Begbies Traynor Group plc

Specialist Professional Services

Annual Report and Accounts 2010

Corporate statement

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 recovery, specialist taxation advice, corporate finance, investigations and risk management.

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

Our 2010 highlights

Financial highlights

- Revenue from continuing operations increased by 11% to £69.1 million (2009: £62.1 million)
- EBITA[1] (pre-exceptional items) of £11.0 million (2009: £11.0 million)
- Adjusted profit before tax[2] up 6% to £10.4 million (2009: £9.8 million)
- Profit before tax from continuing operations up 20% to £8.7 million (2009: £7.2 million)
- Earnings per share ('EPS'):
  - adjusted basic and diluted EPS[3] from continuing operations increased to 7.8 pence (2009: 7.7 pence)
  - basic and fully diluted EPS from continuing operations increased by 17% to 6.3 pence (2009: 5.4 pence)
- Proposed final dividend increased by 12% to 1.9 pence (2009: 1.7 pence), giving a total of 3.1 pence for the year, an increase of 11% on the previous year (2009: 2.8 pence)
- Strong financial position with principal bank debt of £15.9 million, comfortably within the banking facilities of £35.0 million; net assets per share of 75 pence

Operational highlights

- New four year, unsecured bank facilities agreed in April 2010 at competitive rates
- Insolvency: high levels of activity during the year and operating margins maintained
- Tax: returned to profit in the second half
- Continued investment to underpin growth:
  - expansion of the UK and international network
  - joint venture with US-based financial advisory consultant, Mesirow Financial Consulting
  - commercial launch of 'Red Flag Alert' corporate health monitoring system

Post year end events and current trading

- Acquisition of Manchester-based corporate recovery and insolvency firm
- First two months of the financial year slightly ahead of the same period last year and in line with our expectations

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

2 Profit before tax from continuing operations of £8.7 million (2009: £7.2 million) plus amortisation of intangible assets arising on acquisition of £0.6 million (2009: £1.2 million) plus finance charge arising from the discounting of deferred consideration of £0.3 million (2009: £0.6 million) plus exceptional costs of £0.8 million (2009: £0.8 million).

3 See reconciliation in note 11.

Chairman's statement

Introduction

I am pleased to report a solid overall financial performance by Begbies Traynor Group plc in the financial year ended 30 April 2010. Highlights include a significant year on year increase in activity levels in our core insolvency division, which accounts for 85% of the group's revenue and which maintained its operating margins. The tax division, whilst loss-making for the year as a whole resulting from market conditions in the first half, returned to profitability in the second half. We have also continued to invest in the group during the year to expand the business both in the UK and internationally, thereby underpinning the potential for future growth.

The group is in a strong financial position, having entered into new, unsecured banking facilities totalling £35 million on 29 April 2010, of which £15.9 million was utilised at 30 April 2010. These funds will enable the group to continue to consider organic investment and acquisition opportunities, principally in the insolvency and restructuring sector.

Results

Group revenue from continuing operations in the year ended 30 April 2010 was £69.1 million (2009: £62.1 million), with earnings before interest, tax and amortisation (pre-exceptional costs) of £11.0 million (2009: £11.0 million). Adjusted profit before tax[1] was £10.4 million (2009: £9.8 million). Profit before tax was £8.7 million (2009: £7.2 million). EPS from continuing operations[2], adjusted for the net of tax impact of amortisation, exceptional costs and the finance charge arising from the discounting of deferred consideration liabilities, was 7.8 pence (2009: 7.7 pence). Basic and fully diluted EPS from continuing operations were 6.3 pence (2009: 5.4 pence).

Net borrowings at 30 April 2010, comprising principal net debt plus asset-related financing, were £20.2 million (2009: £17.5 million), giving gearing of 30% (2009: 27%). Interest cover (pre-exceptional costs) was 12.3 times (2009: 6.3 times).

Dividend

The board has recommended an increase to the final dividend of 12% to 1.9 pence per share (2009: 1.7 pence per share), demonstrating our confidence in the future prospects of the group. The final dividend will be paid on 29 October 2010 to shareholders on the register on 8 October 2010, with an ex-dividend date of 6 October 2010.

This final dividend of 1.9 pence together with the interim dividend of 1.2 pence gives 3.1 pence for the year, an increase of 11% over the prior year.

