Begbies Traynor Group

19 December 2018

Begbies Traynor Group plc

Half year results
for the six months ended 31 October 2018

Begbies Traynor Group plc (the 'company' or the 'group'), the business recovery, financial advisory and property services consultancy, today announces its half year results for the six months ended 31 October 2018.

Financial overview

	2018 £m	2017 £m
Revenue	28.0	26.0
Adjusted profit before tax* **	3.2	2.9
Profit before tax	0.6	1.0
Adjusted basic EPS* *** (p)	2.2	2.0
Basic EPS (p)	0.1	0.3
Interim dividend (p)	0.8	0.7
Net debt	6.3	6.9

** The board uses adjusted performance measures to provide meaningful information on the 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 of £0.6m (2017: £1.0m) plus amortisation of intangible assets arising on acquisitions of £1.2m (2017: £0.9m) plus transaction costs of £1.4m (2017: £1.0m).*

**** See reconciliation in note 4.*

Highlights:

- A good first half performance with revenue and adjusted earnings ahead of a strong comparative period
- Growth reflects increased activity levels across both operating divisions with the benefit of investments made in recent years:
    - initial contribution from the acquisitions of Springboard Corporate Finance and CJM Asset Management
    - increase in number of new insolvency appointments and initial return on organic investments made across our service lines
- Statutory profit before tax reflects increased non-cash charges in relation to prior year acquisitions under IFRS 3 accounting rules
- Net debt reduction supported by strong cash generation
- 14% increase in the interim dividend
- Extension to banking facilities with committed facility now in place until August 2023

Outlook:

- Well placed to deliver upon current market expectations for the full year
    - Expect second half weighting to results with anticipated completion of contingent fee engagements together with higher activity levels
- Continue to anticipate a further year of increased revenue and earnings

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

"The group has delivered a good financial performance, ahead of a strong comparative period and consistent with our expectations for the year as a whole, as we have started to see the initial benefits of investments in prior periods.

"We remain confident of delivering increased revenue and earnings in line with current market expectations for the full year. We anticipate a second half weighting to our results, reflecting the completion of current contingent fee engagements together with higher activity levels.

"With our strong financial position, we continue to look for opportunities to develop and enhance the group, both organically and through selective acquisitions. We will provide an update on third quarter trading in early March 2019."

The group will host a conference call for the results at 10:00am on Wednesday 19 December 2018 (there will be no analyst presentation). To register your interest, please contact begbies@mhpc.com.

Enquiries please contact:

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Information on Begbies Traynor Group can be accessed via the Group's website at www.begbies-traynorgroup.com

CHAIRMAN'S STATEMENT

INTRODUCTION

I am pleased to report a good financial performance in the period which is consistent with our expectations for the year as a whole. The group has delivered growth in revenue and adjusted earnings, ahead of a strong comparative period, which had benefitted from the timing of contingent case completions.

Our results in the period reflect increased activity levels across both operating divisions with the benefit of investments we have made in recent years, including the initial contribution from the acquisitions of Springboard Corporate Finance and CJM Asset Management. We also saw encouraging initial returns on the organic investments we have made across our service lines, together with an increase in the number of new insolvency appointments.

I am pleased to announce that we have agreed a two-year extension to our existing banking facilities with HSBC, which provides the group with a committed facility until August 2023. The group is in a strong financial position and net debt has reduced to £6.3m as at 31 October 2018 (2017: £6.9m) giving significant headroom in our facilities to enable continued investment in the business.

The group's financial performance and cash generation in the first half, combined with the board's confidence in sustaining our recent earnings growth for the year as a whole, has led the board to declare a 14% increase in the interim dividend to 0.8p.

RESULTS

Group revenue in the half year ended 31 October 2018 increased to £28.0m (2017: £26.0m). Adjusted profit before tax* ** increased to £3.2m (2017: £2.9m). Profit before tax was £0.6m (2017: £1.0m), which reflects increased non-cash charges in relation to prior year acquisitions under IFRS 3 accounting rules. Profit for the period was £0.1m (2017: £0.4m).

