

Specialist Professional Services

Annual Report and Accounts 2011



Specialist Professional Services

Begbies Traynor Group plc is a specialist professional services consultancy providing independent professional advice and solutions to businesses, financial institutions, the accountancy and legal professions and individuals in the areas of insolvency, financial restructuring and risk management.

Our aim is to add value and optimise the financial outcome for our clients and business stakeholders.

IFC Corporate statement

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Our 2011 highlights

Financial highlights (continuing operations)

- ➔ Revenue of £61.5 million (2010: £62.8 million)
- ➔ EBITA¹ (pre-exceptional items and acquisition-related costs) of £8.5 million (2010: £11.8 million)
- ➔ Adjusted profit before tax² of £7.6 million (2010: £11.3 million)
- ➔ Profit before tax was £5.2 million (2010: £10.2 million)
- ➔ Operating cash flows of £6.3 million (2010: £5.2 million)
- ➔ Earnings per share ('EPS'):
 - adjusted basic and diluted EPS³ from continuing operations was 5.8 pence (2010: 8.5 pence)
 - basic and fully diluted EPS from continuing operations of 3.7 pence (2010: 7.5 pence)
- ➔ Final dividend proposed of 1.0 pence (2010: 1.9 pence), making a total dividend for the year of 2.2 pence (2010: 3.1 pence)
- ➔ Net debt of £22.5 million (2010: £20.2 million), stated after £4.4 million of acquisition and deferred consideration payments, comfortably within the banking facilities
- ➔ Net assets per share of 73 pence (2010: 75 pence)

Operational highlights (continuing operations)

- ➔ Strategic review conclusions:
 - focus on UK insolvency and pre-insolvency, restructuring and corporate finance, together with developing complementary global risk partners business
 - divestment of the tax and red flag businesses
- ➔ Insolvency and restructuring:
 - activity levels constrained by decline in the rate of UK insolvencies
 - capacity and market leading position retained
- ➔ Global risk partners:
 - strong organic growth in revenue, margin and profit
 - benefited from recruitment, increase in engagement values and margins and discontinuing loss-making activities in prior years

Current trading (continuing operations)

- ➔ Activity levels across the continuing business at the start of the new financial year are broadly in line with the prior year and our expectations

¹ Earnings before interest, tax and amortisation of intangible assets arising on acquisitions

² Profit before tax from continuing operations of £5.2 million (2010: £10.2 million) plus amortisation of £0.2 million (2010: £0.3 million) plus finance charge arising from the discounting of deferred consideration of £0.1 million (2010: £0.1 million) plus exceptional items and acquisition-related costs of £2.1 million (2010: £0.7 million)

³ See reconciliation in note 11

At a glance

The UK's leading independent insolvency practitioner

Who we are

Begbies Traynor Group is the UK's leading independent business rescue, recovery and restructuring specialist, principally serving the mid-market and SMEs. We provide a range of specialist professional services primarily to businesses, their professional advisors and the major banks.

We are able to provide our valued clients with the right resources on a local, national and international basis through our extensive UK-wide office base and our international network of professionals in over 100 countries.

What we do

The group's core insolvency and restructuring division provides corporate recovery, restructuring, corporate finance and personal insolvency services and is complemented by BTG Global Risk Partners, a leading provider of risk consulting and forensic investigation services.

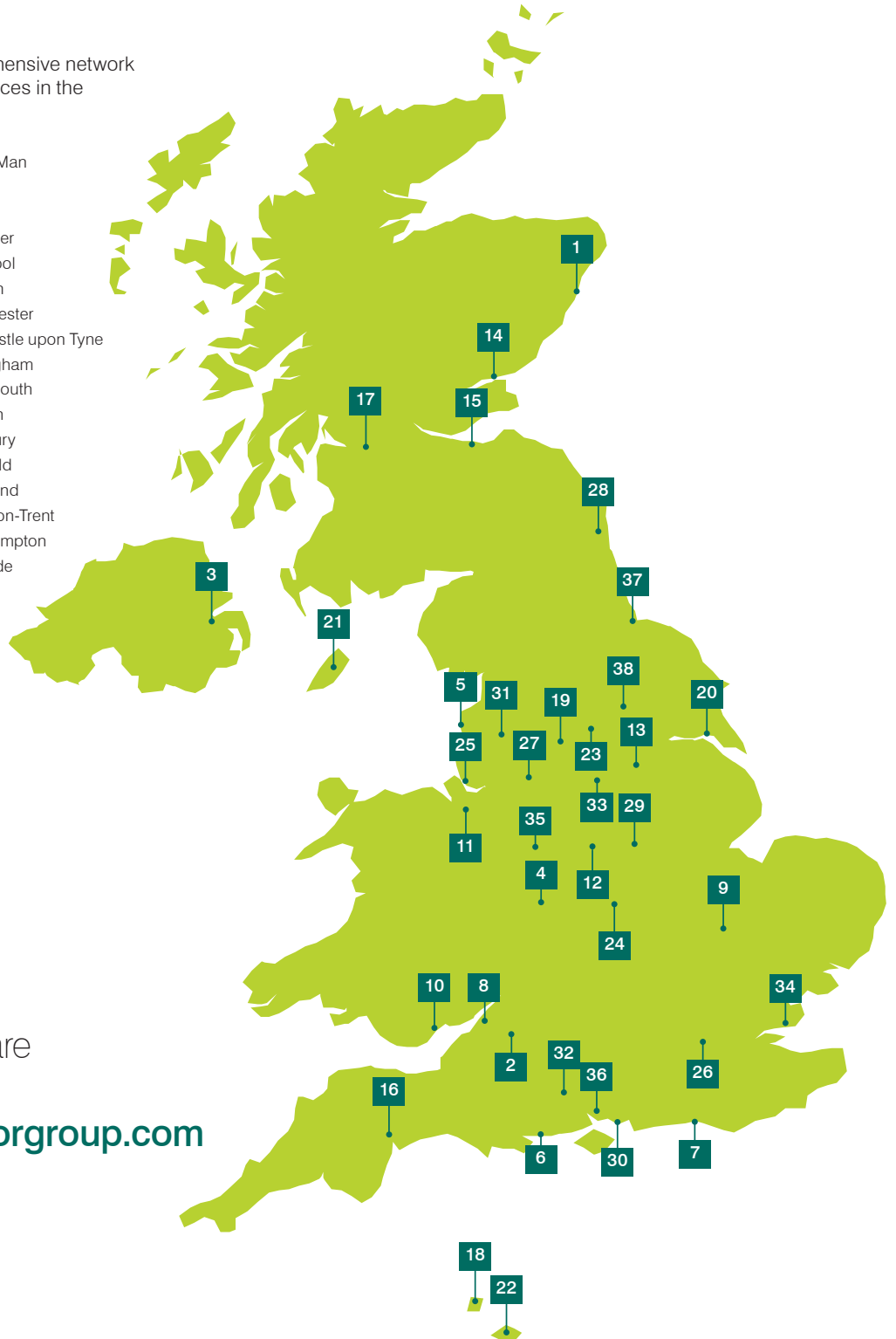


Full national coverage

Where we are

We provide our services via a comprehensive network spanning the whole of the UK, with offices in the following locations:

- 1 Aberdeen
- 2 Bath
- 3 Belfast
- 4 Birmingham
- 5 Blackpool
- 6 Bournemouth
- 7 Brighton
- 8 Bristol
- 9 Cambridge
- 10 Cardiff
- 11 Chester
- 12 Derby
- 13 Doncaster
- 14 Dundee
- 15 Edinburgh
- 16 Exeter
- 17 Glasgow
- 18 Guernsey
- 19 Halifax
- 20 Hull
- 21 Isle of Man
- 22 Jersey
- 23 Leeds
- 24 Leicester
- 25 Liverpool
- 26 London
- 27 Manchester
- 28 Newcastle upon Tyne
- 29 Nottingham
- 30 Portsmouth
- 31 Preston
- 32 Salisbury
- 33 Sheffield
- 34 Southend
- 35 Stoke-on-Trent
- 36 Southampton
- 37 Teesside
- 38 York



For more on who we are
and what we do visit
www.begbies-traynorgroup.com

Strategic review

Focussing on the core business

Our strategy...

Our strategy is to develop a specialist professional services group focussed primarily on insolvency, financial restructuring and risk management.

Focus

Build upon the group's market leading position to develop its core activities of UK mid-market business insolvency and pre-insolvency work.

Grow

Increase international insolvency and restructuring activities through existing associations.

Expand

Continue to develop the global risk partners business, taking advantage of the synergies with the core business and its fragmented global market place.

...applied within the UK corporate insolvency market...

Corporate insolvency procedures arise when companies are unable to meet their liabilities. The objective is either to rescue the business, where feasible, or to realise the value of the business's assets, distributing any proceeds to creditors.

Insolvencies are administered by a limited pool of Insolvency Practitioners, who are licensed individuals, typically from accounting or legal backgrounds. Their responsibilities are clearly defined under UK statute and monitored by professional bodies such as the Institute of Chartered Accountants and the Law Society.

Cyclical and highly regulated

The market is cyclical and highly regulated, with underlying long-term growth resulting from increased numbers of registered companies in the UK.*
Entry to the market requires:

- relevant qualifications;
- the approval of the courts, banks or other creditors;
- compliance with laws and regulations; and
- a credible reputation.

Highly fragmented

The UK insolvency market is highly fragmented and includes over 400 individual firms across the UK engaged in formal corporate appointments. These include:

- major international firms with global reach;
- national firms with networks of offices across the UK, which includes Begbies Traynor; and
- local independent firms with a regional or local presence.

* Compound annual growth rate of registered UK companies of 5.5% over the last 10 years.
Source: Companies House

...underpinned by our business model...

Sources of work	<ul style="list-style-type: none"> → referrals from other professional services organisations; → strong relationships with major banks; → national network of offices; and → market-leading reputation.
Project-based revenue	<ul style="list-style-type: none"> → fees are largely based on the time spent on one off projects; and → some engagements, such as corporate finance, will have contingent fees based on the successful outcome of projects.
Specialist skills	<ul style="list-style-type: none"> → our skill set and expertise is complementary to general practice accountants, who are a key source of our engagements.
International capabilities	<ul style="list-style-type: none"> → access to international engagements via: <ul style="list-style-type: none"> – BTG Global Network of associated firms; and – BTG Mesirow Financial Consulting, a joint venture with Mesirow Financial Consulting (a US consultancy firm).
Operational gearing	<ul style="list-style-type: none"> → operationally geared, due to high level of salary and property costs.

...makes a strong case for investment



1	<ul style="list-style-type: none"> → Begbies Traynor is the market leader in UK mid-market business insolvency.
2	<ul style="list-style-type: none"> → Competitive advantage is afforded by: <ul style="list-style-type: none"> – strong reputation of highly experienced team of specialist partners; – accreditation for all major banks; – a significant share of a limited pool of insolvency practitioners; and – extensive network of UK offices.
3	<ul style="list-style-type: none"> → Clear growth opportunities for the group: <ul style="list-style-type: none"> – long-term, underlying growth market, subject to short-term cyclical movements; – organic and acquisitive opportunities to increase market share; – organic opportunities to increase the average case size; – increasing international, offshore and restructuring activities through existing associations; and – multiple growth opportunities within global risk partners.

Business review

Chairman's statement

“With an established reputation and leading market position, the group's core division is well placed to benefit from the opportunities presented by the growth of the UK insolvency market over time.”

Summary of chairman's statement

→ Strategic review completed:

- focus on UK insolvency and pre-insolvency, restructuring and corporate finance, together with developing complementary global risk partners business
- divestment of the tax and red flag businesses

→ Insolvency and restructuring:

- activity levels constrained by decline in the rate of UK insolvencies
- capacity and market leading position retained

→ Global risk partners:

- strong organic growth in revenue, margin and profit
- benefited from recruitment, increase in engagement values and margins and discontinuing loss-making activities in prior years

→ Commitment to long-term progressive dividend policy

→ New board appointments:

- Mark Fry as Head of insolvency and restructuring
- Nick Taylor as Group finance director

Introduction

The past twelve months have been a very challenging period for the group, with national insolvency numbers in the UK decreasing over the year. This reduced our levels of profitability which, together with the underperformance of the tax division and continuing investment in the 'Red Flag Alert' business, resulted in a disappointing performance for the year.

The core insolvency division, however, remains in a strong position: it is market leader in UK SME insolvencies; it has an excellent reputation; it has relationships with all of the major banks who are a key source of work; and it has extensive national coverage across the UK through 38 offices and 511 insolvency staff.

The group's global risk partners business has also developed well during the year with strong organic growth in revenue and profit.

These two divisions are both profitable and cash-generative businesses which, even in a challenging year, have reported double digit operating margins. This gives the group a robust core of operations and a base on which the business can grow.

Strategic review

The board has recently undertaken a review of the group's strategy and operations, considering future growth potential with the intention of simplifying and focussing its business model. The result of the review is that the group has decided to focus on its core skills relating to UK insolvency and pre-insolvency, restructuring and corporate finance; together with developing its complementary global risk partners business.

We believe that shareholders' interests are best served by focussing on businesses which are capable of delivering the highest returns over the economic cycle. With an established reputation and

leading market position, the group's core division is well placed to benefit from the opportunities presented by the growth of the UK insolvency market over time; driven by the underlying increase in the number of trading entities, both in the UK and internationally, as the economy grows.

