

PART I: LETTER FROM THE CHAIRMAN

28 August 2009

Directors:

Richard Traynor (Executive Chairman)
Andrew Dick (Chief Operating Officer)
John Gittins (Chief Financial Officer)
Graham McInnes (Corporate Development Director)
Geoffrey Hill (Executive Director)
John May (Non-Executive Director)

To Shareholders and, for information only, to the holders of options under the Share Option Schemes

Dear Shareholder

2009 ANNUAL GENERAL MEETING

I am pleased to invite you to the fifth Annual General Meeting of our Company, which will be held at our head office, 340 Deansgate, Manchester M3 4LY on Friday 2 October 2009. The meeting will commence at 11.00 am and the doors will be open at 10.30 am. You will find enclosed with this letter, notice of the 2009 Annual General Meeting. A proxy form and a poll card are also enclosed.

I am writing to give you details of the items of business that will be put before the meeting. This year, Shareholders will be asked to approve 11 resolutions. Resolutions 1 to 7 and 11 will be proposed as ordinary resolutions. This means that more than 50 per cent of the votes cast must support these resolutions if they are to be passed. Resolutions 8, 9 and 10 will be proposed as special resolutions. At least 75 per cent of the votes cast must support these resolutions if they are to be passed.

Resolution 1: Annual report and accounts

Each year the directors of the Company are required to lay before the annual general meeting the annual accounts of the Company together with the directors' report and auditors' report on those accounts. Enclosed is a copy of the Company's 2009 annual report and accounts. Further copies of the 2009 annual report and accounts will be available at the meeting venue on the day.

Resolution 2: Directors' remuneration report

As well as formally receiving the accounts and the reports of the directors and auditors thereon, Shareholders will be asked to receive the directors' remuneration report. The remuneration report is set out in full on pages 12 and 13 of the 2009 annual report and accounts enclosed with this letter.

Resolution 3: Final dividend

The directors are recommending a final cash dividend of 1.7 pence per Ordinary Share, making a total cash dividend in respect of the financial period ended 30 April 2009 of 2.8 pence per Ordinary Share. The final dividend, if approved, will be payable on 30 October 2009 to those Shareholders whose names appear on the register of members of the Company at the close of business on 16 October 2009.

Resolutions 4 and 5: Reappointment of directors

The Company's Chief Operating Officer, Andrew Dick, will be tendering his resignation as a director at the annual general meeting. He will not be seeking re-election as a director of the Company, although he will be retained in a part time business development role. May I take this opportunity to thank Andrew for his contribution over the years and I look forward to him continuing to contribute to the Company in his new role.

Resolutions 4 and 5 propose the reappointment of myself and John Gittins as directors. This is in accordance with the Company's articles of association which require that one third of the directors (or the

number nearest to but not exceeding one third) retire by rotation at each annual general meeting, subject to an overriding proviso that each director is subject to reappointment at intervals of not more than three years. The directors who are retiring by rotation are those who have been directors for the longest period of time since they were last reappointed by Shareholders.

Resolution 6: Reappointment of auditors

The Company is required to reappoint auditors at each annual general meeting at which accounts are laid, to hold office until the next such meeting. Therefore, Resolution 6 proposes the reappointment of Deloitte LLP as auditors and, in accordance with normal practice, authorises the directors to determine the auditors' remuneration.

Resolution 7: Authority to allot shares

The directors of a company may only allot shares if they have been authorised to do so by shareholders in general meeting. Resolution 7 seeks authority from Shareholders to allot shares as follows:

- (a) the first part of Resolution 7 renews a similar authority given at last year's annual general meeting and authorises the Directors to allot shares in the capital of the Company up to an aggregate nominal amount of £1,500,000 (which represents approximately one third of the issued share capital of the Company as at 10 August 2009); and
- (b) the second part of Resolution 7 authorises the Directors to allot shares in the capital of the Company up to an aggregate amount of £1,500,000 (representing a further one third of the issued share capital of the Company) in connection with a rights issue.