Adjusted basic earnings per share* *** were 2.2p (2017: 2.0p). Basic and fully diluted earnings per share were 0.1p (2017: 0.3p).

Net debt at 31 October 2018 was £6.3m (30 April 2018: £7.5m, 31 October 2017: £6.9m), reflecting our continued strong cash generation. Gearing stood at 11% (April 2018: 13%, October 2017: 12%) and the group retains significant headroom in its committed banking facilities. Interest cover**** was 14.1 times (2017: 12.2 times).

** The board uses adjusted performance measures to provide meaningful information on the 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 of £0.6m (2017: £1.0m) plus amortisation of intangible assets arising on acquisitions of £1.2m (2017: £0.9m) plus transaction costs of £1.4m (2017: £1.0m).*

**** See reconciliation in note 4.*

***** Before amortisation and transaction costs.*

DIVIDEND

The board is pleased to declare an increased interim dividend of 0.8p (2017: 0.7p), an increase of 14%.

The full year dividend will be set in line with our commitment to a long term progressive dividend policy, with any dividend growth taking account of both the market outlook and earnings growth.

The interim dividend will be paid on 9 May 2019 to shareholders on the register as at 12 April 2019, with an ex-dividend date of 11 April 2019.

OUTLOOK

Following a good financial performance in the first half of the year, the board remains confident of delivering results in line with current market expectations for the full year.

We expect a stronger second half profit performance from our recovery and advisory business, reflecting the anticipated completion of a number of contingent fee engagements and higher activity levels.

In property services, performance in the first half benefitted from the seasonality of some of our consultancy activities, together with the recognition of income following the completion of several long-running property receivership appointments. We therefore anticipate the division's profits for the year as a whole will be weighted to the first half.

Overall, we continue to anticipate a further year of increased revenue and earnings.

With our strong financial position, we continue to look for opportunities to develop and enhance the group, both organically and through selective acquisitions. We will provide an update on third quarter trading in early March 2019.

Ric Traynor
Executive chairman
19 December 2018

BUSINESS REVIEW

Begbies Traynor Group plc is a leading UK business recovery, financial advisory and property services consultancy.

Business recovery and financial advisory services

Begbies Traynor is the UK's leading independent business recovery practice, handling the largest number of corporate appointments, principally serving the mid-market and smaller companies.

BTG Advisory provides transactional support, valuations and advisory services.

We provide these services to businesses, professional advisors, other stakeholders, investors and financial institutions.

Property services

Eddisons is a national firm of chartered surveyors, delivering advisory and transactional services to owners and occupiers of commercial property, investors and financial institutions. The division includes Pugh & Co, the largest regional firm of commercial property auctioneers by number of lots.

OPERATING REVIEW

Business recovery and financial advisory

Insolvency market

The number of corporate insolvencies (source: The Insolvency Service) increased by 6% in the twelve months ended 30 September 2018* to 15,789 (2017: 14,923). Corporate insolvencies in calendar years 2015, 2016 and 2017 were circa 14,700 per annum, representing the lowest level of corporate appointments since 2004.

**Source: The Insolvency Service quarterly insolvency statistics on a seasonally adjusted basis, excluding the one-off effect of 1,544 (2017: 3,400) bulk insolvencies as identified by the Insolvency Service.*

Financial performance

Revenue in the period increased to £20.0m (2017: £19.2m), reflecting the first time contribution from the Springboard Corporate Finance business (acquired in March 2018), together with an increase in the number of new insolvency appointments and encouraging initial returns on the organic investments in our team.

This has been partially offset by the non-recurrence of a material success fee of £0.8m on a contingent case which was recognised in the comparative period last year. However, we anticipate completion on several contingent cases in the second half of the current year, which would give a second half weighting to the division's revenue and profit in the current financial year.