The proposed increased dividend reflects the board's long-term progressive dividend policy, which takes account of the underlying growth in earnings, whilst acknowledging the requirement for continuing investment to underpin growth.

To assist the board in maintaining a suitable balance between dividend policy and investment, it is proposed to release in due course a proportion of its substantial share premium account to distributable reserves. This is a common technical procedure, achieved by means of a capital reduction. The necessary approvals will be sought from shareholders at the 2010 annual general meeting ('AGM') to be held on 30 September 2010. Further details of the proposals will be set out in the notification of the AGM, which will be posted to shareholders in August 2010.

[1] Profit before tax from continuing operations of £8.7 million (2009: £7.2 million) plus amortisation of £0.6 million (2009: £1.2 million) plus finance charge arising from the discounting of deferred consideration of £0.3 million (2009: £0.6 million) plus exceptional costs of £0.8 million (2009: £0.8 million).

[2] See reconciliation in note 11.

People

The group's success is reliant on the expertise, professionalism and commitment of our people and I thank all of them for their ongoing contribution this year. As at 30 April 2010, we have 511 direct fee earners (an increase of 7% compared with a year ago), of whom 94 are partners, and 157 staff in support functions. We continue to invest in training and developing our people and are pleased to have been able to promote three fee earners to partner during the year. We have also promoted a further five fee earners to partner subsequent to the year end.

In December 2009, having received shareholder approval at the 2009 AGM, we launched the group's new partner reward scheme, a growth share plan. The board believes that this scheme will form an important motivation and retention mechanism and help to deliver long-term sustainable growth.

Board change

As announced on 7 June 2010, John Gittins, the group's chief financial officer, will leave the group on 20 August 2010 to take up the position of finance director at NCC Group plc. Nick Taylor, currently the group's financial controller, will take the position of acting finance director until a permanent appointment is made. The board would like to thank John for his excellent contribution to the group over the last three years and wish him well in his new role.

Operational review – continuing operations

Insolvency

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 McInnes Corporate Finance, which is a national firm of advisors and capital transaction project managers, providing professional strategic advice, including pre-insolvency services, whilst also managing and supporting capital transactions. The division represented 85% of group revenues during the year.

Insolvency revenues increased by 13% over the previous year to £58.9 million (2009: £52.0 million), with an increase in segmental result of 14% to £11.9 million (2009: £10.4 million). Operating margins were in line with the previous year at 20%.

Activity levels in this core division grew significantly year on year. However, as anticipated in our half year results announcement in January 2010, activity levels in the second half of the year were relatively flat compared to the first half. This reflects a backdrop of the declining numbers of corporate insolvencies in the UK during the year, due in our view to the effects of government support measures and monetary policy.

The number of active cases at April 2010 was broadly in line with the prior year, with an increase in the average value of each case, reflecting the success of our insolvency practitioners in securing additional fees following commencement of formal appointments. The division remains the largest corporate appointment taker by number of cases in the UK.

The number of people employed in insolvency has increased to 496 on 30 April 2010 from 452 at the start of the year, an increase of 10%, whilst staff attrition has remained at relatively low levels.

Tax

BTG Tax provides specialist tax, fiscal structuring and tax investigations consultancy to high net worth individuals, corporations, independent financial advisors, financial institutions and general practice accountants, largely on a project fee basis. It represented 9% of group revenues during the year.

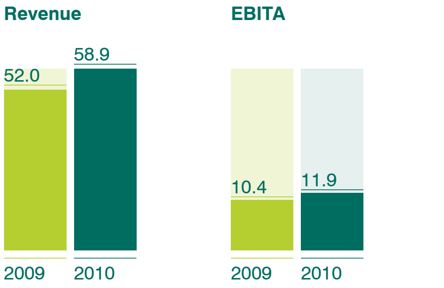
Revenue in the tax division decreased to £6.3 million in the year from £7.0 million, resulting from the adverse market conditions for tax services experienced in the first half year. Having reported losses of £1.1 million at the half year stage, the division generated a reduced loss of £0.6 million (2009: profit of £0.6 million) for the full year.

The economic environment in the first half year had a material impact on the demand for specialist tax consultancy services, resulting in a significant decrease in revenues, due to the difficult business environment experienced by our corporate and private clients and fee pressure. However, the division returned to profitability in the second half year, due principally to seasonally higher activity levels, together with cost reduction measures undertaken throughout the year.

