

30 January 2008

Begbies Traynor Group plc

Interim Results

For the six months ended 31 October 2007

Begbies Traynor Group plc, the specialist professional services organisation, today announces its interim results for the six months ended 31 October 2007.

Financial Highlights:

- Revenues up 1.9% to £21.9m (H1 2006: £21.5m) in spite of challenging market
- Profit before tax* fell to £2.1m (H1 2006: £3.7m) reflecting a fall in the business insolvencies market and significant investment
- Adjusted earnings per share fell to 1.7p (H1 2006: 3.2p)
- Interim dividend maintained at 1.0p per share (H1 2006: 1.0p)

* before amortisation

Operational Highlights:

- Acquisition of Shaw Tax announced separately today and two insolvency practices since half year end
- Head office move and corporate re-branding completed
- Continued investment in ongoing and new activities
- Recent uplift in insolvency activity

Ric Traynor, Executive Chairman, commented:

"The Group is now trading in line with expectations, and has made good progress expanding beyond its core insolvency base.

"If the current increase in business insolvencies continues, we expect to significantly improve profitability over the medium term, justifying our decision not to cut back resources through the quiet period of last year. The Group will also reap the benefits of our continued investment in acquisitions in this area."

For further information, please contact:

www.begbies-traynorgroup.com

Begbies Traynor Group plc

Ric Traynor, Executive Chairman
John Gittins, Chief Financial Officer

0161 837 1700

Shore Capital & Corporate Limited

Guy Peters

020 7408 4090

Smithfield

Reg Hoare/Katie Hunt/Will Henderson

020 7360 4900

About Begbies Traynor Group:

Begbies Traynor Group plc is a specialist professional services organisation providing independent professional advice and solutions to businesses, financial institutions, the accountancy professions and individuals in the areas of corporate finance, recovery, investigation, risk management, commercial finance and specialist tax advice. It is listed on AIM (Ticker: BEG.L).

Begbies Traynor Group plc

Interim results for the six months ended 31 October 2007

Chairman's statement

For the first time since the group listed on AIM in 2004, I have to report on a set of results that do not show an increase in Group profitability. Nonetheless, it is the Board's view that the Group remains on track to deliver its medium term goals.

Results

Group turnover for the six months increased slightly to £21.9m - acquisitions in the period contributed £0.5m of sales and overall sales from existing operations were broadly maintained. The fall in operating profits (EBITA) in the period, down on the prior period by £1.5m to £2.6m, is a result of what we see as a temporary setback in the market conditions for our core insolvency operations and our investment in growth ahead of profit delivery. These investments included expansion of our existing service teams, the establishment of new service lines, a new Manchester headquarters and continued development of our BGN international network.

Amortisation in the six months increased by £0.2m to £0.4m due to the impact of acquisitions, and after finance costs of £0.5m, up by £0.1m on the previous period, profit before tax was £1.6m, compared to £3.5m in the previous period. The adjusted earnings per share were 1.7 pence (2006: 3.2 pence). The basic earnings per share amounted to 1.4 pence (2006: 3.0 pence).

Cash generation was affected by the fall in profits and by working capital absorption, principally from the timing of payments which should largely reverse in the second half year. In addition, we spent some £7.0m on acquisitions and capital expenditure in support of our medium term strategy. As a result, Group borrowings increased over the period by £8.5m to £14.3m.

Having reviewed current trading, our continuing investment programme and cash availability, the board has approved a maintained interim dividend of 1p per share which will be paid on 7th April 2008 to all shareholders on the register on 25th March 2008, with an ex dividend date of 19th March 2008.

This set of Interim Results is our first under International Financial Reporting Standards ("IFRS"), the effect of which on comparative periods is set out in a separate IFRS restatement announcement made today and is available on our web site at www.begbies-traynorgroup.com. The principal adjustment to comparatives relates to the treatment of goodwill amortisation.

Divisional highlights

Activity in our core insolvency business fell by 3% from the level in the prior period. This represents an outperformance of the market generally, when set against the sharp fall in the numbers of business insolvencies nationally in the first nine months of 2007, which were 13% down on 2006 (Source: Government's Insolvency Service). As a result, margins in this area fell from 31.8% to 30.4%, as we retained our resource base through this quiet period. This has been one of the quietest periods for corporate insolvency for nearly 20 years, reflecting the ready availability of easy credit up until the autumn of 2007.