Operating costs increased to £16.4m (2017: £15.1m) as a result of costs associated with the acquired business, our investments and increased people costs.

Segmental profits* for the period were £3.6m (2017: £4.1m) with operating margins reducing to 18.0% (2017: 21.4%) primarily as a result of the phasing of the contingent fee income.

During the period notable cases we have been instructed on include the administrations of the Bestival music festival and Humberts, a national estate agency business; together with advising landlords of House of Fraser on the proposed CVA process and advising the national retailer Blue Inc on potential sale options prior to being appointed as administrators.

The number of people employed in the division has increased to 364 as at 31 October 2018 from 351 at the start of the financial year and 342 as at 31 October 2017 (prior to the acquisition of Springboard). This expansion provides the capacity to deliver growth in revenue and profits in the event of further increases in activity levels.

We have maintained our market share and remain the leading corporate appointment taker by volume.

** See note 2*

Property services

Revenue increased to £8.0m (2017: £6.8m), reflecting the first time contribution from CJM Asset Management (acquired in February 2018), an increase in activity levels from our building consultancy offering to the education sector which has a seasonal bias towards the summer, and the completion of a number of long running property receiverships. As a result of this we anticipate the division's revenue for the year as a whole will be weighted to the first half.

Operating costs increased to £5.9m (2017: £5.4m), principally as a result of costs associated with the acquired business.

Segmental profits* were £2.1m (2017: £1.3m), with operating margins increased to 25.9% (2017: 19.7%) as a result of the first half weighting of revenue as noted above.

The number of people employed in the division has increased to 194 as at 31 October 2018 from 182 at the start of the financial year and 177 in October 2017 (prior to the acquisition of CJM Asset Management).

We continue to seek opportunities to invest in the division through senior recruitment, in addition to seeking further acquisitions.

** See note 2*

FINANCE REVIEW

Financial summary

	2018 £m	2017 £m
Revenue	**28.0**	26.0
Operating profit (before transaction costs and amortisation)	**3.4**	3.1
Finance costs	**(0.2)**	(0.2)
Adjusted profit before tax	**3.2**	2.9
Transaction costs	**(1.4)**	(1.0)
Amortisation of intangible assets arising on acquisitions	**(1.2)**	(0.9)
Profit before tax	**0.6**	1.0
Tax	**(0.5)**	(0.6)
Profit for the period	**0.1**	0.4

Operating result

Revenue in the period increased to £28.0m (2017: £26.0m) due to: the first time contribution from acquisitions completed in the second half of the prior year; increased activity levels across both operating divisions; the completion of a number of long running property receiverships; partially offset by the non-recurrence of a material contingent success fee on a corporate insolvency case in the comparative period.

Operating costs in the period increased to £24.6m (2017: £22.9m) reflecting the costs associated with acquired businesses, organic investments and increased people costs.

Operating profit increased to £3.4m (2017: £3.1m) with margins of 12.1% (2017: 12.0%).

IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have been implemented with effect from 1 May 2018. The impact on reported revenue and profit in the period is immaterial (£0.1m increase in revenue and operating profit as a result of adopting the new standards in the current period). We have applied these standards using the retrospective application method; hence we have selected an adjustment to retained earnings at 1 May 2018, rather than a restatement of prior periods, on adoption of these standards. This is detailed further in note 1 (b).

Finance costs

Finance costs were £0.2m (2017: £0.2m).

Transaction costs

Transaction costs in the period were £1.4m (2017: £1.0m), comprising:

- deemed remuneration charges increased to £1.0m (2017: £0.7m), following the acquisitions completed in the prior year; and
- a charge relating to the put and call option over Begbies Traynor (London) LLP of £0.4m (2017: £0.3m).

Amortisation of intangible assets arising on acquisitions

Amortisation costs increased to £1.2m (2017: £0.9m).