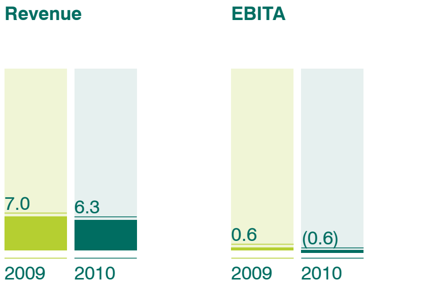
The division employed 70 people at 30 April 2010, reduced from 75 in 2009 to reflect market conditions. It operates from offices in London, Birmingham, Manchester, Glasgow and Northern Ireland.

In July 2010 the group announced the expansion of the tax business with a seven-strong team joining the London office from Vantis Plc, representing a significant expansion of that office and adding additional skills and market presence.

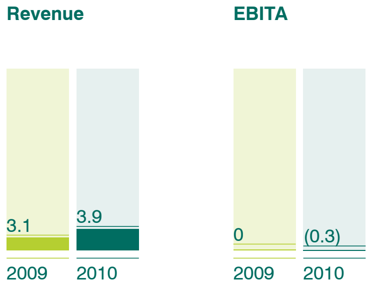
Insolvency (£m)



Tax (£m)



Others (forensic, intelligence and risk) (£m)



Chairman's statement **continued**

Operational review – continuing operations continued

Others (Forensic, Intelligence and Risk)

The group's other businesses include the following operations: BTG Forensic provides forensic, financial investigation and valuation services; BTG Intelligence provides corporate intelligence and investigations services; and BGN Risk provides security risk consultancy to protect assets, employees and goodwill. These activities enable us to provide a full range of services, when combined with our work in insolvency, recovery and rescue.

Revenues in this segment increased by 26% to £3.9 million (2009: £3.1 million). Segmental results were a loss of £0.3 million compared to a break-even position in the prior year.

During the year, some of these operations involved in low margin investigation and debt collection activities, experienced a marked downturn in trading performance, incurring an operating loss of £0.2 million, compared to a profit of £0.2 million in the prior year. We consequently closed or disposed of these operations, resulting in an exceptional charge of £0.4 million, predominantly due to non-cash asset write downs.

Revenue and contribution from the remaining operations increased in the year, resulting from our investment in the fraud and risk service lines.

Strategy and objectives

The group's strategy is to develop a specialist professional services group by means of both organic growth and acquisition. We will:

- maintain overall focus on our core activities of mid-market business insolvency and pre-insolvency work;
- increase focus on international insolvency opportunities; and
- consider opportunities to invest in existing and additional professional services.

Investment

To support our strategic objectives, during the year we have continued to invest in the core insolvency division to underpin future growth and to reduce our reliance on the absolute numbers of insolvencies in the UK.

This has included the following initiatives:

- the expansion of our UK network through growing our existing Birmingham and Dundee offices and opening new offices in Cambridge, Cirencester, Portsmouth, Stockton and Aberdeen;
- the expansion of the group's offshore practice, through the opening of a new office in the Cayman Islands together with a teaming agreement with an established insolvency practice in the Isle of Man;
- the joint venture with Mesirow Financial Consulting LLC to provide the group with the ability to work on global transactions;
- an investment in the commercial development of its 'Red Flag Alert' system, which was formally launched as a fully supported web-based subscription service to third parties in December 2009. There are currently 40 multiple user corporate subscribers to this service and a further 29 businesses trialling the product. We are encouraged by interest from the SME market in this service; and
- continued recruitment of additional partners and staff to enhance our specialist skills capability; this has expanded our restructuring capability to take advantage of the highly valuable marketplace for pre-insolvency services, which is estimated to be more than twice the size of the insolvency services market.

The cost of these investments, amounting to over £1 million, has been charged to the income statement in the year and is expected to generate financial returns in forthcoming financial years.

Acquisitions

Following the year end, in May 2010 the group completed the purchase of Tomlinsons, a Manchester-based firm of business recovery and insolvency practitioners.

Tomlinsons, a long established and well regarded firm, is run by two partners who have joined the group as partners, and has 13 staff based in Manchester and Blackburn. The firm specialises in all types of business recovery and insolvency procedures, as well as offering advice to companies and individuals who believe they may be heading towards, or are already in, financial difficulty.

The business will be merged into the group's existing insolvency operation and will help consolidate further its strong presence in the north west of England.