The global risk partners business benefits from synergies with our core business and is capable of delivering growth and profitability given its specialist offering in a fragmented market place, within the UK and overseas.

This strategy will enable the group to devote its full energy, time and resources on further developing these businesses.

In line with this strategy, the board has decided to divest the tax and red flag businesses. We believe that both businesses have good growth potential but require continuing investment to enhance their market position and increase scale. This investment is best delivered by specialists in their respective markets.

In accordance with IFRS 5, these trading divisions are presented as discontinued operations in these financial statements. The divestment process is ongoing and we intend to complete it in the current financial year. The proceeds of any successful divestments will be reinvested in the core business. Further announcements will be made as appropriate.

Dividend

The board remains committed to its long-term progressive dividend policy, which takes account of the underlying growth in earnings, whilst acknowledging the requirement for continuing investment and short-term fluctuations in profit.

In light of results for the year and the requirements of the business, the board has recommended a reduction in the total dividend to 2.2 pence (2010: 3.1 pence),

Insolvency (£m)**Revenue**

2010	59.2
2011	54.8

EBITA

2010	17.4
2011	13.0

Global risk partners (£m)**Revenue**

2010	3.6
2011	6.7

EBITA

2010	Nil
2011	1.4

comprising the interim dividend already paid of 1.2 pence and a final dividend of 1.0 pence.

The final dividend will be paid on 7 November 2011 to shareholders on the register on 7 October 2011, with an ex-dividend date of 5 October 2011.

Results

Group revenue from continuing operations in the year ended 30 April 2011 was £61.5 million (2010: £62.8 million), with earnings before interest, tax and amortisation (pre-exceptional items and acquisition-related costs) of £8.5 million (2010: £11.8 million). Adjusted profit before tax¹ was £7.6 million (2010: £11.3 million). Profit before tax was £5.2 million (2010: £10.2 million). Earnings per share from continuing operations², adjusted for the net of tax impact of amortisation, exceptional items, acquisition-related costs and the finance charge arising from the discounting of deferred consideration liabilities, was 5.8 pence (2010: 8.5 pence). Basic and fully diluted EPS from continuing operations were 3.7 pence (2010: 7.5 pence). Exceptional items and acquisition-related costs relating to continuing operations were £2.1 million (2010: £0.7 million).

Net borrowings at 30 April 2011, comprising principal net debt plus asset related financing, were £22.5 million (2010: £20.2 million), giving gearing of 34% (2010: 30%). This increase in net debt is after £4.4 million of acquisition and deferred consideration payments in the year. Interest cover (pre-exceptional costs) was 8.2 times (2010: 18.5 times).

¹ Profit before tax from continuing operations of £5.2 million (2010: £10.2 million) plus amortisation of £0.2 million (2010: £0.3 million) plus finance charge arising from the discounting of deferred consideration of £0.1 million (2010: £0.1 million) plus exceptional items and acquisition-related costs of £2.1 million (2010: £0.7 million)

² See reconciliation in note 11

People

We are reliant on the expertise, professionalism and commitment of our people and I thank all of them for their contribution in a difficult year.

As at 30 April 2011, the group's continuing operations employed a total of 608 people, which includes 465 direct fee earners (an increase of 3% compared with a year ago), of whom 75 are partners, and 143 staff in support functions. This includes 29 new employees and partners from acquisitions completed in the year. We continue to invest in training and developing our people and are pleased to have promoted six fee earners to partner subsequent to the year end.

The tax and red flag businesses include 50 direct fee earners, of whom 12 are partners and 27 staff in support functions.

Board changes

I am very pleased to announce that Mark Fry has joined the board as head of insolvency and restructuring. Mark joined the group in 2005, following our acquisition of his insolvency practice. He has since been the regional managing partner for London and the South East, successfully developing a restructuring and banking practice. I am delighted that Mark has agreed to take on this new role and I look forward to his contribution as we focus on developing and growing our core business.

Nick Taylor was appointed to the board as group finance director on 21 December 2010, having been acting finance director since August 2010 following the resignation of John Gittins, who was formerly the group's chief financial officer. Nick joined the group in November 2007 as group financial controller.

**Operational review – continuing operations
Insolvency and restructuring**

Begbies Traynor is the UK's leading independent business rescue, recovery, restructuring and personal insolvency organisation, providing a partner-led service to stakeholders in troubled businesses. This division includes the activities of BTG Corporate Finance, who are advisors and capital transaction project managers, providing professional strategic advice, including pre-insolvency services, whilst also managing and supporting capital transactions.

Insolvency revenues decreased in the year to £54.8 million (2010: £59.2 million), with a corresponding reduction in segmental profit to £13.0 million (2010: £17.4 million). Operating margins were 23.8% (2010: 29.4%).

The division has been impacted over the year by declining levels of corporate insolvencies in the UK. This is contrary to our original expectation of an increasing market, which was the economic trend following previous recessions. We believe this change was caused by the unprecedented level of monetary support provided to the UK economy, particularly demonstrated by UK base rates remaining at 0.5% since May 2009. This has enabled many financially distressed businesses to survive to date, that in previous recessions would almost certainly have gone into an insolvency process.

We have reacted to the market conditions by restructuring elements of the divisional cost base and consolidating some small satellite offices into larger regional premises. However, we have ensured that we retain the capacity to take advantage of any upturn in our core market by keeping skills and experience within the business, which may constrain margin improvements in the short term.

Business review**Chairman's statement continued****Operational review –
continuing operations continued
Insolvency and restructuring continued**

We have continued to develop the business over the year and completed three acquisitions: Tomlinsons, a two partner Manchester-based practice; Hamiltons, a two partner practice in Sheffield giving the group its first office in South Yorkshire; and the insolvency division of Walletts, a general accountancy practice in Stoke. All of these businesses have performed in line with our expectations since being acquired.

We remain the market leader in UK mid-market insolvency and believe that the combination of our full national coverage, strong relationships with all major UK banks and excellent referral networks from other professional services organisations leave the division well placed to take full advantage of its market.

High profile and larger insolvency, restructuring and corporate finance engagements in the year have included: the administration of Realtime Worlds, the Scottish video games company; the administration of Goldtrail, a holiday operator; and advising M3 Capital Partners on its acquisition of Swayfields Extra MSA Holdings' UK motorway service station operations.

The number of people employed in insolvency has increased to 511 on 30 April 2011 from 496 at the start of the year. This includes 29 new employees and partners from the above acquisitions partially offset by targeted reductions across the division.

Global risk partners

Global risk partners is a full service provider of specialist, integrated risk consulting and forensic investigation services, which help identify, resolve, mitigate or avoid complex commercial or personal challenges globally. Its services

include forensic technology and accountancy; risk and security consultancy; and corporate intelligence and investigations.

Revenues in this segment increased to £6.7 million (2010: £3.6 million) generating a profit of £1.4 million (2010: £nil). Operating margins were 20.4% (2010: 0%).

The improvement in performance principally arises from: increased market penetration achieved as our senior people become more established; the continued recruitment of experienced professionals; an increase in engagement values and margins; and discontinuing loss-making debt collection activities in the prior year.

Corporate investigations activity has expanded its horizons to lead into complex transnational appointments, which has improved both the quality and consistency of engagements, being retained by FTSE 100 and Fortune 500 clients.

Security risk consulting service lines are also fully established as industry leading, especially in support of insurance syndicates in the Lloyds of London marketplace dealing with energy, marine and specialty risk events.

The forensic accountancy service line is gaining a reputation for international arbitration work and all areas have been enhanced by the successful establishment of our forensic technology practice.

The number of people employed in global risk partners increased to 34 on 30 April 2011 from 26 at the start of the year.

Exceptional costs

As a result of the trading performance in the year we have restructured the cost base of the continuing operations as referred to above. This resulted in exceptional costs of £2.0 million. These costs include £1.3 million of cash payments, of which £0.4 million was outstanding at 30 April 2011.

Discontinued operations

Following the recent strategic review referred to above, we are currently seeking to divest the tax and red flag divisions and have appointed Clearwater Corporate Finance and BTG Corporate Finance to advise on these respectively.

We believe that both businesses have good growth potential but require continuing investment to enhance their market position and increase scale, which would be better delivered by specialists in their respective markets. The directors intend to maintain an ongoing relationship with the red flag business following divestment, for the benefit of the continuing operations and existing users of the service.

Tax

The tax division provides specialist tax, fiscal structuring and tax investigations consultancy. Revenue in the division increased to £7.0 million (2010: £6.3 million), resulting in a segmental EBITA (pre-exceptional and acquisition-related costs) of £0.1 million (2010: loss of £0.2 million).

In spite of the improved financial performance in the year, profitability was constrained due to a reduced demand for tax planning services, primarily due to a tougher stance towards tax planning activities adopted by the government and HMRC and a continued low demand for transactional tax services due to the weak economic recovery.

Exceptional costs of £3.4 million were incurred, resulting from restructuring costs of £1.2 million to reduce the operating cost base, a provision against the carrying value of unbilled income of £1.1 million and impairment of goodwill of £1.1 million. These costs include £0.6 million of cash costs, of which £0.4 million was outstanding at 30 April 2011. It is anticipated that the restructured cost base is appropriate for the current levels of market demand. The carrying value of the division at 30 April 2011 was £7.0 million.

“Overall, with our continuing activities now focussed on the profitable, cash-generative and strong core businesses, we look forward to returning the group to profitable growth.”

The division employed 61 people at 30 April 2011, reduced from 70 at 30 April 2010.

Red Flag Alert

Red Flag Alert (www.redflagalert.com) is a subscription-based credit risk database with over six million records on businesses in the UK, from sole traders through to limited and quoted companies. It enables subscribers to target, assess and monitor the financial performance of customers, suppliers and competitors.

The system was formally launched as a fully supported web-based subscription service to third parties in December 2009 and had 187 multiple user subscribers as at 30 April 2011 (an increase from 40 as at 30 April 2010). As at 1 July 2011 there were 257 multiple user subscribers.

Revenue in the period was £0.2 million (2010: £nil) reflecting the progressive increase in subscribers over the year. Losses of £0.7 million (2010: loss of £0.6 million) reflected the continuing investment. The carrying value of the division at 30 April 2011 was £nil.

The division employed 16 people at 30 April 2011, an increase from 10 at 30 April 2010.

Insolvency market

Trends in government insolvency data reflect a declining number of corporate insolvencies in the UK over the course of the last financial year.

Insolvency statistics

Government insolvency statistics for the twelve months ended 31 March 2011 showed a 13% decrease in the number of UK corporate insolvencies compared to the same period in the prior year. The group's view is that this decrease is due to the

ongoing high level of monetary support, principally low interest rates, combined with lenient attitudes by creditors.

The insolvency statistics for the first quarter of calendar year 2011 indicated that the market had stabilised with a 1% increase on the comparable quarter of 2010. However, there are currently no signs of a material increase in volumes, in spite of the many indicators of financial stress. Our expectations are that this trend will be repeated in the second quarter of the calendar year.

Red Flag Alert Statistics

'Begbies Traynor Red Flag Alert' statistics, which we publish quarterly, monitor adverse actions and other corporate distress signals, such as the issue of county court judgements and winding-up petitions, which are early warning signs of potential insolvency activity.

Our most recent survey, published in April 2011, revealed that the number of UK companies experiencing critical or significant problems in the first calendar quarter of 2011 has increased by 15% over the same period in 2010. We believe that this demonstrates the underlying financial stress in the UK. However, whilst record low interest rates and other support factors remain in place, it is uncertain when this stress will materially increase the level of insolvencies.

Our next survey will be published later in July.

Financial reporting calendar

The board has reviewed its current financial reporting calendar and has decided that the following quarterly schedule is more appropriate for the group, whilst also being more closely aligned to best practice (in line with the reporting calendar of companies listed on the main market):

AGM and Q1 trading update	28 September 2011
Half year results	December 2011
Q3 trading update	March 2012
Final results	July 2012

Outlook

The level of corporate insolvencies, having fallen during calendar year 2010, has stabilised in the first two quarters of 2011. We have adjusted our cost base, whilst retaining our capacity to take advantage of any upturn in the insolvency market. The global risk partners division has good organic growth potential to further develop after the encouraging performance last year. We will continue to invest in both of these businesses to enhance their market positions and take advantage of growth opportunities.

Activity levels across the continuing business at the start of the new financial year are broadly in line with the prior year and our expectations. This, together with the full year benefit of the cost saving initiatives undertaken in the year, should result in some incremental improvement in margins over the course of the year.

An update on current trading and the divestment process will be provided at the time of the company's annual general meeting ('AGM') on 28 September 2011.

Overall, with our continuing activities now focussed on the profitable, cash-generative and strong core businesses, we look forward to returning the group to profitable growth.

Ric Traynor
Executive chairman
7 July 2011

Business review

Financial review

Revenue¹ (£m)

2010	62.8
2011	61.5

EBITA² (£m)

2010	11.8
2011	8.5

Operating cash flow (£m)

2010	5.2
2011	6.3

Adjusted EPS³ (p)

2010	8.5
2011	5.8

¹ From continuing operations

² Pre-exceptional and acquisition-related costs

³ See reconciliation in note 11

Financial highlights

The group's revenue from continuing operations in the year was £61.5 million (2010: £62.8 million). A reduction in insolvency revenue of £4.4 million or 7% was only partially offset by organic growth in global risk partners of £3.1 million or 88%. Revenue from continuing operations in the year included £2.5 million from acquisitions.

