

21 January 2009

Begbies Traynor Group plc
Interim results
for the six months ended 31 October 2008

Begbies Traynor Group plc, the specialist professional services organisation, today announces its interim results for the six months ended 31 October 2008.

Financial Highlights:

- Revenue from continuing operations increased by 37% to £28.3m (2007: £20.6m)
- EBITA (pre-exceptional costs) increased by 40% to £4.0m (2007: £2.9m)
- Adjusted profit before tax* up 31% to £3.3m (2007: £2.5m)
- Profit before tax of £2.1m (2007: £2.1m)
- Earnings per share:
 - Adjusted EPS** increased by 29% to 2.7p (2007: 2.1p)
 - Basic and fully diluted EPS from continuing operations of 1.7p (2007: 1.6p)
- Interim dividend increased by 10% to 1.1p

Operational Highlights:

- Increase in core insolvency activity continues - revenues up 31%
- Continued investment in the business with four acquisitions completed in the period and continuing recruitment into the insolvency and tax divisions
- Highly challenging conditions in corporate finance resulting in restructuring of division
- Strong financial position following share placing in September 2008 which raised £12.5m net of costs
- Disposal of discontinued operations completed

*Profit before tax from continuing operations of £2.1m (2007: £2.1m) plus amortisation of £0.6m (2007: £0.3m) plus finance charge arising from the discounting of deferred consideration of £0.3m (2007: £0.1m) plus exceptional costs of £0.3m (2007: nil)

** See reconciliation in note 5

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

“Begbies Traynor Group has delivered a solid financial performance in the half year, with strong growth in the core insolvency and restructuring division.

“With the continuing strong performance in the insolvency division, actions in place to mitigate the corporate finance losses and the anticipated second half weighting in the tax practice, the Board expects that the Group’s continuing activities will perform in line with expectations for the year as whole.”

There will be a meeting for analysts at 9.30am, at Smithfield’s offices, 10 Aldersgate Street, London, EC1A 4HJ. Please contact Will Henderson (020 7903 0671 / whenderson@smithfieldgroup.com) if you would like to attend.

For further information, please contact:

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Begbies Traynor Group plc

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Chairman's statement

Introduction

I am pleased to report that Begbies Traynor Group plc has delivered a solid financial performance in the six months to 31 October 2008, with strong growth in the core insolvency and restructuring division driving growth in revenue from continuing operations to £28.3m (2007: £20.6m), an increase of 37% over last year. Earnings before interest, taxation and amortisation (EBITA) (pre-exceptional costs) increased by 40% to £4.0m (2007: £2.9m). Adjusted profit before tax* was £3.3m (2007: £2.5m).

The Group is in a strong financial position, particularly given the placing of new shares in September 2008 which raised £12.5m net of costs, along with the Group's banking facilities which were renewed and increased in April 2008.

Operational review – continuing operations

Insolvency

Insolvency revenues increased by 31% compared to the same period last year to £22.6m (2007: £17.2m). Segmental EBITA increased by 51% to £4.9m (2007: £3.3m).

The division has experienced strong growth over the last twelve months. Year on year revenue growth was £5.4m, £0.6m of which was generated by acquisitions completed in the period. Revenues in the period were also 8% higher than the second half of the year ended 30 April 2008, the majority of which was organic growth.

The division has also delivered improved operating margins of 22% (2007: 19%), which compares with an operating margin of 21% in the second half of last year. The Group has continued to invest in its resource base during the period through a combination of recruitment and previously announced acquisitions. The number of fee earners has increased from 350 at the start of the period to 384 as at 31 October 2008, an increase of 10%, whilst staff attrition has continued at low levels.

The continuing adverse general economic environment as indicated by the Group's latest Red Flag statistics and the steady flow of new insolvency engagements for the Group indicate a further strong performance for this division in the second half of the financial year. The division is now better placed than ever given the investment in new offices and staff to take advantage of increased levels of insolvency and restructuring activity.

Corporate finance

Corporate finance revenues in the period were £0.5m (2007: £1.7m) with segmental losses (pre-exceptional costs) of £1.0m (2007: loss £0.3m).

The division has been significantly impacted by the unprecedented financial and credit market conditions in the autumn of 2008, in which the corporate finance market as a whole ground to a virtual halt. This resulted in a marked deterioration in the division's profitability in the final weeks of the period resulting in a loss of £1.0m, significantly worse than the Group's earlier expectations.