Insolvency market

Trends in both the group's Red Flag Alert statistics and government insolvency data reflect declining numbers of corporate insolvencies in the UK over the course of the last 12 months.

Red Flag Alert

'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 July 2010, revealed that the number of UK companies experiencing critical or significant problems in the second calendar quarter of 2010 has shown a 21% decrease over the first quarter and a decrease over the same quarter last year by 31%.

The group's view is that a combination of lenient creditor attitudes and temporary government support measures, including the extensive use of monetary instruments, such as quantitative easing and low interest rates, have all had an effect on reducing the volume of adverse actions.

Insolvency statistics

Government insolvency statistics for the first calendar quarter of 2010 showed a 20% decrease in the number of corporate insolvencies compared to the same quarter in the prior year and a 5% decrease compared to the final calendar quarter of 2009. This represents the fifth consecutive quarter of decreases in corporate insolvencies.

We believe that the temporary support initiatives noted above are currently masking the level of financial distress in the UK economy and we continue to expect a rise in corporate insolvencies in the medium term. We also expect the UK government's tough fiscal stance, in particular cuts in public sector spending, to have an impact on the level of financial stress in the SME market. Finally, statistics from recessions over the past 35 years indicate that the level of insolvencies grow strongly for two to four years after GDP stops shrinking.

Office of fair trading ('OFT') market study

The OFT completed a market study into the corporate insolvency practitioners market, which reported in June 2010. The group agrees with the OFT's conclusion that the market works well in the majority of insolvency cases.

The study recommends changes to the regulatory system and, as a leading specialist in the insolvency market that is committed to delivering high professional standards, the group's insolvency practice supports a clear, consistent regulatory regime which engenders public trust and ensures that standards are upheld across the industry.

The OFT has suggested that the Department for Business, Innovation and Skills consults on whether to take its recommendations forward and the group intends to contribute to this consultation.

Outlook

Insolvency

Revenue in the insolvency business is reliant on the continuing flow of new engagements and we expect this to be constrained in the short-term due to declining numbers of UK corporate insolvencies (as described above), offset by our continued efforts to grow our market share organically and by acquisition. As stated in our trading update on 7 June 2010, overall we anticipate a continuation into the new financial year of the work volumes seen in the year ended 30 April 2010 and the division's trading in the first two months of the current financial year has been in line with this expectation.

Over the medium term, we anticipate a period of growth as the number of corporate insolvencies rises in line with historical patterns following a recession and once the impact of the various government support measures unwind and the tough stance on public spending taken by the new government begins to bite.

Tax and other (Forensic, Intelligence and Risk)

The board is confident that as the economic outlook improves, the need for tax planning and advice will increase and the group will be well placed to provide these services, whilst operating from an adjusted cost base. We anticipate an improvement in trading performance from our other businesses, resulting from the restructuring undertaken in the year.

Overall

Activity levels for the first two months of the new financial year are slightly ahead of last year and in line with our expectations.

We expect to see the benefit of our organic and acquisitive investments in insolvency, as well as the restructuring of our non-insolvency businesses, mitigate the short-term constraint of a subdued insolvency market. Our expectations for the current financial year, therefore, remain unchanged. We will provide a further update at the time of the AGM in September 2010.

Finally, the group's strong balance sheet will enable the board to continue to consider selective acquisitions, principally in the insolvency and restructuring sector, to support the group's future development.

Ric Traynor
Executive chairman
8 July 2010

Financial review

Financial highlights

The group's revenue from continuing operations in the year was £69.1 million (2009: £62.1 million), an increase of £7.0 million or 11%, principally resulting from organic growth within the insolvency division.

EBITA (pre-exceptional items) remained in line with the previous year at £11.0 million (2009: £11.0 million), with margins reducing to 16% (2009: 18%), principally due to the adverse operating conditions within the tax consulting business as described in the chairman's statement.

During the year, the group incurred exceptional costs of £0.8 million (2009: £0.8 million) for advice relating to the recent refinancing of £0.1 million and restructuring costs of £0.7 million. The restructuring costs include £0.4 million of non-cash asset write downs relating to loss-making businesses.

Amortisation of intangible assets arising on acquisitions reduced in the year to £0.6 million (2009: £1.2 million).

Finance costs reduced to £0.9 million (2009: £1.7 million), due to a combination of lower interest rates throughout the year (£0.6 million) and a reduced charge arising from the discounting of deferred consideration (£0.2 million).