Tax

The tax charge for the period was £0.5m (2017: £0.6m), comprising a tax charge on adjusted profit before tax of £0.7m (based on the expected adjusted tax rate for the full year of 22%), partially offset by a deferred tax credit of £0.2m resulting from the amortisation charge in the period.

Earnings per share ('EPS')

Adjusted basis EPS* were 2.2p (2017: 2.0p). Basic and diluted EPS were 0.1p (2017: 0.3p).

** See reconciliation in note 4.*

Cash flows

Cash generated by operations (before interest and tax payments) in the period was £3.2m (2017: £4.9m). Tax payments in the period were £0.6m (2017: £0.4m). Interest payments were £0.2m (2017: £0.2m).

Cash outflows from investing activities were £0.4m (2017: £0.3m). Capital expenditure was £0.3m (2017: £0.2m). Deferred payments relating to prior year acquisitions were £0.1m (2017: £0.1m).

Financing cash outflows were £1.8m (2017: £2.6m). During the period we reduced the level of drawn debt under our banking facilities by £1.0m (2017: £2.0m). Dividend payments were £0.8m (2017: £0.6m).

Financing

Net borrowings reduced to £6.3m at 31 October 2018 (April 2018: £7.5m, October 2017: £6.9m), with gearing of 11% (April 2018: 13%, October 2017: 12%) and significant headroom within the committed banking facilities. During the period, all bank covenants were comfortably met and the group remains in a strong financial position. Interest cover* was 14.1 times (2017: 12.2 times).

The group has agreed an extension to its banking facilities with HSBC, which now provides the group with a committed facility until 2023. These facilities are unsecured, mature on 31 August 2023 and comprise a £25m committed revolving credit facility and a £5m uncommitted acquisition facility.

** Before amortisation and transaction costs.*

Net assets

At 31 October 2018 net assets were £55.3m (2017: £56.5m) and are analysed as follows:

	31 Oct 2018 £m	30 Apr 2018 £m	31 Oct 2017 £m
Non-current assets	60.6	62.3	58.9
Current assets	28.9	30.8	28.8
Net borrowings	(6.3)	(7.5)	(6.9)
Current tax	(1.4)	(1.5)	(1.2)
Other liabilities	(26.5)	(25.0)	(23.1)
Net assets	**55.3**	**59.1**	**56.5**

The group has implemented IFRS 15 and IFRS 9 as noted in operating result above. This has resulted in a reduction in net assets at 1 May 2018 of £1.4m as detailed in note 1(b).

Ric Traynor
Executive chairman
19 December 2018

Nick Taylor
Group finance director
19 December 2018

Consolidated statement of comprehensive income

	Note	**Six months ended**	Six months ended	Year ended
		31 October 2018	31 October 2017	30 April 2018
		(unaudited)	(unaudited)	(audited)
		£'000	£'000	£'000
Revenue		**27,981**	26,016	52,441
Direct costs		**(15,908)**	(14,659)	(30,141)
Gross profit		**12,073**	11,357	22,300
Other operating income		**216**	132	400
Administrative expenses		**(11,454)**	(10,279)	(19,922)
Operating profit before amortisation and transaction costs		**3,390**	3,134	6,059
Transaction costs	3	**(1,409)**	(1,029)	(1,364)
Amortisation of intangible assets arising on acquisitions		**(1,146)**	(895)	(1,917)
Operating profit		**835**	1,210	2,778
Finance costs		**(240)**	(256)	(482)
Profit before tax		**595**	954	2,296
Tax		**(510)**	(570)	(872)
Profit and total comprehensive income for the period		**85**	384	1,424
Earnings per share				
Basic and diluted	4	**0.1p**	0.3p	1.3p

All of the profit and comprehensive income for the period is attributable to equity holders of the parent.