* Profit before tax from continuing operations of £2.1m (2007: £2.1m) plus amortisation of £0.6m (2007: £0.3m) plus finance charge arising from the discounting of deferred consideration of £0.3m (2007: £0.1m) plus exceptional costs of £0.3m (2007: nil)

Corporate finance continued

Some restructuring of the cost base has been undertaken, resulting in headcount reductions, with the aim of significantly reducing losses. Exceptional costs of £0.3m were incurred in the period as a result. The Group has also redeployed corporate finance personnel into the insolvency division, providing valuable additional resource particularly in the area of corporate restructuring, which has also reduced the Group's immediate exposure to the corporate finance market place during the current adverse trading conditions. Overall headcount in this division will reduce from 38 at the start of the period to 25, reducing the annual corporate finance cost base by 25%.

Whilst this has reduced the scale of the Group's corporate finance activities, the division is still engaged on a number of contingent fee engagements which it will need to complete to deliver an improved financial performance in the second half of the financial year. We remain committed to maintaining a corporate finance capability but will continue to monitor carefully this activity in the light of market conditions.

Other (including tax)

Revenues in this segment increased to £5.3m (2007: £1.7m) with an improvement in segmental EBITA to £0.1m (2007: loss £0.1m).

These operations include the Group's recently acquired tax consulting practice, which has shown significant revenue growth, principally through acquisitions in the second half of the last financial year. Profitability and margins in this division are expected to be second half weighted, reflecting the seasonality of this business in the run up to the tax year end and the investments made in senior recruitment which are expected to deliver returns in future periods. Fee earners within the Group's tax operations have increased from 63 to 72 during the half year ended 31 October 2008.

The Group's forensics and investigations businesses have delivered solid results in the half year with increased revenues and improved operating margins.

Acquisitions

During the period, the Group acquired a number of businesses, as detailed below, for a total consideration of £1.1m.

In May 2008, the Group completed the purchase of Fanshawe Lofts, an insolvency and corporate finance practice in Southampton, and a small insolvency practice in Cardiff. The Group has also acquired two small tax consultancies in the period; VATease based in Birmingham and the Chesham Consultancy based in Bristol.

Disposals

In October 2008, the Group successfully completed the planned disposal of its CRM consulting business for an immaterial amount.

In the previous financial year we announced that the Group would withdraw from the consumer insolvency market and initiated a sales process for these activities. Following this process, the debt management business was successfully disposed of in November 2008, shortly after the period end, for an immaterial amount. Offers received for the IVA case book fell short of the Board's expectations and as a result the case book will be retained by the Group and run off through the core insolvency practice to maximise returns. As a result of these actions, the consumer insolvency operations, based out of the Group's offices in Chorley, have now ceased and the Chorley office closed in November 2008.

Discontinued operations generated a loss after tax in the period of £0.7m (2007: loss of £0.3m).

Dividend

Having reviewed current trading, the Group's continuing investment programme and cash availability, the Board has approved an increase to the interim dividend of 10% to 1.1 pence per share (2007: 1.0 pence per share), to be paid on 9 April 2009 to shareholders on the register on 27 March 2009, with an ex dividend date of 25 March 2009.

Outlook

With the strengthening performance in the insolvency division, actions in place to mitigate the corporate finance losses and the anticipated second half weighting in the tax practice, the Board expects that the Group's continuing activities will perform in line with expectations for the year as whole.

Ric Traynor
Executive Chairman
21 January 2009

Financial review

Financial highlights

The Group's revenue from continuing operations in the year was £28.3m (2007: £20.6m), an increase of £7.7m or 37%, of which £0.7m was generated through acquisitions completed in the period. The significant revenue growth within the insolvency and tax divisions has been partially offset by the reduction in corporate finance.

EBITA (pre-exceptional costs) increased to £4.0m (2007: £2.9m) with margins increasing slightly to 14.2% (2007: 14.0%). This margin performance reflects the higher margins in the insolvency division offset by operating losses from the Group's corporate finance division.

Exceptional costs of £0.3m were incurred in the period in relation to severance and restructuring costs principally within the Group's corporate finance activities.

Amortisation increased to £0.6m (2007: £0.3m), largely as a result of the impact of prior year acquisitions. Finance costs increased to £1.0m (2007: £0.5m), due to increased levels of net debt over the period and an increased finance charge arising from the discounting of deferred consideration liabilities.

Adjusted profit before tax was £3.3m (2007: £2.5m). Profit before tax was £2.1m (2007: £2.1m).