Adjusted profit before tax was £10.4 million (2009: £9.8 million). Profit before tax was £8.7 million (2009: £7.2 million).

The reconciliation between these profit measures is as follows:

	2010 £m	2009 £m
Adjusted profit before tax	**10.4**	9.8
Less:		
Amortisation of intangible assets arising on acquisitions	**(0.6)**	(1.2)
Finance charges arising on discounting of deferred consideration	**(0.3)**	(0.6)
Exceptional costs	**(0.8)**	(0.8)
Profit before tax	**8.7**	7.2

The tax charge arising on pre-exceptional profits was £3.3 million (2009: £2.8 million), which represents an effective rate of 35% (2009: 35%). The total tax charge for the year was £3.1 million (2009: £2.6 million), which represents an effective rate of 36% (2009: 36%).

Profit for the year from continuing operations was £5.6 million (2009: £4.6 million).

Discontinued operations

In accordance with IFRS 5 'Non-current Assets Held For Sale and Discontinued Operations' the results of the group's consumer insolvency and CRM consultancy operations were disclosed as discontinued operations in the year ended 30 April 2009 and generated a loss after tax in that year of £0.8 million.

Earnings per share ('EPS')

EPS from continuing operations[1], adjusted for the net of tax impact of the amortisation of intangible assets arising on acquisitions, exceptional costs and the finance charge arising from the discounting of deferred consideration liabilities, was 7.8 pence (2009: 7.7 pence). Basic and fully diluted EPS from continuing operations was 6.3 pence (2009: 5.4 pence).

Cash flows

Net cash flows from operating activities increased by £7.4 million in the year to £5.2 million (2009: outflow of £2.2 million). This is principally due to a significant reduction in working capital absorption in the year of £5.6 million and reduced interest payments of £0.6 million, as a result of reduced interest rates compared to the prior year.

Investing cash flows reduced to £5.6 million (2009: £7.9 million). This includes deferred payments relating to prior year acquisitions of £2.9 million (2009: £4.2 million), payments in respect of acquisitions completed in the year of £nil (2009: £1.1 million) and net capital investment of £2.7 million (2009: £2.6 million).

Financing cash flows of £3.2 million (2009: £9.8 million) are due to a net drawdown on the group's principal bank facilities of £5.8 million (2009: £0.2 million), proceeds on share issues of £0.2 million (2009: £12.6 million, of which £12.5 million related to a share placing in August 2009). Cash outflows include dividend payments of £2.6 million (2009: £2.2 million) and a net repayment of asset-related finance of £0.2 million (2009: £0.8 million).

Financing

The group is in a strong financial position, having entered into new, unsecured banking facilities totalling £35 million on 29 April 2010; comprising four year, committed, revolving credit facilities ('RCFs') of £30 million and a £5 million overdraft facility.

The group has sought to diversify its committed banking facilities away from a sole bank in favour of bilateral, unsecured arrangements with HSBC and Yorkshire Bank. Interest on these RCFs will be charged at 2% over LIBOR and on the overdraft at 1.95% over bank base rate. The board believes these are competitive packages, reflecting confidence in the group and its management.

The arrangement costs associated with this refinancing, including legal fees, amount to approximately £0.4 million of which £0.1 million was charged as an exceptional item in the year. The remainder will be recognised over the expected life of the facilities in accordance with International Financial Reporting Standards ('IFRS'). These funds will enable the group to consider organic investment and acquisition opportunities, principally in the insolvency and restructuring sector.

As at 30 April 2010, the group's principal bank net debt was £15.9 million, comfortably within the new banking facilities of £35 million described above.

The group's previous banking facilities in place during the year comprised a £20 million RCF and a £5 million overdraft. Interest on the RCF was charged at 1.4% over LIBOR and on the overdraft at 2.75% (2009: 1.5%) over bank base rate. During the year, all covenant measures relating to this facility were met.

The group continues to use other sources of finance as appropriate, including hire purchase contracts and other asset-related bank loans. At 30 April 2010, the group had asset-related finance of £4.4 million (2009: £4.5 million).

Net borrowings at 30 April 2010 were £20.2 million (2009: £17.5 million), giving gearing of 30% (2009: 27%). Interest cover (pre-exceptional costs) was 12.3 times (2009: 6.3 times). The increase in net borrowings in the year results from the deferred acquisition payments of £2.9 million.