EBITA (pre-exceptional and acquisition-related costs) decreased to £8.5 million (2010: £11.8 million), a decrease of £3.3 million. Margins decreased to 13.8% from 18.8% due principally to reduced activity levels within the insolvency division.

During the year, the group incurred exceptional restructuring costs of £2.0 million (2010: £0.7 million) to rationalise the cost base, which includes £0.7 million of non-cash asset write downs. Costs of £0.1 million (2010: £nil) associated with acquisitions were incurred in the year and have been expensed in the income statement in accordance with IFRS 3 (revised).

Amortisation of intangible assets arising on acquisitions reduced to £0.2 million (2010: £0.3 million).

Finance costs increased to £1.0 million (2010: £0.6 million), due to higher charges relating to the group's banking facilities (entered into on 29 April 2010) and increased borrowings compared to the comparative period.

Adjusted profit before tax was £7.6 million (2010: £11.3 million). Profit before tax was £5.2 million (2010: £10.2 million). The reconciliation between these profit measures is as follows:

	2011 £m	2010 £m
Adjusted profit before tax from continuing operations	7.6	11.3
Less:		
Amortisation of intangible assets arising on acquisitions	(0.2)	(0.3)
Finance charges arising on discounting of deferred consideration	(0.1)	(0.1)
Exceptional costs	(2.0)	(0.7)
Acquisition-related costs	(0.1)	—
Profit before tax from continuing operations	5.2	10.2

The tax charge arising on pre-exceptional profits was £2.3 million (2010: £3.6 million). This represents an effective rate of 32% (2010: 34%), the reduction resulting from a change in tax rate from 28% to 26% applied to the group's deferred tax liabilities. The tax charge for the year from continuing operations was £1.9 million (2010: £3.5 million), which represents an effective rate of 36% (2010: 34%).

Profit for the year from continuing operations was £3.3 million (2010: £6.7 million).

Discontinued operations

As the board has resolved to dispose of the group's tax and red flag divisions, IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' requires the financial results for these activities to be disclosed as discontinued operations in the income statement and the carrying value of the net assets to be written down to the fair value of the assets less costs to sell. This has resulted in a non-cash charge to profit which has been disclosed within exceptional costs.

Discontinued operations generated a post-tax loss for the year (before exceptional and acquisition-related costs) of £0.5 million (2010: £1.0 million). The post-tax cost of exceptional and acquisition-related costs was £2.6 million (2010: £0.1 million), resulting in a post-tax loss of £3.1 million (2010: £1.1 million).

Earnings per share ('EPS')

EPS from continuing operations³, adjusted for the net of tax impact of the amortisation of intangible assets arising on acquisitions, exceptional and acquisition-related costs and the finance charge arising from the discounting of deferred consideration liabilities, was 5.8 pence (2010: 8.5 pence). Basic and fully diluted EPS from continuing operations was 3.7 pence (2010: 7.5 pence).

Cash flows

Net cash flows from operating activities increased by £1.1 million in the year to £6.3 million (2010: £5.2 million). The lower level of operating profit was offset by a lower level of working capital absorption in the year of £6.7 million. Tax payments totalled £1.7 million, an increase of £0.7 million resulting from the settlement of prior year tax liabilities. Interest payments increased to £0.9 million (2010: £0.5 million), reflecting the increased finance costs.

Investing cash flows increased to £7.0 million (2010: £5.6 million) due to acquisitions of £1.8 million (2010: £nil). Deferred payments relating to prior year acquisitions totalled £2.6 million (2010: £2.9 million) and net capital investment was broadly unchanged at £2.5 million (2010: £2.7 million).

Financing cash flows of £1.9 million (2010: £3.2 million) are due to a net drawdown on the group's principal bank facilities of £4.0 million (2010: £5.8 million) and proceeds on share issues of £0.1 million (2010: £0.2 million). Cash outflows include dividend payments of £1.7 million (2010: £2.6 million) and a net repayment of other finance of £0.6 million (2010: £0.2 million).

Financing

At 30 April 2011, the group had utilised £18.7 million (2010: £15.9 million) of its principal bank facilities, giving significant headroom within the total facilities of £35 million. During the year all bank covenants were met. In spite of the disappointing financial performance in the year, the group's financial position remains robust.

The group continues to use other sources of finance as appropriate, including hire purchase contracts and other asset-related bank loans. At 30 April 2011, the group had asset-related finance of £3.8 million (2010: £4.4 million).

Net borrowings at 30 April 2011 were £22.5 million (2010: £20.2 million) of which £22.3 million related to continuing operations and £0.2 million to discontinued operations, giving gearing of 34% (2010: 30%). Interest cover for continuing operations (pre-exceptional costs) was 8.2 times (2010: 18.5 times).

Net assets

At 30 April 2011 net assets were £65.9 million (2010: £67.2 million), equivalent to net assets per share of 73 pence (2010: 75 pence).

Non-current assets decreased to £58.2 million (2010: £60.4 million) due to the transfer of £4.8 million to current assets classified as held for sale, partially offset by increases due to in-year acquisitions.

Current assets increased to £57.2 million (2010: £49.9 million), principally due to the transfer to assets classified as held for sale as described above. The remaining increase comprised a higher cash balance

of £1.2 million and a £1.3 million increase in working capital.

Borrowings increased to £26.8 million (2010: £23.4 million), of which £26.6 million related to continuing operations and £0.2 million to discontinued operations, after £4.4 million of acquisition and deferred consideration payments in the year.

Other liabilities increased to £22.8 million (2010: £19.7 million) due to provisions relating to exceptional costs of £0.9 million (payable within one year) and increased working capital liabilities. Other liabilities include £3.5 million of deferred consideration payments, of which £2.5 million is payable within one year.

Nick Taylor
Group finance director
7 July 2011

Corporate governance

Board of directors

Ric Traynor (age 51) Executive chairman

Ric has been an insolvency practitioner since qualifying as a chartered accountant with Arthur Andersen in 1984. He established Traynor & Co. in 1989 which, following the acquisition of Begbies London in 1997, became Begbies Traynor.

Ric has focussed on the development of the business, including the Group's successful introduction to AIM in 2004, and on practice management. He continues to lead the business and remains a major shareholder.

Nick Taylor (age 40) Group finance director

Nick was appointed as group finance director in 2010, having joined the group as financial controller in 2007. He is a chartered accountant who qualified with KPMG and has previously held senior finance roles in United Utilities PLC and Vertex Data Science Limited, the business process outsourcer.

Mark Fry (age 43) Head of insolvency and restructuring

Mark was appointed to the board on 7 July 2011, as head of insolvency and restructuring. He joined the group in 2005, following its acquisition of his insolvency practice. He has recently been the regional managing partner for London and the South East, successfully developing a restructuring and banking practice.

Graham McInnes (age 59) Corporate development director

Graham was appointed to the board in 2004, initially as group finance director and, since 2007, has served as corporate development director. He has held a number of senior finance positions including corporate finance partner at Spicer and Oppenheim (now part of Deloitte) and finance director of Enterprise plc, in addition to developing his own corporate finance boutique in the 1990s.

Geoff Hill (age 63) Executive director

Geoff was appointed to the board in 2006, initially as a non-executive director but moving to become an executive director in 2007 with responsibility for the group's tax and global risk practices. He is a chartered accountant with many years' experience in professional practice, including as a senior partner at a large independent practice in Leeds where he led the merger with a top 15 UK accountancy practice, becoming a main board member of the merged group.

John May (age 56) Non-executive director

John was appointed to the board in 2007 as a non-executive director. He is currently an executive director of Caledonia Investments plc and previously worked for the Hambros Group for over 20 years, where he was an executive director of Hambros Bank and joint managing director of Hambro Countrywide. He then ran his own private equity investment and consultancy business.

He is chairman of the Amber Chemical Company and a non-executive director of Bristow Group, British Empire Securities, Oval and Satellite Information Services.

Directors' report

The directors present their Annual Report on the affairs of the group together with the financial statements and auditor's report for the year ended 30 April 2011.

Principal activity

During the year under review, the group's principal activity involved the provision of professional services to clients based in the UK. The subsidiary and associated undertakings principally affecting the profits or net assets of the group in the year are listed in note 3 to the company financial statements.

Business review

The company is required by section 417 of the Companies Act 2006 to set out in this report a fair review of the business of the group during the financial year ended 30 April 2011 and of the position of the group at the end of the year. This information can be found within the chairman's statement on pages 6 to 9 and the financial review on pages 10 and 11. The directors use a number of key performance indicators ('KPIs') to monitor the progress of the group, which include those set out in the operational review. The board continuously identifies and reviews key business risks. A description of the principal risks and uncertainties facing the group is contained within the directors' report below.

Dividends

The directors recommend a final dividend of 1.0 pence per ordinary share to be paid on 7 November 2011 to shareholders on the register at 7 October 2011. This, together with the interim dividend of 1.2 pence paid on 6 May 2011, makes a total of 2.2 pence for the year (2010: 3.1 pence).

Capital structure

Details of the authorised and issued share capital, together with details of the movements in the company's issued share capital during the year, are shown in note 21. The company has two classes of shares: ordinary and A ordinary. The ordinary shares comprise 98% of the total issued nominal value of all share capital.

Ordinary shares carry no right to fixed income and each share carries the right to one vote at general meetings of the company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are governed by the general provisions of the articles of association and prevailing legislation. The directors are not aware of any agreements between holders of the company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the company's share capital and all issued ordinary shares are fully paid.

A ordinary shares were issued in connection with the company's partner growth share plan as detailed in note 21 and have no rights to fixed income, dividends or voting rights at general meetings of the company. The shares are only transferable either pursuant to an offer required to be made by the city code for the A ordinary shares, or otherwise, with prior written consent of the company. At any time after the third anniversary of the date of allotment, A ordinary shares may be converted into fully paid ordinary shares in accordance with the company's articles of association. All issued A ordinary shares are partly paid.

With regard to the appointment and replacement of directors, the company is governed by its articles of association and prevailing company law. The articles of association themselves may be amended by special resolution of the shareholders. The powers of directors are described in the articles of association, copies of which are available on request, and the corporate governance statement on page 20.

Capital reduction

At the company's AGM in September 2010, shareholders approved the release of £17,343,000 of share premium to distributable reserves through a capital reduction procedure, which required an application to the High Court. The application was duly granted on 17 November 2010 and registered at Companies House on 19 November 2010.

Corporate governance**Directors' report continued****Business risks**

The group is reliant on the flow of new assignments. This risk is managed through a consistent effort in marketing, maintaining strong relationships with key work providers and selling activity.

The business is operationally geared with high levels of salary and property costs, which cannot be immediately varied. Consequently, the group's profitability is liable to short-term fluctuations dependent on activity levels. This risk is managed through flexing our resource levels, where possible, to align with current and anticipated levels of activity, together with the control of other discretionary items of expenditure.

The business is dependent upon the professional development, recruitment and retention of high quality professional partners and staff. The group manages the risk of high staff turnover through attention to human resource issues and the monitoring of remuneration levels against the wider market, including long-term incentive arrangements.

In the ordinary course of business, certain aspects of the group's services are opinion-based and may be subject to challenge. The group deploys a compliance team who seek third party professional corroboration where appropriate. In addition, the group has an appropriate professional indemnity insurance policy in force.

The insolvency division operates in a regulated market and is subject to regular compliance visits from regulatory bodies. To ensure compliance with relevant legislation in performing regulated insolvency activities, the group has a dedicated compliance team who maintain procedures and policies in line with current legislation.

Financial risk

Details of financial instruments and risk factors are set out in note 20 to the financial statements.

Directors

The directors, who served throughout the year except as noted, were as follows:

Name of director	Board title	Age	Date of appointment	Date of resignation
Ric Traynor	Executive chairman	51	5 May 2004	—
Nick Taylor	Group finance director	40	21 December 2010	—
Geoffrey Hill	Executive director	63	25 September 2006	—
Graham McInnes	Corporate development director	59	24 September 2004	—
John May	Non-executive director	56	12 October 2007	—
John Gittins	Chief financial officer	51	12 October 2007	20 August 2010

Mark Fry joined the board as head of insolvency and restructuring on 7 July 2011.

Details of directors' interests and directors' share options are presented in the directors' remuneration report on pages 18 and 19.

Supplier payment policy

The group's policy is to meet obligations promptly on agreed payment dates, unless there is an unresolved query or dispute over the sum due. Trade creditors of the group at 30 April 2011 were equivalent to 35 (2010: 27) days' purchases, based on the average daily amount invoiced by suppliers during the year.

Charitable and political contributions

During the year the group made charitable donations of £3,000 (2010: £13,000), principally to local charities serving the communities in which the group operates.

No political donations were made during the year (2010: £nil).

Substantial shareholdings

On 1 July 2011, the company had been notified, in accordance with sections 791 to 828 of the Companies Act 2006, of the following interests in the ordinary share capital of the company.