Consolidated statement of changes in equity

For the six months ended 31 October 2018 (unaudited)	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	**Total equity £'000**
At 1 May 2018	5,508	22,789	20,248	304	10,300	**59,149**
Adjustments for changes in accounting policy (note 1)	—	—	—	—	(1,437)	**(1,437)**
	5,508	22,789	20,248	304	8,863	**57,712**
Total comprehensive income for the period	—	—	—	—	85	**85**
Dividends	—	—	—	—	(2,649)	**(2,649)**
Credit to equity for equity-settled share-based payments	—	—	—	—	40	**40**
Shares issued	17	85	139	—	(83)	**158**
At 31 October 2018	**5,525**	**22,874**	**20,387**	**304**	**6,256**	**55,346**

For the six months ended 31 October 2017 (unaudited)	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	**Total equity £'000**
At 1 May 2017	5,640	22,335	18,507		11,618	**58,100**
Total comprehensive income for the period	—	—	—	—	384	**384**
Dividends	—	—	—	—	(2,356)	**(2,356)**
Credit to equity for equity-settled share-based payments	—	—	—	—	161	**161**
Shares issued	28	349	—	—	(212)	**165**
At 31 October 2017	**5,668**	**22,684**	**18,507**	—	**9,595**	**56,454**

For the year ended 30 April 2018 (audited)	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	**Total equity £'000**
At 1 May 2017	5,640	22,335	18,507	—	11,618	**58,100**
Total comprehensive income for the year	—	—	—	—	1,424	**1,424**
Dividends	—	—	—	—	(2,356)	**(2,356)**
Credit to equity for equity-settled share-based payments	—	—	—	—	295	**295**
Own shares acquired in the year	(304)	—	—	304	(226)	**(226)**
Shares issued	172	454	1,741	—	(455)	**1,912**
At 30 April 2018	**5,508**	**22,789**	**20,248**	**304**	**10,300**	**59,149**

Consolidated balance sheet

	31 October 2018 (unaudited)	31 October 2017 (unaudited)	30 April 2018 (audited)
	£'000	£'000	£'000
Non-current assets			
Intangible assets	**57,843**	57,548	59,061
Property, plant and equipment	**1,488**	1,397	1,512
Trade and other receivables	**1,268**	—	1,759
	60,599	58,945	62,332
Current assets			
Trade and other receivables	**28,917**	28,818	30,829
Cash and cash equivalents	**3,743**	8,069	3,518
	32,660	36,887	34,347
Total assets	**93,259**	95,832	96,679
Current liabilities			
Trade and other payables	**(20,528)**	(16,427)	(17,268)
Current tax liabilities	**(1,436)**	(1,231)	(1,548)
Provisions	**(496)**	(458)	(783)
	(22,460)	(18,116)	(19,599)
Net current assets	**10,200**	18,771	14,748
Non-current liabilities			
Trade and other payables	—	(671)	(1,093)
Borrowings	**(10,000)**	(15,000)	(11,000)
Provisions	**(366)**	(352)	(414)
Deferred tax	**(5,087)**	(5,239)	(5,424)
	(15,453)	(21,262)	(17,931)
Total liabilities	**(37,913)**	(39,378)	(37,530)
Net assets	**55,346**	56,454	59,149
Equity			
Share capital	**5,525**	5,668	5,508
Share premium	**22,874**	22,684	22,789
Merger reserve	**20,387**	18,507	20,248
Capital redemption reserve	**304**	—	304
Retained earnings	**6,256**	9,595	10,300
Equity attributable to owners of the company	**55,346**	56,454	59,149