Net assets

At 30 April 2010 net assets were £67.2 million (2009: £63.7 million), equivalent to net assets per share of 75 pence (2009: 71 pence).

Non-current assets were broadly unchanged at £60.4 million (2009: £60.7 million), with capital additions being offset by depreciation and amortisation.

Current assets increased to £49.9 million (2009: £40.7 million), principally from increased cash balances of £2.9 million and increased trade receivables and recoverable income and costs on cases of £5.5 million, due to the group's continuing growth.

Total liabilities increased to £43.1 million (2009: £37.7 million), due to an increase in gross borrowings of £5.6 million as noted above; increased working capital liabilities of £0.9 million; increases in current and deferred tax liabilities of £2.2 million; and offset by a reduction in deferred consideration of £3.3 million. Total liabilities include £3.2 million of deferred consideration payments, of which £2.7 million is payable within one year.

Capital restructuring

As detailed in the chairman's statement, the board is intending to propose to shareholders at the AGM, that a proportion of the substantial share premium account of the company be reduced and that amount be transferred to the profit and loss account as additional distributable reserves.

This is a common technical procedure that requires the approval of shareholders by special resolution, following which there are a number of technical and legal criteria to fulfil, including court approval before any part of the share premium account can be utilised in the way proposed. Full details of those matters will be set out in the notification of the 2010 AGM.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the new standards and interpretations as of 1 May 2009, noted below:

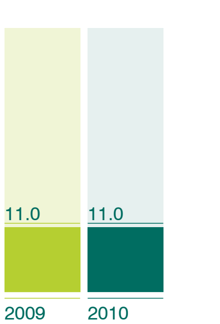
IFRS 8 'Operating Segments' requires that segmental disclosure be reported on a management basis and in a manner consistent with internal financial reporting to the board. In adopting this standard the directors considered the integration of the corporate finance business into the group's insolvency division. Accordingly, the group now reports its activities under IFRS 8 as three segments: insolvency, tax and all other segments.

IAS 1 (revised) 'Presentation of Financial Statements' requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a consolidated statement of changes in equity has been included in the primary statements, showing the changes in each component of equity for each financial year.

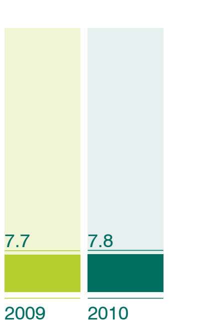
John Gittins
Chief financial officer
8 July 2010

Revenue[2] (£m)

EBITA[2] (£m)



Adjusted EPS[1] (p)



1 See reconciliation in note 11.
2 From continuing operations.

Directors' report

The directors present their Annual Report on the affairs of the group together with the financial statements and auditors' report for the year ended 30 April 2010.

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 2010 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 2 to 5 and the financial review on pages 6 and 7. A description of the principal risks and uncertainties facing the group is contained within the directors' report below.

Post balance sheet event

On 7 June 2010, the group acquired Tomlinsons, a Manchester-based firm of business recovery and insolvency practitioners.

Dividends

The directors recommend a final dividend of 1.9 pence per ordinary share to be paid on 29 October 2010 to shareholders on the register at 8 October 2010. This, together with the interim dividend of 1.2 pence paid on 1 April 2010, makes a total of 3.1 pence for the year (2009: 2.8 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 20. The company has two classes of shares: ordinary and A ordinary. The ordinary shares comprise 99% 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 14.

Business risks

The group is reliant on the flow of new assignments. This risk is managed through a consistent effort in marketing, brand awareness initiatives and selling activity.

The business is dependent upon the professional development, recruitment and retention of high quality professional 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 current overall economic environment may have an adverse impact on certain of the group's activities. In particular, difficult conditions in the financial and credit markets are likely to impact on transactional services, notably within the group's corporate finance and tax activities. However, this risk is mitigated through the spread of the group's service lines, which provides a natural hedge against these economic factors.

Financial risk
Details of financial instruments and risk factors are set out in note 19 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	50	5 May 2004	—
Andrew Dick	Chief operating officer	44	5 May 2004	2 October 2009
John Gittins	Chief financial officer	50	12 October 2007	—
Geoffrey Hill	Executive director	62	25 September 2006	—
Graham McInnes	Corporate development director	58	24 September 2004	—
John May	Non-executive director	55	12 October 2007	—

Andrew Dick resigned on 2 October 2009. John Gittins has given notice of his intention to resign as a director with effect from 20 August 2010.