Our activity in corporate finance grew as a result of the inclusion of our operation in Newcastle, which was acquired in the second half of the previous year. We also expanded this operation organically, engaging five new partners around the country since the end of the prior period, who have been building their portfolio of assignments. However, as the majority of corporate finance income is contingent and therefore not recognised until deals complete, their efforts have not yet been reflected in increased turnover.

We also invested in a number of new business streams in the period: commercial finance broking, valuations advice and business improvement consulting, all of which have incurred early stage costs, which have been written off. Results from our IVA consumer debt operation were flat when compared to the previous period.

Finally, we made our entry into tax consulting services in the period, by acquisition. I am pleased to report that this area has performed profitably and fully in line with expectations.

Acquisitions since the period end

In the last quarter of 2007, we made two further acquisitions of insolvency firms, as previously announced, which are in the process of being integrated into our North East region. Both of these operations are performing to expectations. We maintain a pipeline of potential further insolvency acquisitions.

As announced separately today, we have, this month, completed the acquisition of Shaw Tax, a long established and profitable specialist tax consultancy operating from offices in Birmingham and London.

Current trading

Since the end of the period under review, we have begun to see an upswing in insolvency activity, with new case values in November, December and January around the country showing marked increases. There is now a consensus in the marketplace that 2008 will see a sustained increase in the level of business failures. This is further supported by the Group's own Red Flag Alert statistics, which monitor adverse actions and other corporate distress signals. The latest survey, issued this week, showed significant increases in adverse actions, such as county court judgements and winding up petitions, in the final quarter of 2007.

Corporate finance activity in the second half remains contingent on deal completions. However, given the likely economic environment, we have begun to shift the focus of our corporate finance teams towards business and debt advisory activities. We believe that, in this way, activity in this area can be sustained and that the benefits from our recent resource growth will flow through. We continue to monitor our investment in new advisory and consulting areas to ensure that they mature rapidly to deliver profit contribution.

Our penetration of the tax consulting market, which focuses on providing outsourced specialist tax advice via fellow professionals, continues to build on the acquired base through recruitment and by further acquisition. We now have an activity base in this area of professional services of some £5m per annum, including the acquisition referred to above, which we expect to deliver our required level of profit contribution in the coming year and which we will seek to further expand.

Summary and outlook

The Group is trading in line with expectations, and has made good progress expanding beyond its core insolvency base. If the current increase in business insolvencies continues, we expect to significantly improve profitability over the medium term, justifying our decision not to cut back resources through the quiet period of last year. The Group will also reap the benefits of our continued investment in acquisitions in this area.

Ric Traynor
Executive Chairman
30 January 2008

Begbies Traynor Group plc**Profit & loss account**

Six months ended 31 October 2007

	Unaudited Six months ended 31 October 2007 £'000	Unaudited Six months ended 31 October 2006 £'000	Unaudited Year ended 30 April 2007 £'000
Revenue	21,930	21,514	44,483
Direct costs	(11,584)	(10,191)	(20,053)
Administrative expenses	(7,745)	(7,233)	(15,153)
Other operating income	-	9	9
Earnings before interest, tax and amortisation	2,601	4,099	9,286
Amortisation	(429)	(219)	(520)
Finance costs	(527)	(397)	(957)
Profit before tax	1,645	3,483	7,809
Tax expense	(570)	(1,239)	(2,769)
Profit for the period	1,075	2,244	5,040
Attributable to:			
Equity holders of the parent	1,171	2,244	5,040
Minority interest	(96)	-	-
	1,075	2,244	5,040
Earnings per share (in pence)			
From continuing operations			
Basic	1.4	3.0	6.7
Adjusted	1.7	3.2	7.0