Name of holder	Number	Percentage held
Caledonia Investments	14,000,654	15.61
Royal Bank of Canada	3,602,705	4.02
Theodoor Gilissen	3,751,986	4.18
ISIS Equity Partners	3,264,968	3.64
Royce & Associates	3,026,000	3.37
Baillie Gifford	2,845,732	3.17

Fortelus Capital Management holds a contract for difference in the name of Fortelus Special Situations Master Fund Limited over 7,571,395 ordinary shares (8.44%), which is disclosable pursuant to DTR 5.

Other than the above holdings and those of directors (see page 19), the board is not aware of any beneficial holdings in excess of 3% of the issued capital of the company.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Directors' remuneration report and corporate governance statement

The directors' remuneration report on pages 18 and 19 and corporate governance statement on page 20 also form part of this report.

Social policies and employee involvement

The policy of the group is to recruit, promote, train and develop its people by reference to their skills, abilities and other attributes of value to their role in the business. The group considers itself to be an equal opportunities employer. Employee engagement is encouraged through a variety of means including a corporate intranet, team meetings and regular dialogue with employees.

The activities of the group have a minimal pollution impact on the environment and its energy consumption is modest. Due consideration to environmental issues is given where appointed insolvency administrators take control of third-party businesses in the course of their work.

Going concern

Given the current economic uncertainty and the guidance issued by the Financial Reporting Council ('FRC'), disclosures are presented in note 2 to the financial statements around the basis on which the directors have continued to adopt the going concern basis in preparing these financial statements.

Corporate governance

Directors' report continued

Auditor

Each of the directors at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint Deloitte LLP will be proposed at the forthcoming AGM.

Approved by the board of directors and signed on behalf of the board

John Humphrey
Company secretary
7 July 2011

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate governance

Directors' remuneration report

The company is not obliged to prepare a directors' remuneration report and the information below does not constitute a 'directors' remuneration report' within the meaning of the Companies Act 2006.

The remuneration committee

The remuneration committee comprises the non-executive director and executive chairman. The committee determines the profit shares, remuneration, bonuses and consultancy charges payable to the executive directors. The committee meets annually to allocate a performance-related profit sharing pool between the executive directors and to settle their base remuneration for the ensuing year. The profit pool is computed by reference to annual growth in operating profits and earnings per share.

Remuneration policy

The objectives of the remuneration policy are to ensure that the overall remuneration of executive directors is aligned with the performance of the group and preserves an appropriate balance of income and shareholder value.

Directors' remuneration

The normal remuneration arrangements for executive directors consist of directors' fees, basic salary, consultancy charges or profit share and annual performance-related bonuses. In addition, they receive income protection insurance, private medical insurance, retirement benefits and death in service benefits.

Directors' fees are fixed by the remuneration committee. The profit shares and consultancy charges disclosed are the amounts charged against operating profit in the consolidated income statement for the year ended 30 April 2011.

Directors' emoluments

Name of director	Fees/ basic salary/ profit share £	Benefits in kind £	2011 Total £	2010 Total £
Executive				
Ric Traynor	265,000	16,639	281,639	294,415
Nick Taylor (from 21 December 2010)	43,692	4,623	48,315	—
Graham McInnes	45,650	3,706	49,356	80,119
Geoffrey Hill	166,110	21,252	187,362	169,506
John Gittins (to 20 August 2010)	63,733	6,689	70,422	228,268
Andrew Dick (to 2 October 2009)	—	—	—	91,352
Aggregate emoluments	584,185	52,909	637,094	863,660
Fees to third parties:				
John May (Non-executive)			25,000	25,000

Fees to third parties comprise amounts paid to Caledonia Investments plc under an agreement to provide the group with the services of John May.

Directors' interests

The directors who held office at 30 April 2011 had the following interests in the shares of group undertakings:

Name of director	Description of shares	30 April 2011		1 May 2010 or subsequent date of appointment	
		Beneficial	%	Beneficial	%
Ric Traynor	Ordinary shares	26,561,697	29.6	26,561,697	29.7
Geoffrey Hill	Ordinary shares	10,000	0.01	10,000	0.01
Graham McInnes	Ordinary shares	855,704	0.95	855,704	1.0
John May	Ordinary shares	62,500	0.07	—	—
Nick Taylor	Ordinary shares	5,000	0.006	—	—

No changes took place in the interests of directors between 30 April 2011 and 1 July 2011.

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the company granted to or held by the directors. Details of options for directors who served during the year are as follows:

	Date of grant	Earliest exercise date	Expiry date	Exercise price (pence)	Number at 1 May 2010	Forfeited in year	Granted in year	Number at 30 April 2011
John Gittins	10 July 2008	11 July 2011	10 July 2015	160.5	200,000	(200,000)	—	—
	23 July 2009	24 July 2012	23 July 2016	102.0	200,000	(200,000)	—	—
Geoffrey Hill	10 July 2008	11 July 2011	10 July 2015	160.5	200,000	—	—	200,000
	23 July 2009	24 July 2012	23 July 2016	102.0	200,000	—	—	200,000
	15 July 2010	15 July 2013	15 July 2017	61.8	—	—	200,000	200,000
Nick Taylor	15 July 2010	15 July 2013	15 July 2017	61.8	—	—	50,000	50,000

The market price of the company's shares at the end of the financial year was 52 pence and the range of market prices during the year was 40 pence to 77 pence.

Details of share options granted by the company at 30 April 2011 are given in note 22. None of the terms and conditions of the share options were varied in the period. The performance criteria for all of the directors' options were consistent with the remuneration policy.

Corporate governance

Corporate governance statement

The board is committed to high standards of corporate governance and, although as an AIM listed company Begbies Traynor Group plc is not bound by the corporate governance rules and codes, the directors adopt them as they believe appropriate to the company's status. Detailed below are the key components of the group's corporate governance policies and procedures. The board has noted and is aware of the recent changes in corporate governance; in particular the new UK Corporate Governance Code (the 'New Code') which was issued by the FRC in June 2010. The board is reviewing the New Code but is benchmarking compliance against the framework currently in place.

The board

The full board meets formally and informally throughout the year and the executive directors attend regular operational board meetings. The agendas for these meetings formalise the matters reserved for decision by the board of the company. The board directs and controls the group and risk management issues. The board is responsible for strategy, performance and stewardship of the group's resources.

The board consists of the executive chairman, group finance director, two executive directors and one non-executive director. All directors have access to the company secretary and all group records. Each director is authorised to take external advice in support of his duties at the expense of the company. Given its size and stage of development, the board considers that a single non-executive director, who acts independently of the executive directors, is adequate for the time being.

Committees of the board

The board has two committees, each of which has written terms of reference. The minutes of the committees are circulated to and reviewed by the board.

The audit committee

The audit committee is chaired by the non-executive director and meets periodically in accordance with its terms of reference. The executive chairman, group finance director and a representative of the external auditor will normally attend meetings. The committee meets at least twice a year to discuss governance, financial reporting and internal control and risk management.

The remuneration committee

The remuneration committee, which is chaired by the non-executive director and attended by the executive chairman, is responsible for all elements of the remuneration of the executive directors. The committee performs its functions in accordance with its terms of reference. Additional information is included in the directors' remuneration report on pages 18 and 19.

Investor communications

Meetings with institutional shareholders and independent analysts take place throughout the year and all shareholders are free to contact any member of the board at any time. Shareholders have a formal opportunity to question the board at the AGM of the company, at the conclusion of which all board members are available for informal discussion.

Internal control and risk management

The systems of internal control and risk management are the responsibility of the board, which sets and reviews appropriate policies. Managers are delegated the tasks of implementation and maintenance of systems in accordance with those policies and the identification, evaluation, management and reporting of risk and control issues.

Budgets are produced annually and key performance targets within them are set by the board.

Performance against those budgets is regularly reviewed and variances are investigated and acted upon by members of the board and both head office and regional managers. Reforecasting is undertaken when variances are material and, if adverse, cannot be eliminated by such action.

The above systems and procedures can only provide reasonable assurance; they cannot eliminate the potential of material misstatement or loss, nor the risk of the group falling short of its strategic objectives and targets.

Independent auditor's report to the members of Begbies Traynor Group plc

We have audited the group financial statements of Begbies Traynor Group plc for the year ended 30 April 2011, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 30 April 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of Begbies Traynor Group plc for the year ended 30 April 2011.

William Smith MA ACA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom
7 July 2011

Financial statements

Consolidated income statement

for the year ended 30 April 2011

	Notes	2011			2010		
		Before exceptional and acquisition-related cost £'000	Exceptional items and acquisition-related costs (note 5) £'000	Total £'000	Before exceptional and acquisition-related costs £'000	Exceptional items and acquisition-related costs (note 5) £'000	Total £'000
Continuing operations							
Revenue	3	61,492	—	61,492	62,787	—	62,787
Direct costs		(32,571)	(1,458)	(34,029)	(30,833)	(58)	(30,891)
Gross profit		28,921	(1,458)	27,463	31,954	(58)	31,896
Other operating income	3	68	—	68	178	—	178
Administrative expenses		(20,490)	(640)	(21,130)	(20,356)	(628)	(20,984)
Earnings before interest, tax and amortisation		8,499	(2,098)	6,401	11,776	(686)	11,090
Amortisation of intangible assets arising on acquisitions		(198)	—	(198)	(282)	—	(282)
Finance costs	7	(1,031)	—	(1,031)	(636)	—	(636)
Profit before tax		7,270	(2,098)	5,172	10,858	(686)	10,172
Tax	8	(2,303)	452	(1,851)	(3,641)	188	(3,453)
Profit for the year from continuing operations		4,967	(1,646)	3,321	7,217	(498)	6,719
Discontinued operations							
Loss for the year from discontinued operations	9	(512)	(2,610)	(3,122)	(1,035)	(92)	(1,127)
Profit for the year		4,455	(4,256)	199	6,182	(590)	5,592
Earnings per share							
From continuing operations							
Basic and diluted	11			3.7p			7.5p
From continuing and discontinued operations							
Basic and diluted	11			0.2p			6.3p

The income statement for the year ended 30 April 2010 has been represented to reflect the classification of the tax and red flag businesses as discontinued operations in accordance with IFRS 5.

Consolidated statement of comprehensive income

for the year ended 30 April 2011

	2011 £'000	2010 £'000
Profit for the year	199	5,592
Other comprehensive income		
Exchange differences on translation of foreign operations	(56)	(9)
Total comprehensive income for the year	143	5,583

Financial statements

Consolidated statement of changes in equity

for the year ended 30 April 2011

	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 May 2009	4,459	34,384	17,584	8	7,287	63,722
Profit for the year	—	—	—	—	5,592	5,592
Other comprehensive income:						
Foreign exchange adjustments	—	—	—	(9)	—	(9)
Total comprehensive income for the year	—	—	—	(9)	5,592	5,583
Dividends	—	—	—	—	(2,593)	(2,593)
Credit to equity for equity-settled share-based payments	—	—	—	—	89	89
Shares issued	71	302	—	—	—	373
At 30 April 2010	4,530	34,686	17,584	(1)	10,375	67,174
Profit for the year	—	—	—	—	199	199
Other comprehensive income:						
Foreign exchange adjustments	—	—	—	(56)	—	(56)
Total comprehensive income for the year	—	—	—	(56)	199	143
Dividends	—	—	—	—	(1,701)	(1,701)
Capital reduction (note 29)	—	(17,343)	—	—	17,343	—
Credit to equity for equity-settled share-based payments	—	—	—	—	96	96
Shares issued	49	100	—	—	—	149
At 30 April 2011	4,579	17,443	17,584	(57)	26,312	65,861

The merger reserve arose on the formation of the group in 2004.

Consolidated balance sheet

at 30 April 2011

	Notes	2011 £'000	2010 £'000
Non-current assets			
Intangible assets	12	51,422	53,309
Property, plant and equipment	13	6,820	7,071
		58,242	60,380
Current assets			
Trade and other receivables	14	43,295	46,758
Cash and cash equivalents		4,334	3,118
Assets classified as held for sale	9	9,548	—
		57,177	49,876
Total assets		115,419	110,256
Current liabilities			
Trade and other payables	15	(13,064)	(13,224)
Current tax liabilities		(760)	(1,508)
Borrowings	16	(1,718)	(2,282)
Provisions	17	(443)	—
Liabilities classified as held for sale	9	(2,583)	—
		(18,568)	(17,014)
Net current assets		38,609	32,862
Non-current liabilities			
Trade and other payables	15	(1,027)	(428)
Borrowings	16	(24,915)	(21,080)
Deferred tax	19	(5,048)	(4,560)
		(30,990)	(26,068)
Total liabilities		(49,558)	(43,082)
Net assets		65,861	67,174
Equity			
Share capital	21	4,579	4,530
Share premium		17,443	34,686
Merger reserve		17,584	17,584
Translation reserve		(57)	(1)
Retained earnings		26,312	10,375
Equity attributable to owners of the company		65,861	67,174

The financial statements of Begbies Traynor Group plc, registered number 5120043, were approved by the board of directors and authorised for issue on 7 July 2011. They were signed on its behalf by:

Ric Traynor
Executive chairman

Nick Taylor
Group finance director

Financial statements

Consolidated cash flow statement
for the year ended 30 April 2011

	Notes	2011 £'000	2010 £'000
Cash flows from operating activities			
Cash generated by operations	24	8,852	6,741
Income taxes paid		(1,665)	(973)
Interest paid		(887)	(541)
Net cash flows from operating activities		6,300	5,227
Investing activities			
Proceeds on disposal of property, plant and equipment		624	564
Purchase of property, plant and equipment		(2,676)	(2,556)
Purchase of intangible fixed assets		(485)	(713)
Deferred consideration payments in the year		(2,626)	(2,858)
Acquisition of subsidiaries		(1,803)	—
Net cash used in investing activities		(6,966)	(5,563)
Financing activities			
Dividends paid		(1,701)	(2,593)
Hire purchase finance received		1,985	2,091
Repayments of hire purchase finance obligations		(1,845)	(1,859)
Proceeds on issue of shares		149	173
Repayment of loans		(706)	(835)
New loans raised		—	450
Drawdown of bank facility		4,000	9,000
Repayment of bank overdrafts		—	(3,220)
Net cash from financing activities		1,882	3,207
Net increase in cash and cash equivalents		1,216	2,871
Cash and cash equivalents at beginning of year		3,118	247
Cash and cash equivalents at end of year		4,334	3,118

Notes to the consolidated financial statements

for the year ended 30 April 2011

1. General information

Begbies Traynor Group plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is 340 Deansgate, Manchester M3 4LY. The nature of the group's operations and its principal activities are set out in the directors' report on page 13.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates.