These limits are in line with the guidelines issued by the Association of British Insurers ("ABI"). If given, these authorities will expire at the conclusion of the Company's next annual general meeting or on 2 January 2011 (whichever is earlier) and will be in addition to the specific authority sought by Resolution 9 to allot A Ordinary Shares in connection with the Partner Share Plan.

There are no present plans to allot shares in the capital of the Company, other than in connection with the Partner Share Plan, the Share Option Schemes and to satisfy consideration obligations in respect of corporate acquisitions.

Resolution 8: Disapplication of pre-emption rights

The directors of a company may only issue new shares for cash other than on a pre-emptive basis if authorised to do so by Shareholders in general meeting. Resolution 8 accordingly seeks two disapplications of these statutory pre-emption rights:

- (a) the first part of Resolution 8 renews a similar power given at last year's annual general meeting and, if passed, would enable the Directors to allot shares for cash on a non pre-emptive basis in limited circumstances pursuant to the authority being sought by the first part of Resolution 7. This part of the Resolution would enable the Directors to issue shares for cash up to an aggregate nominal amount of £450,000 (which represents approximately ten per cent of the Company's issued share capital as at 10 August 2009), without having to first offer them to shareholders in proportion to their existing holdings. The Directors are aware that the ABI guidelines for listed companies suggest that such an authority be limited to 5% of the issued equity share capital; however, this is generally in the context of companies with greater market capitalisations and such a restriction would, in the opinion of the Directors, render any such issue of limited value on the grounds of the relatively small net proceeds of an issue and the costs associated with it. In addition, in accordance with normal practice, the first part of Resolution 8 would also enable the Board to deal with overseas shareholders and fractional entitlements as it thinks fit in the context of any rights issue or similar pre-emptive offer made pursuant to the authority granted by the first part of Resolution 7; and

- (b) the second part of Resolution 8 would, if passed, enable the Directors to deal with overseas shareholders and fractional entitlements as they think fit in the context of any rights issue made pursuant to the authority being sought by the second part of Resolution 7.

If given, these powers will expire at the conclusion of the Company's next annual general meeting or on 2 January 2011 (whichever is earlier). The intention of the Directors is to make use of these general disapplications only if it is appropriate to fund further growth and development of the Company. It is the Directors' intention to renew these powers each year.

Resolutions 9 and 11: Resolutions required to allot shares under the Partner Share Plan

In conjunction with its external advisers, the Company has developed the Partner Share Plan for its fee earning Partners in the various service lines of the Group. The aim of the Plan is to motivate and incentivise the Partners to increase the value of the Company, thereby aligning their interests with those of the Shareholders which the Directors believe is key to the success of the business of the Group.

It is proposed that Partners will be offered the opportunity to subscribe for a new class of A Ordinary Shares in the Company ("Award") at a subscription price of not less than the market rate of such shares. These A Ordinary Shares will only share in the growth of the Company, if the quoted share price of the Ordinary Shares exceeds a set hurdle rate ("Hurdle") at the end of the relevant performance period, which is anticipated to be 3 years for each Award. The Hurdle will be set at the date of allotment of the relevant A Ordinary Shares ("Award Date") and will be fixed at a premium to the share price of the Ordinary Shares at the Award Date.

Following the end of the relevant performance period, the A Ordinary Shares will, at the discretion of the Board, either:

- (a) be redeemable for cash at an amount equal to the excess of the then prevailing share price of the Ordinary Shares (calculated as the average of the mid market prices over the 5 preceding business days) over the relevant Hurdle for that Award subject to the limits of the Plan; or
- (b) be convertible partly into Ordinary Shares and partly into Deferred Shares. The method of conversion is such that the Partner will, following conversion, hold Ordinary Shares and Deferred Shares with an aggregate value equal to the excess of the share price of the Ordinary Shares (calculated as the average of the mid market prices over the 5 preceding business days) over the relevant Hurdle for that Award subject to the limits of the Plan. The Deferred Shares shall have no value and the Company will have the option, from time to time, to buy back all of the Deferred Shares in issue for an aggregate sum of £1.00.

