities mature in August 2023 and comprise a £25m unsecured, committed revolving credit facility (of which £5m was drawn at 30 April 2021) and a £5m uncommitted acquisition facility.

Fundraising

In March 2021, the group completed a fundraising of £22.0m (£20.9m net of expenses), through the issue of 20.9m new ordinary shares at 105.5p per share, which comprised:

- Vendor placing of £10m to fund the initial consideration for the DRP acquisition noted above;
- Cash placing of £12m, which comprised a £10m offering to institutional investors and a £2m retail offer, to fund a pipeline of acquisition opportunities and for general corporate purposes.

Cash flow

The group increased its net cash balance by £5.7m (2020: £3.2m) due to strong levels of free cash flow of £12.3m and net proceeds from the fundraising of £20.9m which funded acquisition and deferred consideration payments of £23.9m and dividends of £3.6m.

Cash flow in the year is summarised as follows:

	2021 **£m**	2020 £m
Net cash from operating activities (before deemed remuneration)	**16.2**	10.4
Capital expenditure	**(1.2)**	(0.8)
Capital element of lease payments	**(2.7)**	(1.9)
Free cash flow	**12.3**	7.7
Net proceeds from share issues	**20.9**	7.8
Acquisition and deferred consideration payments	**(23.9)**	(9.1)
Dividends	**(3.6)**	(3.2)
Increase in net cash	**5.7**	3.2

Net assets

At 30 April 2021 net assets were £86.3m (2020: £65.6m). The movement in net assets reflects an increase of £20.7m, comprising £23.1m from the issue of new shares from the placing and acquisition consideration; post-tax adjusted earnings of £9.2m net of dividends of £3.6m; £1.0m credit for equity-settled share-based payments; offset by the post-tax impact of acquisition-related transaction and amortisation costs of £9.0m.

Going concern

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

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

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

Ric Traynor
Executive chairman
20 July 2021

Nick Taylor
Group finance director
20 July 2021

Consolidated statement of comprehensive income

	Note	**2021 £'000**	2020 £'000
Revenue	2	**83,831**	70,503
Direct costs		**(48,281)**	(40,317)
Gross profit		**35,550**	30,186
Other operating income		**179**	363
Administrative expenses		**(32,939)**	(26,697)
Operating profit (before amortisation and transaction costs)	2	**12,394**	10,119
Transaction costs	3	**(6,546)**	(3,163)
Amortisation of intangible assets arising on acquisitions		**(3,058)**	(3,104)
Operating profit		**2,790**	3,852
Finance costs	4	**(883)**	(968)
Profit before tax		**1,907**	2,884
Tax		**(1,754)**	(1,953)
Profit and total comprehensive income for the year		**153**	931
Earnings per share			
Basic	5	**0.1p**	0.7p
Diluted	5	**0.1p**	0.7p

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

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
At 1 May 2019	5,719	22,193	22,189	304	7,651	58,056
Profit for the year	—	—	—	—	931	931
Dividends	—	—	—	—	(3,185)	(3,185)
Credit to equity for equity-settled share-based payments	—	—	—	—	102	102
Shares issued as consideration for acquisitions	73	—	1,177	—	—	1,250
Shares issued as deferred consideration	38	—	561	—	—	599
Placing shares issued	552	7,266	—	—	—	7,818
Shares issued for share-based payments	4	—	—	—	(4)	—
At 30 April 2020	6,386	29,459	23,927	304	5,495	65,571
Profit for the year	—	—	—	—	153	153
Dividends	—	—	—	—	(3,579)	(3,579)
Transfer from share premium account	—	(20,000)	—	—	20,000	—
Credit to equity for equity-settled share-based payments	—	—	—	—	1,031	1,031
Shares issued as consideration for acquisitions	95	—	1,905	—	—	2,000
Shares issued as deferred consideration	8	—	142	—	—	150
Placing shares issued	1,043	19,852	—	—	—	20,895
Shares issued for share-based payments	15	14	—	—	—	29
At 30 April 2021	**7,547**	**29,325**	**25,974**	**304**	**23,100**	**86,250**