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

(a) Basis of accounting

The financial statements have been prepared in accordance with applicable UK law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU'), including International Accounting Standards ('IAS') and Interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC').

The financial statements have been prepared on the historical cost basis and all accounting policies have been applied consistently, except as stated in note 2(c).

Going concern

The group's business activities, together with factors likely to affect its future development, performance and position, are set out in the chairman's statement. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the financial review.

Furthermore, notes 16, 18 and 20 to the financial statements include full details of the group's borrowings in addition to the group's objectives and policies for managing its capital, its financial risk management objectives and its exposures to credit, interest rate and liquidity risk.

The group has principal banking facilities of £35 million, of which a gross £23 million was utilised at 30 April 2011, as detailed in note 16.

In carrying out their duties in respect of going concern, the directors have completed a review of the group's current financial position and cash flow forecasts for a period exceeding 12 months from the date of signing these financial statements. This review included sensitivity analysis 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.

After making enquiries, 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, they continue to adopt the going concern basis in preparing the annual report and accounts.

Earnings before interest, tax and amortisation ('EBITA')

EBITA includes the results from operating activities of the group, including software amortisation costs, but stated before finance costs, taxation and amortisation of intangible assets arising on acquisitions.

Exceptional items

The group presents certain items separately as 'exceptional'. These are items which in management's judgement should be disclosed separately by virtue of their size and or nature.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Begbies Traynor Group plc and entities controlled by Begbies Traynor Group plc (its subsidiaries which includes limited liability partnerships). Control is achieved where Begbies Traynor Group plc (the company) has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries are included in the consolidated income statement and the interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Financial statements

Notes to the consolidated financial statements continued

for the year ended 30 April 2011

2. Accounting policies continued

(b) Basis of consolidation continued

The results of entities acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, the accounts of the subsidiaries are adjusted to conform to the group's accounting policies. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(c) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, with the exception of the following:

IFRS 3 (revised) 'Business Combinations' has been adopted. The standard requires acquisition-related costs (which would previously have been included in the cost of a business combination) to be charged to administrative expenses as incurred, and any changes to the cost of an acquisition, including contingent consideration, resulting from events after the date of acquisition, to be recognised in the income statement. Previously, such changes resulted in an adjustment to goodwill. The revised standard is effective for group business combinations after 1 May 2010.

Segmental disclosures – from 1 May 2010, the group is managed as four operating segments: insolvency and restructuring, tax, global risk partners and red flag alert. IFRS 8 'Operating Segments' requires segmental disclosures to be reported on a management basis and in a manner consistent with internal financial reporting to the board. Consequently, at the half year, the group reported its segmental disclosures as four operating segments. Since the half year, the tax and red flag segments have been classified as discontinued. The prior year segmental information has been restated on this basis.

(d) Business combinations

The acquisition of subsidiaries and businesses is accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in the income statement as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Where the fair value of the assets and liabilities at acquisition cannot be determined reliably in the initial accounting, these values are considered to be provisional for a period of 12 months from the date of acquisition. If additional information relating to the condition of these assets and liabilities at the acquisition date is obtained within this period, then the provisional values are adjusted retrospectively. This includes the restatement of comparative information for prior periods.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss. Adjustments to contingent consideration for acquisitions made before 1 May 2010 (from which date IFRS 3 (revised) has been adopted) are recorded against goodwill. Adjustments to contingent consideration for acquisitions made after 1 May 2010 are recorded in the income statement.

(e) Intangible assets

Goodwill

Goodwill arising on consolidation is recognised as an asset.

Following initial recognition, goodwill is subject to impairment reviews, at least annually, and measured at cost less accumulated impairment losses. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Goodwill arising on acquisitions before the date of the group's transition to IFRS has been retained at the previous UK GAAP amounts, subject to being tested for impairment at that date.

2. Accounting policies continued**(e) Intangible assets continued****Other intangible assets**

Other intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives. The carrying amount is reduced by any provision for impairment where necessary.

On a business combination, as well as recording separable intangible assets already recognised in the balance sheet of the acquired entity at their fair value, identifiable intangible assets that are separable or arise from contractual or other legal rights are also included in the acquisition balance sheet at fair value.

Amortisation is charged so as to write off the cost or valuation of assets over their estimated useful lives, on the following basis:

Software on strategic systems	10% of cost
Intangible assets arising on acquisitions	33% of fair value at acquisition

Assets in the course of construction are not depreciated.

(f) Property, plant and equipment

All assets are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, on the following basis:

Computers	20% – 33% of cost
Motor vehicles	25% on a reducing balance basis
Office equipment	15% of cost
Leasehold improvements	evenly over period of lease

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised within profit or loss for the period.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the relevant lease term.

(g) Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

(h) Assets and liabilities classified as held for sale

Assets and liabilities are classified as held for sale where their carrying amount is to be recovered principally through a sale transaction rather than continuing use and a sale is considered highly probable. Management must be committed to the sale which is expected to complete within one year. They are stated at the lower of carrying amount and fair value less costs to sell.

Financial statements

Notes to the consolidated financial statements continued

for the year ended 30 April 2011

2. Accounting policies continued

(i) Financial instruments

Financial assets and financial liabilities are recognised in the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade receivables

Trade receivables are stated at amortised cost less allowances for estimated irrecoverable amounts.

Trade payables

Trade payables are stated at their amortised cost.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an amortised cost basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(j) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that the group will be required to settle the obligation and the amount can be reliably estimated.

(k) Leases

Leases are classified according to the substance of the transaction. A lease that transfers substantially all the risks and rewards of ownership to the lessee is classified as a finance lease. All other leases are classified as operating leases.

Finance leases

Finance leases are capitalised in the consolidated balance sheet at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability is shown as a finance lease obligation to the lessor. Leasing repayments comprise both a capital and a finance element. The finance element is written off to the income statement so as to produce an approximately constant periodic rate of charge on the outstanding obligation. Such assets are depreciated over the shorter of their estimated useful lives or the period of the lease.

Operating leases

Operating lease rentals are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives are spread over the period of the lease.

(l) Revenue recognition

Revenue relating to professional services rendered is recognised when the following conditions included in IAS 18 have been met:

- the amount of revenue can be measured reliably;
- it is probable that economic benefits will flow to the entity;
- the stage of completion of the engagement at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete can be measured reliably.

Revenue is recognised on a case-by-case basis, based on the stage of completion, the fee structure and the relevant partner's estimate of likelihood of completion. When a minimum fixed fee is agreed, it is fully recognised when the necessary elements of the case are completed for it to be recognised.

2. Accounting policies continued

(l) Revenue recognition continued

For contingent fee engagements, revenue is only recognised when it is virtually certain at the balance sheet date of a successful outcome to the engagement. Where such an outcome is not virtually certain at the balance sheet date, the direct costs incurred on the engagement are carried forward to future periods, provided they are considered to be recoverable.

Unbilled revenue on individual client assignments and direct costs incurred on contingent engagements are included within recoverable income and costs on cases within current assets.

(m) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(n) Pensions and retirement benefits

The group operates a defined contribution scheme in the United Kingdom for certain employees. The costs of the pension funding borne by the group are charged to the income statement as an expense as they fall due.

(o) Share-based payments

The fair value of employee services received in exchange for the grant of options is recognised as an expense over the vesting period in accordance with IFRS 2 'Share-based Payments'. Options are valued using the Black-Scholes option pricing model.

(p) Taxation

The tax expense represents the sum of current tax and deferred tax.

Current taxation

Current tax is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity.

(q) Foreign currency

Transactions and balances

Transactions in foreign currencies are recorded at the exchange rates ruling on the dates of the transactions. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into sterling at the relevant rates of exchange ruling on the balance sheet date. Gains and losses arising on retranslation are included in net profit or loss for the period.

Group companies

On consolidation, the balance sheets of overseas subsidiaries are translated into sterling at exchange rates applicable at the balance sheet date. The income statements are translated into sterling using the average rate in the period. Exchange differences resulting from the translation of such balance sheets at rates ruling at the beginning and end of the period, together with the differences between income statements translated at average rates and rates ruling at the period end, are dealt with as movements on the group's translation reserve, a separate component of equity. On disposal of a foreign operation any cumulative translation differences are recognised as income or expense in the period in which the operation is disposed of.

Financial statements**Notes to the consolidated financial statements continued**
for the year ended 30 April 2011**2. Accounting policies continued****(r) Critical accounting judgements and key sources of estimation uncertainty**

In the process of applying the group's accounting policies, the group is required to make certain estimates, judgements and assumptions that it believes are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods presented.

On an ongoing basis, the group evaluates its estimates using historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. Actual results may differ from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known. The following paragraphs detail the estimates and judgements the group believes to have the most significant impact on the annual results under IFRS.

Goodwill

The group records all assets and liabilities acquired in purchase acquisitions, including goodwill, at fair value. Goodwill is not amortised but is subject, at a minimum, to annual tests for impairment. The initial goodwill recorded and subsequent impairment review requires management to make subjective judgements concerning the value in use of cash-generating units. This requires an estimate of the future cash flows expected to arise from the cash-generating unit and a suitable discount rate to calculate present value. Details of the assumptions made are provided in note 12.

Revenue recognition

The group recognises revenue in line with the accounting policy detailed above. This requires an estimate to be made on a case-by-case basis of the stage of completion of the project, the fee structure and the likelihood of completion. These estimates and judgements may change over time as the case completes and this will be recognised in the income statement in the period in which the revision becomes known.

(s) Recently issued accounting pronouncements**International Financial Reporting Standards**

At the date of authorisation of these financial statements, the following relevant standards and interpretations were in issue but not yet effective and have not been applied in these financial statements.

International Accounting Standards (IAS/IFRSs)	Effective date (year end commencing on or after)
IFRS 9 'Financial Instruments'	1 January 2013
IFRS 13 'Fair Value Measurements'	1 January 2013
IFRS 10 'Consolidated Financial Statements'	1 January 2013
IAS 27 'Separate Financial Statements'	1 January 2013
IAS 24 'Related Party Disclosures' (Revised)	1 January 2011
Improvements to IFRSs 2010 (May 2010)	1 January 2011
IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'	1 July 2010

The directors do not expect that the adoption of these standards and interpretations in future periods will have a material impact on the group.

3. Revenue

An analysis of the group's revenue is as follows:

	2011 £'000	2010 £'000
Continuing operations		
Rendering of professional services	61,492	62,787
Other operating income	68	178
	61,560	62,965
Discontinued operations		
Rendering of professional services (note 9)	7,200	6,265
	68,760	69,230

4. Business and geographical segments

Business segments

From 1 May 2010, the group has been managed as four operating segments: insolvency and restructuring, global risk partners, tax and red flag alert. IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the board. As a result, at the half year, the group reported its activities as four segments. Since the half year, the tax and red flag segments have been classified as discontinued. The prior year information has been restated.

Segmental information about these businesses is presented below. The results of tax and red flag, which are considered to be separate segments, are presented as discontinued operations, as shown in note 9.

	Insolvency and restructuring 2011 £'000	Global risk partners 2011 £'000	Consolidated 2011 £'000
Revenue (from continuing operations)			
Total revenue from rendering of professional services	54,795	7,013	61,808
Inter-segment revenue	—	(316)	(316)
External revenue	54,795	6,697	61,492
Segmental result (from continuing operations)	13,032	1,363	14,395
Shared and central costs			(5,896)
EBITA (from continuing operations)			8,499
Exceptional and acquisition-related costs			(2,098)
Amortisation of intangible assets arising on acquisitions			(198)
Finance costs			(1,031)
Profit before tax			5,172
Tax			(1,851)
Profit for the year from continuing operations			3,321
Loss for the year from discontinued operations			(3,122)
Total profit for the financial year			199
Balance sheet			
Assets			
Segment assets	95,382	1,680	97,062
Unallocated corporate assets			8,809
Consolidated total assets			105,871
Liabilities			
Segment liabilities	(14,332)	(559)	(14,891)
Unallocated corporate liabilities			(32,084)
Consolidated total liabilities			(46,975)
Net assets – continuing operations			58,896
Net assets – discontinued operations			6,965
Total			65,861

Unallocated amounts include current and deferred tax liabilities, financial liabilities and other central assets.