The tax charge for the period is £0.7m at an effective rate of 34.6% (2007: 34.7%).

Profit for the period from continuing operations was £1.4m (2007: £1.3m).

Discontinued operations

In accordance with IFRS 5 'Non-current assets held for sale and discontinued operations' the results of the Group's consumer insolvency and CRM consultancy operations have been disclosed as discontinued operations in line with the presentation adopted in April 2008. The income statement for the comparative period to 31 October 2007 has been re-presented to reflect this presentation.

During the period the Group completed the disposal of its CRM consultancy operations. The disposal of the consumer debt management business was completed in November 2008 and this business is expected to generate a further small trading loss in the second half of the year up to the point of disposal. The assets and liabilities of this business are disclosed separately on the balance sheet.

Discontinued operations generated a loss after tax in the period of £0.7m (2007: loss £0.3m).

Earnings per share

EPS from continuing operations**, adjusted for the net of tax impact of amortisation, exceptional costs and the finance charge arising from the discounting of deferred consideration liabilities, was 2.7p (2007: 2.1p), an increase over the prior period of 29%. Basic and fully diluted EPS from continuing operations was 1.7p (2007: 1.6p).

* Profit before tax from continuing operations of £2.1m (2007: £2.1m) plus amortisation of £0.6m (2007: £0.3m) plus finance charge arising from the discounting of deferred consideration of £0.3m (2007: £0.1m) plus exceptional costs of £0.3m (2007: nil)

**See reconciliation in note 5

Financing

The Group is in a strong financial position, particularly given the placing of new shares which raised £12.5m net of costs in September 2008. These funds are providing additional working capital to further support our strategy and the organic growth in insolvency activity.

As at 31 October 2008, the Group's principal bank debt was £10.5m, comfortably within the banking facilities that were renewed and increased at 30 April 2008. The facilities include a £20.0m, three year, revolving credit facility ('RCF') and a £5.0m overdraft. Interest on the RCF is charged at 1.4% over LIBOR and on the overdraft at 1.5% over bank base rate. In addition, the Group had asset related finance of £4.5m at 31 October 2008.

Net borrowings at 31 October 2008, comprising bank debt and asset related finance net of cash balances, were £14.8m (2007: £14.2m), giving gearing of 24% (2007: 29%).

Cash flows

Cash flows in the period from operating activities were an outflow of £3.9m (2007: £0.8m), due to increased levels of working capital resulting from the organic growth particularly in the insolvency division.

Net cash used in investing activities decreased to £4.4m (2007: £7.0m). Of this, net capital expenditure reduced by £1.8m to £1.3m, as the prior period included significant levels of non-recurring investment, including the fitting out of the new head office. Acquisition payments of £3.1m included £1.1m in relation to current period acquisitions and a further £2.0m of deferred consideration payments.

Cash inflows from financing activities of £8.0m is due to the equity share placing in the period, which raised £12.5m net of costs, offset by outflows in the period including repayments on the bank facility and loans of £3.2m, dividend payments of £1.2m and net HP payments of £0.1m.

John Gittins
Chief Financial Officer
21 January 2009

Consolidated income statement for the six months ended 31 October 2008

	Six months ended 31 October 2008 (unaudited) £'000 Before exceptional items	Six months ended 31 October 2008 (unaudited) £'000 Exceptional items	Six months ended 31 October 2008 (unaudited) £'000 Total	Six months ended 31 October 2007 (unaudited) £'000	Year ended 30 April 2008 (audited) £'000
CONTINUING OPERATIONS:					
Revenue	28,325	-	28,325	20,578	48,108
Direct costs	(14,091)	(295)	(14,386)	(10,768)	(24,270)
GROSS PROFIT	14,234	(295)	13,939	9,810	23,838
Other operating income	71	-	71	-	4
Administrative expenses	(10,284)	-	(10,284)	(6,934)	(15,720)
EARNINGS BEFORE INTEREST, TAX AND AMORTISATION					
	4,021	(295)	3,726	2,876	8,122
Amortisation	(588)	-	(588)	(292)	(1,125)
Finance costs	(1,012)	-	(1,012)	(527)	(1,320)
PROFIT BEFORE TAX	2,421	(295)	2,126	2,057	5,677
Tax	(819)	83	(736)	(713)	(1,873)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	1,602	(212)	1,390	1,344	3,804
DISCONTINUED OPERATIONS:					
Loss for the period from discontinued operations	(739)	-	(739)	(269)	(2,752)
PROFIT FOR THE PERIOD	863	(212)	651	1,075	1,052
Attributable to:					
Equity holders of the parent	863	(212)	651	1,171	1,172
Minority interest	-	-	-	(96)	(120)
	863	(212)	651	1,075	1,052
EARNINGS PER SHARE					
From continuing operations:					
Basic and diluted			1.7	1.6	4.7
From continuing and discontinued operations:					
Basic and diluted			0.8	1.4	1.4