Consolidated balance sheet

	Note	2021 £'000	2020 £'000
Non-current assets			
Intangible assets		**77,637**	59,437
Property, plant and equipment		**2,069**	1,800
Right of use assets		**7,502**	7,021
Trade and other receivables	7	**3,970**	4,586
		91,178	72,844
Current assets			
Trade and other receivables	7	**45,425**	36,460
Cash and cash equivalents		**7,986**	7,247
		53,411	43,707
Total assets		**144,589**	116,551
Current liabilities			
Trade and other payables	8	**(33,273)**	(22,223)
Current tax liabilities		**(2,612)**	(1,878)
Lease liabilities		**(2,975)**	(2,232)
Provisions		**(566)**	(883)
		(39,426)	(27,216)
Net current assets		**13,985**	16,491
Non-current liabilities			
Borrowings		**(5,000)**	(10,000)
Lease liabilities		**(5,846)**	(6,137)
Provisions		**(2,609)**	(1,935)
Deferred tax		**(5,458)**	(5,692)
		(18,913)	(23,764)
Total liabilities		**(58,339)**	(50,980)
Net assets		**86,250**	65,571
Equity			
Share capital		**7,547**	6,386
Share premium		**29,325**	29,459
Merger reserve		**25,974**	23,927
Capital redemption reserve		**304**	304
Retained earnings		**23,100**	5,495
Equity attributable to owners of the company		**86,250**	65,571

Consolidated cash flow statement

	Notes	**2021 £'000**	2020 £'000
Cash flows from operating activities			
Cash generated by operations	9	**16,162**	4,734
Income taxes paid		**(2,273)**	(2,186)
Interest paid on borrowings		**(342)**	(436)
Interest paid on lease liabilities		**(506)**	(454)
Net cash from operating activities (before deemed remuneration payments)		**16,236**	10,428
Deemed remuneration payments	10	**(3,195)**	(8,770)
Net cash from operating activities		**13,041**	1,658
Investing activities			
Purchase of intangible fixed assets		**(307)**	(103)
Purchase of property, plant and equipment		**(997)**	(686)
Acquisition of businesses	10	**(22,033)**	(2,970)
Deferred consideration payments	10	**(150)**	(720)
Net cash acquired in acquisition of businesses	10	**1,522**	3,360
Net cash used in investing activities		**(21,965)**	(1,119)
Financing activities			
Dividends paid	6	**(3,579)**	(3,185)
Proceeds on issue of shares		**20,923**	7,818
Capital element of lease payments		**(2,681)**	(1,934)
Repayment of loans		**(5,000)**	—
Net cash generated from financing activities		**9,663**	2,699
Net increase in cash and cash equivalents		**739**	3,238
Cash and cash equivalents at beginning of year		**7,247**	4,009
Cash and cash equivalents at end of year		**7,986**	7,247

1. Basis of preparation and accounting policies

The results for the year ended 30 April 2021 have been prepared on the basis of accounting policies consistent with those set out in the annual report to shareholders of Begbies Traynor Group plc for the year ended 30 April 2020.

The group's financial statements for the year ended 30 April 2021 have been prepared in accordance with International Accounting Standards ('IAS') in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards ('IFRSs') adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.. Whilst the financial information included in this announcement has been prepared in accordance with IFRS, this announcement itself does not contain sufficient information to comply with IFRS.

This financial information does not include all of the information and disclosures required for full annual financial statements and does not comprise statutory accounts within the meaning of section 435 of the Companies Act 2006.

The comparative figures for the year ended 30 April 2020 do not comprise the group's statutory accounts for that financial year. Those accounts have been reported upon by the group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

Statutory accounts for Begbies Traynor Group plc for 2021 will be delivered to the Registrar of Companies following the company's annual general meeting. The auditors have reported on these accounts; their report is unqualified and does not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under either section 498 (2) or (3) of the Companies Act 2006. The 2021 annual report will be available on the group's website: www.begbies-traynorgroup.com/investor-relations.

Going concern

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

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

Adjusted performance measures

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

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

2. Segmental analysis

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

	Business recovery and financial advisory services 2021 £'000	**Property advisory and transactional services 2021 £'000**	**Shared and central costs 2021 £'000**	**Consolidated 2021 £'000**
Revenue				
Total revenue from rendering of professional services	**59,697**	**24,140**	—	**83,837**
Inter-segment revenue	—	**(6)**	**—**	**(6)**
Revenue from external customers	**59,697**	**24,134**	—	**83,831**
Operating profit before amortisation and transaction costs	**14,721**	**3,875**	**(6,202)**	**12,394**

	Business recovery and financial advisory services 2020 £'000	Property advisory and transactional services 2020 £'000	Shared and central costs 2020 £'000	Consolidated 2020 £'000
Revenue				
Total revenue from rendering of professional services	49,630	21,021	—	70,651
Inter-segment revenue	—	(148)	—	(148)
Revenue from external customers	49,630	20,873	—	70,503
Operating profit before amortisation and transaction costs	11,588	3,860	(5,329)	10,119

3. Transaction costs

	2021 £'000	2020 £'000
Deemed remuneration	**5,449**	3,908
Acquisition costs	**439**	583
Gain on acquisition	**(231)**	(2,217)
Charge arising under Begbies Traynor (London) LLP put and call option	**889**	889
	6,546	3,163