	Insolvency and restructuring 2011 £'000	Global risk partners 2011 £'000	Discontinued 2011 £'000	Unallocated 2011 £'000	Consolidated 2011 £'000
Other information					
Capital additions	1,711	322	19	1,109	3,161
Depreciation and amortisation	1,485	95	163	562	2,305

Financial statements

Notes to the consolidated financial statements continued
for the year ended 30 April 2011

4. Business and geographical segments continued

Business segments continued

	Insolvency and restructuring (restated) 2010 £'000	Global risk partners (restated) 2010 £'000	Consolidated (restated) 2010 £'000
Revenue (from continuing operations)			
Total revenue from rendering of professional services	59,229	3,831	63,060
Inter-segment revenue	—	(273)	(273)
External revenue	59,229	3,558	62,787
Segmental result (from continuing operations)	17,440	21	17,461
Shared and central costs			(5,685)
EBITA (from continuing operations)			11,776
Exceptional and acquisition-related costs			(686)
Amortisation of intangible assets arising on acquisitions			(282)
Finance costs			(636)
Profit before tax			10,172
Tax			(3,453)
Profit for the year from continuing operations			6,719
Loss for the year from discontinued operations			(1,127)
Total profit for the financial year			5,592
Balance sheet			
Assets			
Segment assets	90,691	705	91,396
Unallocated corporate assets			6,889
Consolidated total assets			98,285
Liabilities			
Segment liabilities	(9,669)	(369)	(10,038)
Unallocated corporate liabilities			(30,222)
Consolidated total liabilities			(40,260)
Net assets – continuing operations			58,025
Net assets – discontinued operations			9,149
Total			67,174

Unallocated amounts above include current and deferred tax liabilities, financial liabilities and other central assets.

	Insolvency and restructuring (restated) 2010 £'000	Global risk partners (restated) 2010 £'000	Discontinued (restated) 2010 £'000	Unallocated (restated) 2010 £'000	Consolidated 2010 £'000
Other information					
Capital additions	1,909	106	191	1,063	3,269
Depreciation and amortisation	1,523	97	482	323	2,425

Geographical segments

The group's principal operations and markets are located in the UK.

5. Profit for the year

Profit for the year has been arrived at after charging (crediting):

	Continuing		Discontinued		Total	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Net foreign exchange loss (gain)	38	9	(25)	(1)	13	8
Depreciation of property, plant and equipment	1,796	1,681	163	140	1,959	1,821
Impairment of property and motor vehicles	—	18	—	—	—	18
Amortisation of intangible assets	346	315	—	289	346	604
(Profit) loss on disposal of property, plant and equipment	(21)	99	8	(5)	(13)	94
Staff costs (see note 6)	34,275	31,847	5,405	4,929	39,680	36,776
Impairment of receivable balances (see note 14)	115	294	230	66	345	360
Reversal of impairment losses recognised on trade receivables (see note 14)	(84)	(83)	(7)	(48)	(91)	(131)

During the year, the group obtained the following services from the group's auditor, at the costs detailed below:

	2011 £'000	2010 £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	30	30
Fees payable to the company's auditor and its associates for other services to the group		
– the audit of the company's subsidiaries pursuant to legislation	43	40
Total audit fees	73	70
– remuneration services	7	55
Total non-audit fees	7	55

During the year, the group incurred exceptional and other acquisition-related costs as detailed below:

	Continuing		Discontinued		Total	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Restructuring costs	1,998	543	1,211	125	3,209	668
Provision against unbilled income	—	—	1,131	—	1,131	—
Impairment of goodwill	—	—	1,069	—	1,069	—
Refinancing costs	—	143	—	—	—	143
Acquisition-related costs	100	—	58	—	158	—
	2,098	686	3,469	125	5,567	811

Financial statements

Notes to the consolidated financial statements continued
for the year ended 30 April 2011

6. Staff costs

The average monthly number of persons (including executive directors) working within the group was:

	Continuing		Discontinued		Total	
	2011 Number	2010 Number	2011 Number	2010 Number	2011 Number	2010 Number
Partners and consultants	85	72	15	15	100	87
Fee earning staff	403	381	43	39	446	420
Support staff	141	140	26	22	167	162
	629	593	84	76	713	669

	Continuing		Discontinued		Total	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Their aggregate remuneration comprised:						
Wages, salaries and partners' profit share	31,692	29,531	5,023	4,584	36,715	34,115
Social security costs	2,042	1,888	315	285	2,357	2,173
Other pension costs (note 27)	541	428	67	60	608	488
	34,275	31,847	5,405	4,929	39,680	36,776

Directors' remuneration and transactions

Directors' remuneration

	2011 £'000	2010 £'000
Short-term employee benefits	632	854
Post-employment benefits	5	10
Sums paid to third parties in respect of directors' services	25	25
	662	889

	Number	Number
The average number of directors who:		
Are members of a defined contribution pension scheme	1	1
Had awards receivable in the form of shares under a long-term incentive scheme	2	2

Pension contributions paid by the company in respect of such directors were as follows:

	2011 £'000	2010 £'000
John Gittins	3	10
Nick Taylor	2	—

The highest paid director in the year was Ric Traynor and his total remuneration was £281,639 (2010: £294,415). No contributions were made into a company pension scheme on his behalf.

7. Finance costs

	Continuing		Discontinued		Total	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Interest on bank overdrafts and loans	867	430	1	3	868	433
Finance charges on hire purchase contracts	84	76	19	32	103	108
Total interest expense	951	506	20	35	971	541
Unwinding of discount on deferred consideration liabilities	80	130	41	215	121	345
Total finance costs	1,031	636	61	250	1,092	886

8. Tax

	Continuing		Discontinued		Total	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Current tax charge (credit)	1,291	2,519	(445)	(434)	846	2,085
Deferred tax (note 19)	560	934	(591)	107	(31)	1,041
	1,851	3,453	(1,036)	(327)	815	3,126

Corporation tax is calculated at 28% (2010: 28%) of the estimated assessable profit for the year.

The charge for the year can be reconciled to the profit per the income statement as follows:

	2011 £'000	2010 £'000
Profit before tax:		
Continuing operations	5,172	10,172
Discontinued operations (note 9)	(4,158)	(1,454)
	1,014	8,718
Notional tax charge at the UK corporation tax rate of 28% (2010: 28%)	284	2,441
Adjustments in respect of current income tax of prior years	105	18
Tax effect of expenses that are not deductible in determining taxable profit	784	723
Impact of change in rate	(344)	—
Short-term timing differences at 26% (2010: 28%)	(26)	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	12	(56)
Total tax expense reported in the income statement	815	3,126

9. Discontinued operations

Following the strategic review detailed in the chairman's statement, the board has decided to dispose of the tax and red flag businesses. These businesses are being actively marketed for sale and the board intends to complete these transactions within one year.

These two businesses meet the definition of a disposal group in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' as at 30 April 2011 and are therefore classified as held for sale and as discontinued operations.

In accordance with IFRS 5, an adjustment to fair value less costs to sell has been recognised. The adjustment to carrying value of £1,069,000 was allocated against goodwill.

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Notes to the consolidated financial statements continued
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9. Discontinued operations continued

The results of the discontinued operations which have been included in the consolidated income statement were as follows:

	2011			2010		
	Tax £'000	Red flag £'000	Total £'000	Tax £'000	Red flag £'000	Total £'000
Revenue	6,998	202	7,200	6,259	6	6,265
Direct costs	(4,437)	(167)	(4,604)	(4,100)	(58)	(4,158)
Gross profit	2,561	35	2,596	2,159	(52)	2,107
Administrative expenses	(2,468)	(756)	(3,224)	(2,339)	(558)	(2,897)
EBITA	93	(721)	(628)	(180)	(610)	(790)
Amortisation of acquired intangible assets	—	—	—	(289)	—	(289)
Finance costs	(61)	—	(61)	(250)	—	(250)
Exceptional and acquisition-related costs	(3,469)	—	(3,469)	(125)	—	(125)
Loss before tax	(3,437)	(721)	(4,158)	(844)	(610)	(1,454)
Tax	—	—	1,036	—	—	327
Loss for the year from discontinued operations			(3,122)			(1,127)

Revenue from the group's discontinued operations was principally derived within the UK.

The discontinued operations resulted in cash flows as follows:

	2011 £'000	2010 £'000
Net cash flows from operating activities	(1,052)	(1,584)
Net cash flows from investing activities	(966)	(1,272)
Net cash out flows	(2,018)	(2,856)

An analysis of the assets and liabilities classified as held for sale at 30 April is set out below:

	2011		
	Tax £'000	Red flag £'000	Total £'000
Goodwill	4,437	—	4,437
Intangible assets	—	1	1
Property, plant and equipment	328	29	357
Trade and other receivables	4,456	38	4,494
Deferred tax	259	—	259
Total assets	9,480	68	9,548
Trade and other payables	(1,902)	(104)	(2,006)
Provisions	(414)	—	(414)
Hire purchase capital	(163)	—	(163)
Total liabilities	(2,479)	(104)	(2,583)
Net assets (liabilities) of disposal group	7,001	(36)	6,965

10. Dividends

	2011 £'000	2010 £'000
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 30 April 2010 of 1.9 pence (2009: 1.7 pence) per share	1,701	1,520
Interim dividend for the year ended 30 April 2010 of 1.2 pence per share	—	1,073
	1,701	2,593
Interim dividend for the year ended 30 April 2011 of 1.2 pence per share	1,076	—
Proposed final dividend for the year ended 30 April 2011 of 1.0 pence (2010: 1.9 pence) per share	896	1,701
	1,972	1,701

The proposed final dividend is subject to approval by shareholders at the AGM. The interim dividend for 2011 was not paid until 6 May 2011 and, accordingly, neither has been included as a liability in these financial statements nor as a distribution to equity shareholders.

11. Earnings per share

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

	2011 £'000	2010 £'000
Earnings		
Profit for the year from continuing operations attributable to equity holders	3,321	6,719
Loss from discontinued operations attributable to equity holders	(3,122)	(1,127)
Profit for the year attributable to equity holders	199	5,592

	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	89,628,411	89,367,374

All potential ordinary shares under option were anti-dilutive at 30 April 2011 and 30 April 2010.

	2011 pence	2010 pence
Basic and diluted earnings (loss) per share from:		
Continuing operations	3.7	7.5
Discontinued operations	(3.5)	(1.2)
Total	0.2	6.3

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:

	2011 £'000	2010 £'000
Earnings		
Profit for the year from continuing operations attributable to equity holders	3,321	6,719
Amortisation of intangible assets arising on acquisitions	198	282
Unwinding of discount on deferred consideration liabilities	80	130
Exceptional and acquisition-related costs	2,098	686
Tax effect of above items	(522)	(264)
Adjusted earnings	5,175	7,553
	2011 pence	2010 pence
Adjusted basic and diluted earnings per share from continuing operations	5.8	8.5

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12. Intangible assets

	Goodwill £'000	Assets in the course of construction £'000	Software £'000	Intangible assets arising on acquisitions £'000	Total £'000
Cost					
At 1 May 2009	52,695	450	—	3,392	56,537
Additions	—	—	713	—	713
Transfers	—	(450)	450	—	—
Adjustment to goodwill as a result of changes in deferred consideration	(516)	—	—	—	(516)
At 30 April 2010	52,179	—	1,163	3,392	56,734
Additions	2,876	—	485	1,093	4,454
Transfer to assets classified as held for sale	(5,506)	—	(1)	—	(5,507)
Adjustment to goodwill as a result of changes in deferred consideration	(488)	—	—	—	(488)
At 30 April 2011	49,061	—	1,647	4,485	55,193
Amortisation and impairment					
At 1 May 2009	—	—	—	2,821	2,821
Amortisation during the year	—	—	33	571	604
At 30 April 2010	—	—	33	3,392	3,425
Amortisation during the year	—	—	148	198	346
Impairment loss	1,069	—	—	—	1,069
Transfer to assets classified as held for sale	(1,069)	—	—	—	(1,069)
At 30 April 2011	—	—	181	3,590	3,771
Carrying amount					
At 30 April 2011	49,061	—	1,466	895	51,422
At 30 April 2010	52,179	—	1,130	—	53,309

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ('CGUs') that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill has been allocated as follows:

	2011 £'000	2010 £'000
Insolvency	49,061	46,202
Tax	5,506	5,977
	54,567	52,179

The group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

At 30 April 2011, goodwill in relation to the discontinued tax segment was impaired by £1.1 million to £4.4 million based on fair value less costs to sell.

For the purpose of impairment testing for continuing operations, the recoverable amounts of CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Anticipated growth rates, changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The group has prepared four year financial forecasts, which have then been extrapolated for six further years using estimated growth rates for each segment between 2% and 5%. These rates do not exceed the average long-term growth rates for the relevant markets.

The rate used to discount the forecast cash flows is 10% (2010: 10%).