Consolidated cash flow statement

	Note	**Six months ended 31 October 2018 (unaudited)**	Six months ended 31 October 2017 (unaudited)	Year ended 30 April 2018 (audited)
		£'000	£'000	£'000
Cash flows from operating activities				
Cash generated by operations	6	**3,206**	4,912	9,065
Income taxes paid		**(622)**	(352)	(980)
Interest paid		**(194)**	(248)	(558)
Net cash from operating activities		**2,390**	4,312	7,527
Investing activities				
Purchase of property, plant and equipment		**(249)**	(151)	(394)
Purchase of intangible fixed assets		**(26)**	(61)	(77)
Deferred consideration payments in the period		**(128)**	(122)	(1,132)
Acquisition of businesses		**—**	—	(803)
Net cash from investing activities		**(403)**	(334)	(2,406)
Financing activities				
Dividends paid		**(771)**	(640)	(2,356)
Proceeds on issue of shares		**9**	16	38
Repayment of loans		**(1,000)**	(2,000)	(6,000)
Net cash from financing activities		**(1,762)**	(2,624)	(8,318)
Net increase (decrease) in cash and cash equivalents		**225**	1,354	(3,197)
Cash and cash equivalents at beginning of period		**3,518**	6,715	6,715
Cash and cash equivalents at end of period		**3,743**	8,069	3,518

1. Basis of preparation and accounting policies

(a) Basis of preparation

The half year condensed consolidated financial statements do not include all of the information and disclosures required for full annual financial statements and should be read in conjunction with the group's annual financial statements as at 30 April 2018, which have been prepared in accordance with IFRSs as adopted by the European Union.

This condensed consolidated half year financial information does not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006. Statutory accounts for the year ended 30 April 2018 were approved by the board of directors on 9 July 2018 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not include a reference to any matters to which the auditor 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.

The directors have reviewed the financial resources available to the group and have concluded that the group is a going concern. This conclusion is based upon, amongst other matters, a review of the group's financial projections for a period of twelve months following the date of this announcement, together with a review of the cash and committed borrowing facilities available to the group. Accordingly, the going concern basis has been used in preparing these half year condensed consolidated financial statements.

The condensed consolidated financial statements for the six months ended 31 October 2018 have not been audited nor subject to an interim review by the auditors. IAS 34 'Interim financial reporting' is not applicable to these half year condensed consolidated financial statements and has therefore not been applied.

(b) Significant accounting policies

The accounting policies adopted in preparation of the half year condensed consolidated financial statements are consistent with those followed in the preparation of the group's annual financial statements for the year ended 30 April 2018, apart from those affected by the implementation of IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments'. These impact the accounting policies for revenue and trade receivables.

IFRS 15 – 'Revenue from Contracts with Customers'

IFRS 15 introduces a new model for revenue recognition, which is based upon the transfer of control rather than the transfer of risks and rewards under IAS 18. On the majority of the group's engagement types the point at which revenue is recognised will not change, as the point of transfer of control under IFRS 15 (which determines revenue recognition) is the same as the point of transfer of risks and rewards (which determines revenue recognition under IAS 18).

However, on two of the group's engagement types, the adoption of IFRS 15 will result in a change in revenue recognition as either:

- IFRS 15 requires the group to have enforceable rights to payment to meet recognition criteria for revenue having satisfied a performance obligation. On a number of contracts the group may not have enforceable rights to payment at the early stage of the contract and revenue will not be recognised until these rights are in place; or
- IFRS 15 requires certain contracts to be combined, where they are entered into at or near the same time, with the same customer and negotiated with a single commercial objective or a single performance obligation.

The impact of this change on reported revenue and profit in the period is immaterial (£0.1m increase in revenue and operating profit under the new policy). We have applied these standards using the retrospective application method; hence we have selected an opening adjustment to retained earnings rather than a restatement of prior periods. The reduction to net assets and retained earnings on adoption of the standard at 1 May 2018 is £1.1m.

IFRS 9 – 'Financial Instruments'

The introduction of IFRS 9 will impact the group's accounting policy for trade receivables, where we have moved to an expected loss method of providing for future impairment. This change in policy has no impact on reported profit in the period; hence we have selected an opening adjustment to retained earnings rather than a restatement of prior periods. The reduction to net assets and retained earnings on adoption of the standard at 1 May 2018 is £0.3m.