The Board has the overriding discretion to redeem A Ordinary Shares at any time if they consider it appropriate to do so.

It is currently anticipated that Awards will be granted to no more than 90 Partners in any 12 month period and the Plan is anticipated to have a life of ten years. The number of A Ordinary Shares held by participants in the Plan, when aggregated with the Ordinary Shares issued or over which an option has been granted which is exercisable within the next ten years pursuant to the Share Schemes, shall not exceed ten per cent of the issued ordinary share capital of the Company on any particular day. A summary of the key terms of the Partner Share Plan is set out in part III.

In order to implement the Plan, the following resolutions are being proposed at the AGM:

- (a) Resolution 9 seeks the authorisations required from Shareholders to allot A Ordinary Shares pursuant to the Partner Share Plan on a non-pre-emptive basis. The authorities are being sought in respect of up to 10,000,000 A Ordinary Shares which equates to the maximum number of A Ordinary Shares which your Board anticipates will be issued under the initial Awards proposed to be made in October 2009 and the second set of Awards anticipated to be made in July 2010, and are therefore higher than the authorities which it is anticipated will be sought in future years.

If given, these authorities will expire at the conclusion of the Company's next annual general meeting or on 2 January 2011 (whichever is earlier). It is the Directors' intention to renew these authorities each year; and

(b) Resolution 11 authorises the Directors to take the necessary steps to allow the conversion of A Ordinary Shares into Ordinary Shares and Deferred Shares in accordance with the New Articles.

In addition, certain of the changes proposed to the Company's articles of association by Resolution 10 and summarised in Part II B of this document are to allow for the issue and administration of such shares.

Shareholders should note that without the approval of Resolutions 9 to 11 at the AGM, the Company will be unable to implement the Partner Share Plan which the Directors consider is important to the success of the Group for the reasons outlined. For this reason, the Directors are recommending that Shareholders vote in favour of these Resolutions (in addition to the other Resolutions to be proposed at the AGM).

Resolution 10: Adoption of Amended Articles of Association

We are also asking Shareholders to approve a number of amendments to the Current Articles, primarily to facilitate the implementation of the Partner Share Plan and to reflect the implementation of the remaining provisions of the 2006 Act which come into force on 1 October 2009. An explanation of the main changes between the Current Articles and the New Articles is set out in Part II.

A copy of the New Articles showing the proposed changes for which we seek your approval can be found displayed on the Company's website in the investor relations, shareholder services, shareholders announcements section at www.begbies-traynorgroup.com. A copy of the New Articles will also be available for inspection at the Company's registered office.

Action to be taken

You will find enclosed a proxy form for use in respect of the Annual General Meeting. As a member you are entitled to appoint one or more persons as proxies to exercise all or any of your rights to attend, speak and vote at the Annual General Meeting. A proxy need not be a member of the Company. You may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by you. To appoint more than one proxy, you will need to complete a separate proxy form in relation to each appointment. Additional proxy forms may be obtained by contacting the Company's registrar Computershare Investor Services Plc at PO Box 82, The Pavillions, Bridgewater Road, Bristol BS99 6ZY or you may photocopy the proxy form. You will need to state clearly on each proxy form the number of Ordinary Shares in relation to which the relevant proxy is appointed.

Whether or not you intend to come to the meeting, please complete and return the proxy form in accordance with the instructions printed on it and return this as soon as possible but, in any event to be valid, so as to reach the Company's registrar, Computershare Investor Services Plc at PO Box 82, The Pavillions, Bridgewater Road, Bristol BS99 6ZY no later than 11.00 am on Wednesday 30 September 2009 (or, in the event that the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting). If you attend the meeting you will still be able to vote using your poll card, but this will only be necessary if you intend to change the voting instructions given on your proxy form.

Recommendation

Your Directors consider that the Resolutions are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors unanimously recommend that you vote in favour of each Resolution.

My fellow Directors and I look forward to seeing you at the meeting.

Yours faithfully



Ric Traynor
Executive Chairman
Begbies Traynor Group plc