13. Property, plant and equipment

	Leasehold improvements £'000	Office equipment £'000	Computers £'000	Motor vehicles £'000	Total £'000
Cost or valuation					
At 1 May 2009	3,998	1,089	1,404	4,844	11,335
Additions	395	84	311	1,766	2,556
Disposals	(8)	(2)	(32)	(1,355)	(1,397)
At 30 April 2010	4,385	1,171	1,683	5,255	12,494
Additions	77	77	518	2,004	2,676
Disposals	—	—	—	(1,358)	(1,358)
Transfer to assets classified as held for sale	(255)	(145)	(139)	—	(539)
At 30 April 2011	4,207	1,103	2,062	5,901	13,273
Depreciation and impairment					
At 1 May 2009	1,140	563	946	1,674	4,323
Charge for the year	484	128	264	945	1,821
Impairment loss	—	3	—	15	18
Disposals	(3)	(1)	(22)	(713)	(739)
At 30 April 2010	1,621	693	1,188	1,921	5,423
Charge for the year	489	132	316	1,022	1,959
Disposals	—	—	—	(747)	(747)
Transfer to assets classified as held for sale	(56)	(41)	(85)	—	(182)
At 30 April 2011	2,054	784	1,419	2,196	6,453
Carrying amount					
At 30 April 2011	2,153	319	643	3,705	6,820
At 30 April 2010	2,764	478	495	3,334	7,071

In addition, the group's obligations under hire purchase contracts (see note 18) are secured by the lessors' title to the leased assets, which have a carrying amount of £3,634,000 (2010: £3,693,000).

14. Trade and other receivables

	2011 £'000	2010 £'000
Trade receivables	7,851	8,080
Recoverable income and costs on cases	32,631	35,866
Other debtors and prepayments	2,813	2,812
	43,295	46,758

Trade receivables do not carry interest and are stated net of allowances for doubtful receivables of £264,000 (2010: £477,000).

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Trade receivables are non-interest bearing and are generally on 30 days' terms.

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14. Trade and other receivables continued

As at 30 April, the analysis of trade receivables that were past due but not impaired is as follows:

	Total £'000	Neither past due nor impaired up to 30 days £'000	Past due but not impaired	
			1–3 months £'000	More than 4 months £'000
2011	7,851	2,898	2,681	2,272
2010	8,080	4,463	2,347	1,270

Movement in the allowance for doubtful debts

	2011 £'000	2010 £'000
Balance at beginning of the year	477	371
Amounts written off during the year	(211)	(123)
Amounts recovered during the year	(91)	(131)
Increase in allowance recognised in profit or loss	345	360
Transfer to assets classified as held for sale	(256)	—
Balance at end of the year	264	477

15. Trade and other payables

	2011 £'000	2010 £'000
Current		
Trade payables	1,983	1,507
Other taxes and social security	3,459	1,894
Accruals	5,172	7,101
Deferred consideration	2,450	2,722
	13,064	13,224
Non-current		
Deferred consideration	1,027	428

Trade creditors are non-interest bearing and are normally settled on terms agreed with suppliers.

The directors consider that the carrying amount of trade payables approximates to their fair value.

16. Borrowings

	2011 £'000	2010 £'000
Unsecured borrowing at amortised cost		
Bank loans	23,517	20,223
Secured borrowing at amortised cost		
Hire purchase capital (see note 18)	3,116	3,139
Total borrowings	26,633	23,362
Amount due for settlement within 12 months	1,718	2,282
Amount due for settlement after 12 months	24,915	21,080

16. Borrowings continued

The principal features of the group's borrowings are as follows:

- (i) The group's principal borrowings at 30 April 2011 comprise unsecured, revolving credit facilities ('RCFs') totalling £30 million together with a £5 million overdraft, which were entered into on 29 April 2010. The principal features of these borrowings are summarised as follows:
- RCF of £15 million provided by HSBC, of which £11 million was drawn at 30 April 2011 (30 April 2010: £9 million). The facility has a 4.25 year term. The effective interest rate was 3.5%;
 - RCF of £15 million provided by Yorkshire Bank, of which £12 million was drawn at 30 April 2011 (30 April 2010: £10 million). The facility has a 3.75 year term. The effective interest rate was 3.5%; and
 - bank overdraft of £5 million provided by HSBC, which is repayable on demand. This facility was undrawn at 30 April 2011 (30 April 2010: undrawn) and interest is payable at 1.75% over bank base rate.
- (ii) The group has additional unsecured bank loans as follows:
- borrowings of £88,000 (2010: £512,000), repayable over two years. Interest on these loans is variable at 0.75% over base rate, subject to a minimum interest rate of 3%;
 - borrowings of £nil (2010: £63,000). Interest on this loan was variable at 2.325% over base rate;
 - borrowings of £118,000 (2010: £254,000), repayable over one year. Interest on this loan is fixed at 4.83%; and
 - borrowings of £311,000 (2010: £394,000), repayable over four years. Interest on this loan is fixed at 6.27%.
- (iii) Hire purchase liabilities are secured by the assets leased. The borrowings are a mixture of fixed and variable interest rate debt with repayment periods not exceeding four years.
- (iv) The borrowings in place during the previous financial year to 29 April 2010 were as follows:
- a bank overdraft secured by fixed and floating charges over the assets of the entities within the group. Interest payable on this facility was variable at the rate of 2.75% over bank base rate; and
 - bank borrowing under the group's former revolving credit facility, which was secured by fixed and floating charges over the assets of the entities within the group. Interest payable on drawings under this facility was variable at the rate of 1.4% over LIBOR.

At 30 April 2011, the group had available a £30 million (2010: £30 million) facility, of which £7 million (2010: £11 million) was an undrawn, committed, borrowing facility in respect of which all conditions precedent had been met. In addition, the group had available a £5 million overdraft facility, repayable on demand, of which £5 million (2010: £5 million) was undrawn.

All borrowings are denominated in sterling. Of the total cash balance of £4,334,000, £3,446,000 is denominated in sterling, £642,000 in US dollars and £246,000 in euros. The directors consider that the fair values of the group's financial instruments approximate to their book value.

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Notes to the consolidated financial statements continued
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17. Provisions

	Restructuring total £'000
At 1 May 2009 and 1 May 2010	—
Charged for the year	1,917
Utilised	(1,060)
Transfer to liabilities classified as held for sale	(414)
At 30 April 2011	443
Current liabilities	443
Non-current liabilities	—
At 30 April 2011	443

18. Obligations under hire purchase contracts

	Minimum lease payments		Present value of minimum lease payments	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Amounts payable under finance leases and hire purchase contracts:				
Within one year	1,572	1,685	1,456	1,565
In the second to fifth years inclusive	1,896	1,663	1,660	1,574
	3,468	3,348	3,116	3,139
Less: future finance charges	(352)	(209)		
Present value of lease obligations	3,116	3,139		

It is the group's policy to lease certain assets under finance leases and hire purchase contracts on variable and fixed rates of interest. The effective interest rate was 3.3% and the average lease term is three years.

The group's obligations under finance leases and hire purchase contracts are secured by the lessors' rights over the leased assets disclosed in note 13.

19. Deferred tax

The following are the major deferred tax assets (liabilities) recognised by the group and movements thereon during the current and prior year:

	Short-term timing differences £'000
At 1 May 2009	(3,519)
Charge to income	(1,041)
At 30 April 2010	(4,560)
Charge to income	(313)
Income statement effect of change in tax rate	344
Arising on acquisitions	(260)
Transfer to liabilities classified as held for sale	(259)
At 30 April 2011	(5,048)

On 23 March 2011, the government announced that it intended to reduce the rate of corporation tax to 26% with effect from 1 April 2011 and then by 1% per annum to 23% by 1 April 2014. As the legislation to reduce the rate to 26% was substantively enacted by 30 April 2011, the impact of this change is reflected in these financial statements.

19. Deferred tax continued

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2011 £'000	2010 £'000
Deferred tax liabilities	(5,272)	(4,952)
Deferred tax assets	224	392
	(5,048)	(4,560)

20. Financial instruments

Financial risk management objectives and policies

The group's principal financial instruments comprise bank loans and overdrafts, finance leases and hire purchase contracts. The main purpose of these financial instruments is to raise finance for the group's operations. The group also has various other financial instruments, such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the group's financial instruments are interest rate risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The group's external borrowings at the balance sheet date comprise bank overdraft and loan facilities and finance lease and hire purchase payables. All principal borrowings are on floating interest rates. The group does not seek to fix interest rates on these borrowings as the board currently considers the exposure to interest rate risk acceptable.

If interest rates had been 50 basis points higher and all other variables were held constant, the group's profit for the year ended 30 April 2011 and net assets at that date would decrease by £97,000 (2010: £78,000). This is attributable to the group's exposure to movements in interest rate on its variable rate borrowings.

Credit risk

Within the insolvency practice, receivable balances are generally recognised having achieved approval at a creditors' meeting to raise an invoice for fees receivable and there being sufficient funds available within the case. The other group divisions generally trade only with recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant. The group does not believe it is exposed to any material concentrations of credit risk.

Unbilled revenue is recognised by the group only when all four conditions for revenue recognition have been met in line with the group's accounting policy in note 2(l).

Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting its obligations associated with its financial liabilities. The group monitors its risks to a shortage of funds through regular cash management and forecasting.

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and hire purchase contracts.

There is no material risk associated with foreign currency transactions or overseas subsidiaries.

The table below summarises the maturity profile of the group's financial liabilities at 30 April 2011 based on contractual payments.

	At 30 April 2011			At 30 April 2010		
	Within 1 year £'000	Between 2–5 years £'000	Total £'000	Within 1 year £'000	Between 2–5 years £'000	Total £'000
Hire purchase	1,572	1,896	3,468	1,685	1,663	3,348
Bank borrowings	803	24,319	25,122	1,137	20,676	21,813
Trade and other payables	13,064	1,027	14,091	13,224	428	13,652
	15,439	27,242	42,681	16,046	22,767	38,813

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20. Financial instruments continued

Capital management

The primary objective of the group's capital management is to support its business and maximise shareholder value. The group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and business requirements. To maintain or adjust the capital structure, the group may raise additional or pay down debt finance, adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The table below presents quantitative data for the components the group manages as capital:

	2011 £'000	2010 £'000
Shareholders' funds	65,861	67,174
Bank borrowings	23,517	20,223
Hire purchase capital	3,116	3,139
At 30 April	92,494	90,536

21. Share capital

	2011 Thousand	2010 Thousand	2011 £'000	2010 £'000
Allotted, called up and fully paid				
Ordinary shares of 5 pence				
At 1 May	89,472	89,170	4,474	4,459
Issue of shares in relation to deferred consideration payments	—	194	—	10
Staff SIP scheme	169	108	8	5
At 30 April	89,641	89,472	4,482	4,474
Allotted, called up but not fully paid				
A ordinary shares of 3 pence				
At 1 May	1,872	—	56	—
Issue of shares for cash	1,371	1,872	41	56
At 30 April	3,243	1,872	97	56
Issued share capital	92,884	91,344	4,579	4,530

Ordinary shares carry no right to fixed income and each share carries the right to one vote at general meetings of the company.

A ordinary shares have no rights to fixed income, dividends or voting rights at general meetings of the company. The shares are only transferable either pursuant to an offer required to be made by the city code for the A ordinary shares or otherwise with prior written consent of the company.

22. Share-based payments

Share option scheme

The group operates a share option scheme which is settled in ordinary shares. The exercise of the grants is subject to a performance hurdle requiring an overall increase in the adjusted earnings per share over a three-year period of RPI plus 6%. Directors' remuneration information is provided on pages 18 and 19.

Growth share plan

During the year the group offered a growth share scheme to selected partners. Under the scheme partners purchase A ordinary shares, which may be converted into ordinary shares of the company at a date three years from the date of allotment, subject to ordinary share price performance compared to a pre-determined rate.

Options for both of the above schemes were valued using the Black-Scholes option pricing model with the following assumptions:

Scheme type	Share option scheme			Growth share plan	
	10 July 2008	23 July 2009	15 July 2010	21 December 2009	21 December 2010
Grant date					
Share price at grant date (pence)	161	100	62	100	100
Exercise price (pence)	161	102	62	133 – 150	60
Number of participants	1	1	3	33	38
Number of shares under option	200,000	200,000	300,000	1,871,800	1,371,682
Vesting period (years)	3	3	3	3	3
Time to expiry (years)	7	7	7	3	3
Expected volatility (%)	20	20	20	20	20
Risk free rate (%)	4.8	0.5	1.2	0.5	1.6
Expected dividend yield (%)	2	2	2.5	2	2.5
Fair value per option (pence)	25	10	7	2 – 3	0.6

The expected volatility has been determined based on historic volatility over the last three years adjusted for expected future volatility and consideration of a comparator group of companies. The risk free rate is based on UK treasury issued bonds of a term consistent with the option life. The fair value is spread over the vesting period of the options.

No options were exercised during the financial year. John Gittins resigned on 20 August 2010 and, as a result, forfeited his share options in the 10 July 2008 (200,000 options with an exercise price of 161 pence) and 23 July 2009 (200,000 options with an exercise price of 102 pence) schemes.

The group recognised an expense of £96,000 (2010: £89,000) related to equity-settled share-based payments.

23. Acquisitions

During the year, the group completed the following acquisitions:

- Tomlinsons, an insolvency practice in Manchester (7 June 2010);
- the insolvency division of Walleys, a general accountancy practice in Stoke-on-Trent (12 November 2010);
- a tax investigations team from Vantis Plc; and
- Hamiltons Insolvency Practitioners Limited, an insolvency practice based in Sheffield (3 November 2010).