Consolidated statement of recognised income and expense for the six months ended 31 October 2008

	Six months ended 31 October 2008 (unaudited) £'000	Six months ended 31 October 2007 (unaudited) £'000	Year ended 30 April 2008 (audited) £'000
Exchange differences on translation of foreign operations	(7)	-	-
Net expense recognised directly in equity	(7)	-	-
Profit for the period	651	1,075	1,052
Total recognised income and expense for the period	644	1,075	1,052
Attributable to:			
Equity holders of the parent	644	1,171	1,172
Minority interest	-	(96)	(120)
	644	1,075	1,052

Consolidated balance sheet at 31 October 2008

	31 October 2008 (unaudited) £'000	31 October 2007 (unaudited) £'000	30 April 2008 (audited) £'000
NON-CURRENT ASSETS			
Intangible assets	53,051	44,992	50,399
Property, plant and equipment	7,184	6,722	6,843
	60,235	51,714	57,242
CURRENT ASSETS			
Trade and other receivables	35,220	25,616	29,558
Cash and cash equivalents	226	29	553
Assets held for sale	42	-	1,140
	35,488	25,645	31,251
TOTAL ASSETS	95,723	77,359	88,493
CURRENT LIABILITIES			
Trade and other payables	(12,211)	(8,073)	(13,908)
Current tax liabilities	-	(598)	(171)
Financial liabilities	(3,581)	(12,883)	(2,324)
Liabilities directly associated with assets classified as held for sale	(20)	-	(465)
	(15,812)	(21,554)	(16,868)
NET CURRENT ASSETS	19,676	4,091	14,383
NON-CURRENT LIABILITIES			
Trade and other payables	(4,160)	(2,933)	(3,833)
Financial liabilities	(11,443)	(1,367)	(16,032)
Deferred tax	(2,867)	(1,646)	(2,311)
	(18,470)	(5,946)	(22,176)
TOTAL LIABILITIES	(34,282)	(27,500)	(39,044)
NET ASSETS	61,441	49,859	49,449
EQUITY			
Share capital	4,456	4,046	4,061
Share premium	34,329	21,747	22,157
Merger reserve	17,584	17,584	17,584
Retained earnings	5,072	6,458	5,647
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	61,441	49,835	49,449
MINORITY INTEREST	-	24	-
TOTAL EQUITY	61,441	49,859	49,449

Consolidated cash flow statement for the six months ended 31 October 2008

	Six months ended 31 October 2008 (unaudited) £'000	Six months ended 31 October 2007 (unaudited) £'000	Year ended 30 April 2008 (audited) £'000
OPERATING ACTIVITIES:			
Profit for the period	651	1,075	1,052
<i>Adjustments for:</i>			
Tax	532	570	1,408
Finance costs	1,012	527	1,320
Amortisation of goodwill and intangibles	588	429	1,399
Depreciation of property, plant and equipment	862	668	1,519
Loss recognised on the measurement to fair value less costs to sell	-	-	2,357
Loss on disposal of discontinued operations	244	-	-
Loss on asset sale	187	8	25
Operating cash flows before movements in working capital	4,076	3,277	9,080
Increase in receivables	(5,005)	(841)	(3,748)
(Decrease) increase in payables	(2,023)	(1,776)	499
Cash (used in) generated by operations	(2,952)	660	5,831
Income taxes paid	(210)	(1,082)	(1,835)
Interest paid	(768)	(398)	(1,085)
NET CASH FLOWS FROM OPERATING ACTIVITIES	(3,930)	(820)	2,911
INVESTING ACTIVITIES:			
Proceeds on disposal of property, plant and equipment	205	369	678
Purchases of property, plant and equipment	(1,479)	(3,446)	(4,472)
Acquisition of subsidiaries	(3,140)	(3,891)	(9,085)
NET CASH USED IN INVESTING ACTIVITIES	(4,414)	(6,968)	(12,879)
FINANCING ACTIVITIES:			
Dividends paid	(1,219)	(1,214)	(2,026)
HP finance received	663	1,628	2,326
Repayments of HP finance obligations	(799)	(490)	(1,154)
Proceeds on issue of shares	12,568	52	478
Repayment of loans	(699)	-	(250)
New loans raised	-	-	2,125
(Repayment) drawdown of bank facility	(2,497)	7,314	8,495
NET CASH FROM FINANCING ACTIVITIES	8,017	7,290	9,994
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(327)	(498)	26
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	553	527	527
CASH AND CASH EQUIVALENTS AT END OF PERIOD	226	29	553