1. Basis of preparation and accounting policies (continued)

(b) Significant accounting policies (continued)

The tables below show the impact of adopting these new accounting policies on the consolidated statement of comprehensive income for the period and the consolidated balance sheet at 31 October 2018.

Consolidated statement of comprehensive income	As reported Six months ended 31 October 2018 (unaudited)	IFRS 15 adjustment	IFRS 9 adjustment	**Balances without adoption of new standards 31 October 2018**	Six months ended 31 October 2017 (unaudited)	Year ended 30 April 2018 (audited)
	£'000	£'000	£'000	**£'000**	£'000	£'000
Revenue	27,981	(104)	—	**27,877**	26,016	52,441
Direct costs	(15,908)	—	—	**(15,908)**	(14,659)	(30,141)
Gross profit	12,073	(104)	—	**11,969**	11,357	22,300
Other operating income	216	—	—	**216**	132	400
Administrative expenses	(11,454)		2	**(11,452)**	(10,279)	(19,922)
Operating profit before amortisation and transaction costs	3,390	(104)	2	**3,288**	3,134	6,059
Transaction costs	(1,409)	—	—	**(1,409)**	(1,029)	(1,364)
Amortisation	(1,146)	—	—	**(1,146)**	(895)	(1,917)
Operating profit	835	(104)	2	**733**	1,210	2,778
Finance costs	(240)	—	—	**(240)**	(256)	(482)
Profit before tax	595	(104)	2	**493**	954	2,296
Tax	(510)	20	—	**(490)**	(570)	(872)
Profit and total comprehensive income for the period	85	(84)	2	**3**	384	1,424

Consolidated balance sheet	As reported 31 October 2018 (unaudited)	IFRS 15 adjustment	IFRS 9 adjustment	**Balances without adoption of new standards 31 October 2018**	31 October 2017 (unaudited)	30 April 2018 (audited)
	£'000	£'000	£'000	**£'000**	£'000	£'000
Non-current assets	60,599	—	—	**60,599**	58,945	62,332
Current assets						
Trade and other receivables	28,917	1,153	347	**30,417**	28,818	30,829
Cash and cash equivalents	3,743	—	—	**3,743**	8,069	3,518
	32,660	1,153	347	**34,160**	36,887	34,347
Total assets	93,259	1,153	347	**94,759**	95,832	96,679
Current liabilities						
Trade and other payables	(20,528)	172	—	**(20,356)**	(16,427)	(17,268)
Current tax liabilities	(1,436)	20	—	**(1,416)**	(1,231)	(1,548)
Provisions	(496)	—	—	**(496)**	(458)	(783)
	(22,460)	192	—	**(22,268)**	(18,116)	(19,599)
Net current assets	10,200	1,345	347	**11,892**	18,771	14,748
Non-current liabilities						
Trade and other payables	—	—	—	—	(671)	(1,093)
Borrowings	(10,000)	—	—	**(10,000)**	(15,000)	(11,000)
Provisions	(366)	—	—	**(366)**	(352)	(414)
Deferred tax	(5,087)	(271)	(66)	**(5,424)**	(5,239)	(5,424)
	(15,453)	(271)	(66)	**(15,790)**	(21,262)	(17,931)
Total liabilities	(37,913)	(79)	(66)	**(38,058)**	(39,378)	(37,530)
Net assets	55,346	1,074	281	**56,701**	56,454	59,149

2. Segmental analysis by class of business

	Six months ended 31 October 2018 (unaudited)	Six months ended 31 October 2017 (unaudited)	Year ended 30 April 2018 (audited)
	£'000	£'000	£'000
Revenue			
Business recovery and advisory	**19,982**	19,246	38,273
Property	**7,999**	6,770	14,168
	27,981	26,016	52,441
Operating profit before amortisation and transaction costs			
Business recovery and advisory	**3,601**	4,113	7,563
Property	**2,074**	1,337	3,132
Shared and central costs	**(2,285)**	(2,316)	(4,636)
	3,390	3,134	6,059