The combined consideration for these acquisitions was £5.3 million.

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Notes to the consolidated financial statements continued
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23. Acquisitions continued

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Net assets acquired			
Property, plant and equipment	16	(16)	—
Other intangible assets	—	1,093	1,093
Trade and other receivables	480	1,241	1,721
Cash and cash equivalents	83	—	83
Trade and other payables	(121)	(45)	(166)
Deferred tax liabilities	—	(260)	(260)
Total identifiable assets	458	2,013	2,471
Goodwill			2,876
Total consideration			5,347
Satisfied by:			
Cash			1,886
Contingent consideration			3,461
			5,347
Net cash outflow arising on acquisition			
Cash consideration			1,886
Less: cash and cash equivalents acquired			(83)
			1,803

Goodwill includes the synergies expected to arise following the business combinations and the fair value of the expertise of the acquired workforces. £1.9 million of the goodwill is expected to be deductible for income tax purposes.

The contingent consideration arrangements require the group to pay the vendors £3.5 million. The fair value of contingent consideration was determined by estimating future fees on acquired insolvency cases. It represents the most likely outcome of cases existing at the acquisition date.

Fair value adjustments of £1,276,000 relating to the recognition of work in progress and £1,093,000 relating to the separate recognition of customer relationship intangible assets have been recorded. The fair value of trade and other receivables of £1,721,000 includes trade receivables with a fair value of £93,000. The gross contractual amount of trade receivables is £128,000, of which £35,000 is expected to be uncollectable.

No contingent liabilities have been assumed.

The acquisitions (within continuing operations) contributed £2.5 million revenue and £800,000 to the group's profit before tax for the period between the date of acquisition and the balance sheet date. If the acquisitions had been completed on the first day of the financial year, the group revenues for the period would have been £1 million higher and group profit before tax would have been £400,000 higher.

24. Reconciliation to the cash flow statement

	2011 £'000	2010 £'000
Profit for the year	199	5,592
Adjustments for:		
Tax	815	3,126
Finance costs	1,092	886
Amortisation of intangible assets	346	604
Depreciation of property, plant and equipment	1,959	1,821
Impairment loss on equipment and motor vehicles	—	18
Exceptional restructuring costs relating to asset write downs	1,292	369
Exceptional cost relating to provision against unbilled income	1,131	—
(Profit) loss on disposal of property, plant and equipment	(13)	94
Impairment of goodwill	1,069	—
Share-based payment expense	96	89
Operating cash flows before movements in working capital	7,986	12,599
Increase in receivables	(1,886)	(6,624)
Increase in payables	1,895	766
Increase in provisions	857	—
Cash generated by operations	8,852	6,741

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

25. Contingent liabilities

The group had no material contingent liabilities at 30 April 2011 or 30 April 2010.

26. Operating lease arrangements**The group as lessee**

	2011 £'000	2010 £'000
Minimum lease payments under operating leases recognised as an expense in the year	2,643	2,509

At the balance sheet date, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2011 £'000	2010 £'000
Within one year	2,585	2,535
In the second to fifth years inclusive	7,477	7,606
After five years	958	2,128
	11,020	12,269

Operating lease payments principally represent rentals payable by the group for certain of its office properties. These leases have an average duration of six years.

The group as lessor

Property rental income earned during the year was £34,000 (2010: £103,000) arising from a sublease on one of the group's leased office properties. This lease terminated in the year.

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for the year ended 30 April 2011**27. Pensions**

The group operates defined contribution pension schemes for all qualifying employees.

The total cost charged to income of £608,000 (2010: £488,000) represents contributions payable to these schemes by the group at rates specified in the rules of the plans. As at 30 April 2011, contributions of £96,000 (2010: £82,000) due in respect of the current year had not been paid over to the schemes.

28. Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the group, is set out in note 6 for each of the categories specified in IAS 24 'Related Party Disclosures'. In addition, the share-based payment charge in respect of key management personnel in the year was £17,000 (2010: £43,000). Further information about the remuneration of individual directors is provided in the directors' remuneration report on pages 18 and 19.

At 30 April 2011 £41,000 (2010: £102,000) was payable to key management personnel in respect of these transactions.

Directors' transactions

During the year the following transactions, all of which were on arm's length terms and in the ordinary course of business, occurred in which directors have an interest:

Various commercial properties used by members of the group during the year are owned or part owned by Ric Traynor or his personal pension fund. Rent and service charges paid on those properties by entities within the group in the year totalled £709,000 (2010: £501,000).

At 30 April 2011 £120,000 (2010: £119,000) was payable in respect of these transactions.

29. Capital reduction

At the company's AGM in September 2010, shareholders approved the release of £17,343,000 of share premium to distributable reserves through a capital reduction procedure, which required an application to the High Court. The application was duly granted on 17 November 2010 and registered at Companies House on 19 November 2010.

Independent auditor's report to the members of Begbies Traynor Group plc

We have audited the financial statements of Begbies Traynor Group plc for the year ended 30 April 2011, which comprise the company balance sheet and the related notes 1 to 9. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the company financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the consolidated financial statements of Begbies Traynor Group plc for the year ended 30 April 2011.

William Smith MA ACA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom
7 July 2011

Financial statements

Company balance sheet

at 30 April 2011

	Notes	2011 £'000	2010 £'000
Fixed assets			
Investment in subsidiaries	3	28,242	28,242
Current assets			
Debtors	4	32,241	35,633
Creditors: amounts falling due within one year			
Other creditors and accruals		(2)	(3)
Borrowings	5	(262)	(656)
Deferred consideration		—	(914)
		(264)	(1,573)
Net current assets		31,977	34,060
Total assets less current liabilities		60,219	62,302
Creditors: amounts falling due after more than one year			
Borrowings	5	(255)	(504)
Net assets		59,964	61,798
Capital and reserves			
Called up share capital	6	4,579	4,530
Share premium account	7	17,443	34,686
Merger reserve	7	17,584	17,584
Profit and loss account	7	20,358	4,998
Shareholders' funds	8	59,964	61,798

The financial statements of Begbies Traynor Group plc, registered number 5120043, were approved by the board of directors and authorised for issue on 7 July 2011. They were signed on its behalf by:

Ric Traynor
Executive chairman

Nick Taylor
Group finance director

Notes to the company financial statements

year ended 30 April 2011

1. Significant accounting policies

Basis of accounting

The separate financial statements of the company have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Investments

Fixed asset investments in subsidiaries are shown at cost less provision for impairment. The carrying value of fixed asset investments are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Share-based payments

The fair value of services received in exchange for the grant of options is recognised as an expense over the vesting period in accordance with FRS 20. Options are valued using the Black-Scholes option pricing model.

2. Profit for the year

As permitted by section 408 of the Companies Act 2006, the company has elected not to present its own profit and loss account for the year. Begbies Traynor Group plc reported a loss for the financial year ended 30 April 2011 of £378,000 (2010: profit of £4,975,000).

The auditor's remuneration for audit and other services is disclosed in note 5 to the consolidated financial statements.

3. Investment in subsidiaries

	£'000
Cost	
At 1 May 2010 and 30 April 2011	29,810
Provision for impairment	
At 1 May 2010 and 30 April 2011	1,568
Net book value	
At 30 April 2010 and 30 April 2011	28,242

Details of principal operating subsidiary entities are set out below. These undertakings are included in the consolidated group financial statements and are 100% owned.

Subsidiary undertaking	Nature of business	Country of incorporation
Begbies Traynor Limited*	Holding company	England and Wales
BTG Consulting Limited*	Holding company	England and Wales
Begbies Traynor International Limited*	Holding company	England and Wales
Begbies Traynor (Central) LLP	Insolvency	England and Wales
Begbies Traynor (Channel Islands) Limited	Insolvency	Jersey
Begbies Traynor Cayman Limited	Insolvency	Cayman Islands
Begbies Traynor (East Africa) Limited	Insolvency	Kenya
BTG Financial Consulting LLP	Corporate finance	England and Wales
BTG Global Risk Partners Limited	Investigation agency	England and Wales
BTG Consulting LLP	Asset consulting	England and Wales
BTG Tax LLP	Tax consultancy	England and Wales
Shaws (Cyprus) Limited	Tax consultancy	Cyprus
Shaws IPM Limited	Tax consultancy	Cyprus

* Interest is controlled by subsidiary undertakings, except where marked where shares are held directly by Begbies Traynor Group plc.

All shareholdings relate to ordinary shares.

The directors of the company are of the opinion that the value of the investments in subsidiaries, as underpinned by their membership benefits in the operating entities of the group, is not less than the cost of those investments.

Financial statements

Notes to the company financial statements continued
year ended 30 April 2011

4. Debtors

	2011 £'000	2010 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	32,151	35,574
Other debtors	90	59
	32,241	35,633

5. Borrowings

	2011		2010	
	Due within one year £'000	Due after one year £'000	Due within one year £'000	Due after one year £'000
Bank loans	262	255	656	504

The company has the following unsecured bank loans:

- (i) borrowings of £88,000 (2010: £512,000), repayable over two years. Interest on these loans is variable at 0.75% over base rate, subject to a minimum interest rate of 3%;
- (ii) borrowings of £118,000 (2010: £254,000), repayable over one year. Interest on this loan is fixed at 4.83%; and
- (iii) borrowings of £311,000 (2010: £394,000), repayable over four years. Interest on this loan is fixed at 6.27%.

Bank loans fall due as follows:

	2011 £'000	2010 £'000
Within 1 year	262	656
1–2 years	131	258
2–5 years	124	246
	517	1,160

The company has no financial instruments other than those shown as financial liabilities above, all of which are denominated in sterling. The directors consider the fair value of the financial instruments approximate to their book values and that the main risk to the company arising from financial instruments is interest rate risk, which is kept under review.

6. Share capital

	2011 Thousand	2010 Thousand	2011 £'000	2010 £'000
Allotted, called up and fully paid				
Ordinary shares of 5 pence				
At 1 May	89,472	89,170	4,474	4,459
Issue of shares for cash	—	—	—	—
Issue of shares in relation to deferred consideration payments	—	194	—	10
Staff SIP scheme	169	108	8	5
At 30 April	89,641	89,472	4,482	4,474
Allotted, called up but not fully paid				
A ordinary shares of 3 pence				
At 1 May	1,872	—	56	—
Issue of shares for cash	1,371	1,872	41	56
At 30 April	3,243	1,872	97	56
Issued share capital	92,884	91,344	4,579	4,530

6. Share capital continued

Ordinary shares carry no right to fixed income and each share carries the right to one vote at general meetings of the company.

A ordinary shares have no rights to fixed income, dividends or voting rights at general meetings of the company. The shares are only transferable either pursuant to an offer required to be made by the city code for the A ordinary shares or otherwise with prior written consent of the company.

The company has issued share options as set out in note 22 to the group financial statements.

7. Reserves

	Share premium account £'000	Merger reserve £'000	Profit and loss account £'000
At 1 May 2010	34,686	17,584	4,998
Loss for the year	—	—	(378)
Shares issued	100	—	—
Dividends	—	—	(1,701)
Credit to equity for equity-settled share-based payment	—	—	96
Capital reduction	(17,343)	—	17,343
At 30 April 2011	17,443	17,584	20,358

The merger reserve arose on the formation of the group in 2004.

8. Reconciliation of movements in equity shareholders' funds

	2011 £'000	2010 £'000
At 1 May	61,798	58,954
Proceeds of share issues, net of costs:		
– nominal share capital	49	71
– share premium account	100	302
(Loss) profit for the year	(378)	4,975
Dividends	(1,701)	(2,593)
Credit to equity for equity-settled share-based payment	96	89
At 30 April	59,964	61,798

9. Capital reduction

At the company's AGM in September 2010, shareholders approved the release of £17,343,000 of share premium to distributable reserves through a capital reduction procedure, which required an application to the High Court. The application was duly granted on 17 November 2010 and registered at Companies House on 19 November 2010.

Shareholder information

Officers and professional advisors

Directors

R W Traynor
E N Taylor (appointed 21 December 2010)
M R Fry (appointed 7 July 2011)
R G McInnes
G D Hill
J M May
J A Gittins (resigned 20 August 2010)

Secretary

J A Humphrey

Company number

5120043

Registered office

340 Deansgate
Manchester
M3 4LY

Bankers

HSBC Bank plc
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Yorkshire Bank

The Chancery
Floor 1
Spring Gardens
Manchester
M2 1YB

Solicitors

Brabners Chaffe Street LLP
55 King Street
Manchester
M2 4LQ

Auditor

Deloitte LLP
Chartered accountants and statutory auditor
Manchester

Registrar

Computershare Investor Services Plc
PO Box 82, The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

Corporate and financial PR advisors

MHP Communications Limited
60 Great Portland Street
London
W1W 7RT

Nominated advisor and joint broker

Collins Stewart Europe Limited
88 Wood Street
London
EC2V 7QR

Joint broker

Shore Capital Stockbrokers Limited
The Corn Exchange
Fenwick Street
Liverpool
L2 7RB





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Offices across the UK (including Channel Islands and Isle of Man) and overseas. www.begbies-traynorgroup.com

Begbies Traynor Group plc is a company registered in England and Wales No: 5120043. Registered Office: 340 Deansgate, Manchester M3 4LY