Begbies Traynor Group plc**Consolidated balance sheet**

As at 31 October 2007

	Unaudited As at 31 October 2007 £'000	Unaudited As at 31 October 2006 £'000	Unaudited As at 30 April 2007 £'000
Non-current assets			
Goodwill	43,794	41,326	41,911
Other intangible assets	1,198	657	521
Property, plant and equipment	6,722	4,283	4,277
	<u>51,714</u>	<u>46,266</u>	<u>46,709</u>
Current assets			
Trade and other receivables	25,616	21,746	24,718
Cash and cash equivalents	29	547	527
	<u>25,645</u>	<u>22,293</u>	<u>25,245</u>
Total assets	<u>77,359</u>	<u>68,559</u>	<u>71,954</u>
Current liabilities			
Trade and other payables	(8,073)	(11,546)	(11,337)
Current tax liabilities	(598)	(1,761)	(1,485)
Financial liabilities	(12,883)	(725)	(667)
	<u>(21,554)</u>	<u>(14,032)</u>	<u>(13,489)</u>
Net current assets	<u>4,091</u>	<u>8,261</u>	<u>11,756</u>
Non-current liabilities			
Trade and other payables	(2,933)	(3,628)	(2,316)
Financial liabilities	(1,367)	(10,335)	(5,131)
Deferred tax liabilities	(1,646)	(556)	(1,000)
Corporation tax	-	-	(193)
	<u>(5,946)</u>	<u>(14,519)</u>	<u>(8,640)</u>
Total liabilities	<u>(27,500)</u>	<u>(28,551)</u>	<u>(22,129)</u>
Net assets	<u>49,859</u>	<u>40,008</u>	<u>49,825</u>
Equity			
Share capital	4,046	3,779	4,044
Share premium account	21,747	14,185	21,696
Other reserves	17,584	17,584	17,584
Retained earnings	6,458	4,460	6,501
	<u>49,835</u>	<u>40,008</u>	<u>49,825</u>
Equity attributable to: Equity holders of the parent	<u>49,835</u>	<u>40,008</u>	<u>49,825</u>
Minority interest	<u>24</u>	<u>-</u>	<u>-</u>
Total equity	<u>49,859</u>	<u>40,008</u>	<u>49,825</u>

Begbies Traynor Group plc**Consolidated cash flow statement****Six months ended 31 October 2007**

	Unaudited Six months ended 31 October 2007 £'000	Unaudited Six months ended 31 October 2006 £'000	Unaudited Year ended 30 April 2007 £'000
Earnings before interest, tax and amortisation	2,601	4,099	9,286
Depreciation	668	533	1,142
Loss on asset sale	8	8	27
Increase in receivables	(841)	(337)	(3,570)
(Decrease) increase in payables	(1,776)	931	1,169
Cash generated by operations	660	5,234	8,054
Income taxes paid	(1,082)	(669)	(1,981)
Interest paid	(398)	(355)	(700)
Net cash (used in) generated from operating activities	(820)	4,210	5,373
Investing activities			
Proceeds on disposal of property, plant and equipment	369	197	301
Purchases of property, plant and equipment	(3,446)	(1,233)	(1,942)
Acquisition of subsidiaries	(3,891)	(4,338)	(6,672)
Net cash used in investing activities	(6,968)	(5,374)	(8,313)
Financing activities			
HP finance received	1,628	601	1,055
Dividends paid	(1,214)	(749)	(1,505)
Repayments of HP finance obligations	(490)	(390)	(939)
Proceeds on issue of shares	52	11	7,787
New bank finance raised (repaid)	7,314	1,640	(3,529)
Net cash generated from financing activities	7,290	1,113	2,869
Net decrease in cash and cash equivalents	(498)	(51)	(71)
Cash and cash equivalents at beginning of period	527	598	598
Cash and cash equivalents at end of period	29	547	527

Note of preparation

1. These interim financial statements for the period ended 31 October 2007, which are neither audited nor reviewed, have been prepared for the first time consistent with IFRS and do not comprise full accounts within the meaning of s 240 of the Companies Act 1985. Results for the comparative periods have been restated under IFRS. The changes in accounting policies resulting from the IFRS restatement, together with the financial impacts of these changes and the full IFRS accounting policies of the Group are set out in the document entitled 'IFRS Restatement Report', which can be found on the Group's website, www.begbies-traynorgroup.com.
2. This unaudited interim report does not comprise the Group's statutory accounts. The financial information in respect of the year ended 30 April 2007 is extracted from the statutory accounts under UK GAAP for this period and amended by adjustments arising from the implementation of IFRS. The statutory accounts for this period have been filed with the Registrar of Companies. The auditor's report on these accounts was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.
3. Basic earnings per share are arrived at by dividing profit for the period by the average number of shares in issue during the period. Adjusted earnings per share add back to earnings the after tax cost of goodwill amortisation.