3. Transaction costs

	Six months ended 31 October 2018 (unaudited)	Six months ended 31 October 2017 (unaudited)	Year ended 30 April 2018 (audited)
	£'000	£'000	£'000
Deemed remuneration	**1,045**	662	1,678
Acquisition costs	—	32	117
Gain on acquisition	—	—	(1,189)
Charge relating to the put and call option over Begbies Traynor (London) LLP	**364**	335	758
	1,409	1,029	1,364

4. Earnings per share

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

	Six months ended 31 October 2018 (unaudited)	Six months ended 31 October 2017 (unaudited)	Year ended 30 April 2018 (audited)
	£'000	£'000	£'000
Earnings			
Profit for the period attributable to equity holders	**85**	384	1,424

	31 October 2018 (unaudited)	31 October 2017 (unaudited)	30 April 2018 (audited)
	Number	number	number
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	**112,087,052**	108,352,224	108,998,901
Effect of dilutive potential ordinary shares:			
Share options	**1,079,286**	3,169,599	1,264,656
Contingent shares	**2,975,783**	1,354,582	3,196,612
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**116,142,121**	112,876,405	113,460,169

	Six months ended 31 October 2018 (unaudited)	Six months ended 31 October 2017 (unaudited)	Year ended 30 April 2018 (audited)
	Pence	pence	pence
Basic and diluted earnings per share	0.1	0.3	1.3

4. Earnings per share (continued)

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, as they exclude the accounting charges which arise due to acquisitions in accordance with IFRS 3 and are not influenced by the day-to-day operations of the group.

	Six months ended 31 October 2018 (unaudited)	Six months ended 31 October 2017 (unaudited)	Year ended 30 April 2018 (audited)
	£'000	£'000	£'000
Earnings			
Profit for the period attributable to equity holders	**85**	384	1,424
Amortisation of intangible assets arising on acquisitions	**1,146**	895	1,917
Transaction costs	**1,409**	1,029	1,364
Tax effect of above items	**(218)**	(170)	(364)
Adjusted earnings	**2,422**	2,138	4,341

	Six months ended 31 October 2018 (unaudited)	Six months ended 31 October 2017 (unaudited)	Year ended 30 April 2018 (audited)
	Pence	pence	pence
Adjusted basic earnings per share	**2.2**	2.0	4.0
Adjusted diluted earnings per share	**2.1**	1.9	3.8

5. Dividends

The interim dividend of 0.8p (2017: 0.7p) per share (not recognised as a liability at 31 October 2018) will be payable on 9 May 2019 to ordinary shareholders on the register at 12 April 2019. The final dividend of 1.7p per share as proposed in the 30 April 2018 financial statements and approved at the group's AGM was paid on 8 November 2018 and was recognised as a liability at 31 October 2018.

6. Reconciliation to the cash flow statement

	Six months ended 31 October 2018 (unaudited)	Six months ended 31 October 2017 (unaudited)	Year ended 30 April 2018 (audited)
	£'000	£'000	£'000
Profit for the period	**85**	384	1,424
Adjustments for:			
Tax	**510**	570	872
Finance costs	**240**	256	482
Amortisation of intangible assets	**1,244**	984	2,099
Depreciation of property, plant and equipment	**273**	252	488
Deemed remuneration	**1,045**	662	1,678
Charge relating to the put and call option over Begbies Traynor (London) LLP	**364**	335	758
Gain on acquisition	—	—	(1,189)
Share-based payment expense	**40**	161	295
Operating cash flows before movements in working capital	**3,801**	3,604	6,907
Decrease (increase) in receivables	**152**	918	(458)
(Decrease) increase in payables	**(412)**	754	2,742
Decrease in provisions	**(335)**	(364)	(126)
Cash generated by operations	**3,206**	4,912	9,065