4. Finance costs

	2021 £'000	2020 £'000
Interest on borrowings	**375**	454
Finance charge on lease liabilities	**443**	454
Finance charge on dilapidation provisions	**65**	60
	883	968

5. Earnings per share

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

	2021 £'000	2020 £'000
Earnings		
Profit for the year attributable to equity holders	**153**	931

	2021 number '000	2020 number '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**132,963**	125,652
Effect of:		
Share options	**4,421**	1,477
Contingent shares as consideration for capital transactions	**—**	144
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**137,384**	127,273

	2021 pence	2020 pence
Basic and diluted earnings per share		
Basic earnings per share	**0.1**	0.7
Diluted earnings per share	**0.1**	0.7

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

	2021 £'000	2020 £'000
Earnings		
Profit for the year attributable to equity holders	**153**	931
Amortisation of intangible assets arising on acquisitions	**3,058**	3,104
Transaction costs	**6,546**	3,163
Tax effect of above items	**(581)**	(590)
Change in deferred tax rate	**—**	615
Adjusted earnings	**9,176**	7,223

	2021 pence	2020 pence
Adjusted basic earnings per share	**6.9**	5.7
Adjusted diluted earnings per share	**6.7**	5.7

6. Dividends

	2021 £'000	2020 £'000
Amounts recognised as distributions to equity holders in the year		
Interim dividend for the year ended 30 April 2020 of 0.9p (2019: 0.8p) per share	**1,149**	914
Final dividend for the year ended 30 April 2020 of 1.9p (2019: 1.8p) per share	**2,430**	2,271
	3,579	3,185
Amounts proposed as distributions to equity holders		
Interim dividend for the year ended 30 April 2021 of 1.0p (2020: 0.9p) per share	**1,509**	1,149
Final dividend for the year ended 30 April 2021 of 2.0p (2020: 1.9p) per share	**3,018**	2,426
	4,527	3,575

The proposed final dividend is subject to approval by shareholders at the annual general meeting in September 2021. The interim dividend for 2021 was paid on 7 May 2021 and, accordingly, has not been included as a liability in these financial statements nor as a distribution to equity shareholders.

7. Trade and other receivables

	2021 £'000	2020 £'000
Non-current		
Deemed remuneration	**3,970**	4,586
Current		
Trade receivables	**8,069**	5,487
Unbilled income	**32,432**	24,492
Other debtors and prepayments	**2,573**	1,987
Deemed remuneration	**2,351**	4,494
	45,425	36,460

8. Trade and other payables

	2021 £'000	2020 £'000
Current		
Trade payables	**1,387**	1,176
Accruals	**11,410**	7,055
Other taxes and social security	**4,385**	3,687
Deferred income	**5,520**	4,168
Other creditors	**9,826**	5,853
Deferred consideration	**375**	150
Deemed remuneration liabilities	**370**	134
	33,273	22,223

9. Reconciliation to the cash flow statement

	2021 £'000	2020 £'000
Profit for the year	**153**	931
Adjustments for:		
Tax	**1,754**	1,953
Finance costs	**883**	968
Amortisation of intangible assets	**3,180**	3,315
Depreciation of property, plant and equipment	**841**	718
Depreciation of right of use assets	**2,617**	2,137
Impairment of right of use asset	**579**	—
Reversal of impairment of right of use asset	**(228)**	—
Gain on acquisition	**(231)**	(2,217)
Loss on disposal of fixed assets	—	31
Share-based payment expense	**1,031**	102
Deemed remuneration obligations settled through equity	**150**	1,600
Decrease (increase) in deemed remuneration receivable	**2,759**	(3,382)
Increase (decrease) in deemed remuneration liability	**236**	(2,191)
Operating cash flows before movements in working capital	**13,724**	3,965
Increase in receivables (excluding deemed remuneration)	**(2,683)**	(1,177)
Increase in payables (excluding deemed remuneration)	**5,400**	1,813
(Decrease) increase in provisions	**(279)**	133
Cash generated by operations	**16,162**	4,734

10. Summary of cashflows arising from acquisitions

	2021 £'000	2020 £'000
Investing acquisition payments		
Cash consideration under IFRS3	**11,030**	2,970
Settlement of pre-acquisition borrowings	**11,003**	—
Cash outflows on acquisition of businesses	**22,033**	2,970
Deferred consideration payments	**150**	720
	22,183	3,690
Deemed remuneration payments		
Initial payments	**363**	4,200
Deferred consideration payments	**2,832**	4,570
	3,195	8,770
Net cash and cash equivalents acquired	**(1,522)**	(3,360)
Total cashflows arising from acquisitions	**23,856**	9,100