Notes

1. Basis of preparation

The results for the period ended 31 October 2008, which are neither audited nor reviewed, 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 2008.

The October 2007 comparative income statement has been re-presented to reflect the re-presentation of consumer insolvency and CRM consultancy activities as discontinued operations, as explained in the Begbies Traynor Group plc Annual Report for the year ended 30 April 2008.

The condensed consolidated interim financial statements do not include all of the information and disclosures required for full annual financial statements, do not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006, and should be read in conjunction with the 2008 Annual Report of Begbies Traynor Group plc.

Statutory accounts for the year ended 30 April 2008 were approved by the Board of Directors on 9 July 2008 and delivered to the Registrar of Companies. The report of the auditors on those accounts 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.

2. Segmental analysis by class of business

	Six months ended 31 October 2008 (unaudited) £'000	Six months ended 31 October 2007 (unaudited) £'000	Year ended 30 April 2008 (audited) £'000
Continuing operations:			
Revenue			
Insolvency	22,552	17,207	38,099
Corporate finance	481	1,709	4,760
Others	5,292	1,662	5,249
	28,325	20,578	48,108
EBITA (before exceptional items)			
Insolvency	4,946	3,275	7,640
Corporate finance	(1,045)	(290)	544
Others	120	(109)	(62)
	4,021	2,876	8,122

3. Finance costs

	Six months ended 31 October 2008 (unaudited) £'000	Six months ended 31 October 2007 (unaudited) £'000	Year ended 30 April 2008 (audited) £'000
Interest payable	768	398	1,085
Unwinding of discount on deferred consideration liabilities	244	129	235
	1,012	527	1,320

4. Exceptional items

The Group incurred exceptional costs in the period of £295,000 (2007: nil) relating to severance and restructuring costs.

5. Earnings per share

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

	Six months ended 31 October 2008 (unaudited) £'000	Six months ended 31 October 2007 (unaudited) £'000	Year ended 30 April 2008 (audited) £'000
Earnings			
Profit for the period from continuing operations attributable to equity holders	1,390	1,344	3,804
Loss from discontinued operations attributable to equity holders	(739)	(173)	(2,632)
Profit for the period attributable to equity holders	651	1,171	1,172
Number of shares			
	31 October 2008	31 October 2007	30 April 2008
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	83,091,692	80,894,256	81,032,686
Basic and diluted earnings (loss) per share from:			
	31 October 2008 Pence	31 October 2007 pence	30 April 2008 pence
Continuing operations	1.7	1.6	4.7
Discontinued operations	(0.9)	(0.2)	(3.3)
Total	0.8	1.4	1.4

The following additional earnings per share figures are presented as the directors believe they provide a better understanding of the trading position of the Group.

	Six months ended 31 October 2008 (unaudited) £'000	Six months ended 31 October 2007 (unaudited) £'000	Year ended 30 April 2008 (audited) £'000
Earnings			
Profit for the period from continuing operations attributable to equity holders	1,390	1,344	3,804
Amortisation	588	292	1,125
Unwinding of discount on deferred consideration liabilities	244	129	235
Exceptional costs	295	-	-
Tax effect	(247)	(82)	(315)
Adjusted earnings	2,270	1,683	4,849
Adjusted basic and diluted earnings per share from continuing operations			
	31 October 2008 pence	31 October 2008 pence	30 April 2008 pence
	2.7	2.1	6.0

6. Dividends paid and proposed

The interim dividend of 1.1p (2007: 1.0p) per share (not recognised as a liability at 31 October 2008) will be payable on 9 April 2009 to ordinary shareholders on the register at the close of business on 27 March 2009. The dividend disclosed in the cash flow statement represents the final ordinary dividend of 1.5p per share as proposed in the 30 April 2008 financial statements and approved at the Group's AGM (not recognised as a liability at 30 April 2008).