John May retires by rotation at the next annual general meeting and, being eligible, offers himself for re-election.

Details of directors' interests and directors' share options are presented in the directors' remuneration report on page 13.

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 2010 were equivalent to 27 (2009: 32) 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 £13,000 (2009: £12,000), principally to local charities serving the communities in which the group operates.

No political donations were made during the year (2009: £nil).

Substantial shareholdings
On 1 July 2010, 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	15.64
Fortelus Capital Management[1]	7,571,395	8.46
Royce & Associates	2,980,400	3.33
Baillie Gifford	2,845,732	3.18
ISIS Equity Partners	2,725,877	3.05
Royal Bank of Canada	2,690,245	3.01

1 Interest held via a contract for difference in the name of Fortelus Special Situations Master Fund Limited and disclosable pursuant to DTR 5.

Other than the above holdings and those of directors (see page 13), 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 12 and 13 and corporate governance statement on page 14 also form part of this report.

Directors' report
continued

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.

Auditors
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 auditors are 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 auditors are 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 auditors and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

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

John Humphrey
Company secretary
8 July 2010

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 EU and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards and applicable law). Under company law the directors must not approve the accounts 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 2010.

Directors' emoluments

Name of director	Fees/ basic salary/ profit share £	Benefits in kind £	**2010 Total £**	2009 Total £
Executive				
Ric Traynor	263,333	31,082	**294,415**	378,243
Andrew Dick	83,013	8,339	**91,352**	312,603
John Gittins	206,667	21,601	**228,268**	267,375
Graham McInnes	76,200	3,919	**80,119**	144,360
Geoffrey Hill	153,450	16,056	**169,506**	207,237
Aggregate emoluments	782,663	80,997	**863,660**	1,309,818
Fees to third parties:				
John May (Non-executive)			**25,000**	25,047

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 2010 had the following interests in the shares of group undertakings:

Name of director	Description of shares	30 April 2010 Beneficial	30 April 2010 %	1 May 2009 or subsequent date of appointment Beneficial	1 May 2009 or subsequent date of appointment %
Ric Traynor	Ordinary shares	**26,561,697**	**29.70**	26,311,697	29.50
John Gittins	Ordinary shares	**10,000**	**0.01**	—	—
Geoffrey Hill	Ordinary shares	**10,000**	**0.01**	—	—
Graham McInnes	Ordinary shares	**855,704**	**1.00**	855,704	1.00
John May	Ordinary shares	**—**	**—**	—	—

John May acquired 62,500 ordinary shares on 4 May 2010, which represents 0.07% of the issued ordinary share capital at the date of acquisition.

No further changes took place in the interests of directors between 30 April 2010 and 1 July 2010.

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 2009	Granted in year	Number at 30 April 2010
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**

The market price of the company's shares at the end of the financial year was 77 pence and the range of market prices during the year was 75 pence to 121 pence.

Details of share options granted by the company at 30 April 2010 are given in note 21. 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 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

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, chief financial officer, 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, chief financial officer and a representative of the external auditors 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 page 12.

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 annual general meeting of the company, at the conclusion of which all board members are available for informal discussion.

Internal controls 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.

Going concern

Given the current economic uncertainty and the guidance issued by the Financial Reporting Council, 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.

Independent auditors' 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 2010, 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 27. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the EU.

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 auditors' 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 auditors
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 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 ('APB'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.

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 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; 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 2010.

William Smith (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Manchester, UK
8 July 2010

Consolidated income statement
for the year ended 30 April 2010

	Notes	2010 Before exceptional items £'000	2010 Exceptional items (note 5) £'000	2010 Total £'000	2009 Before exceptional items £'000	2009 Exceptional items (note 5) £'000	2009 Total £'000
Continuing operations							
Revenue	3	**69,052**	**—**	**69,052**	62,143	—	62,143
Direct costs		**(34,991)**	**(183)**	**(35,174)**	(30,665)	(303)	(30,968)
Gross profit		**34,061**	**(183)**	**33,878**	31,478	(303)	31,175
Other operating income	3	**178**	**—**	**178**	199	—	199
Administrative expenses		**(23,253)**	**(628)**	**(23,881)**	(20,672)	(536)	(21,208)
Earnings before interest, tax and amortisation		**10,986**	**(811)**	**10,175**	11,005	(839)	10,166
Amortisation of intangible assets arising on acquisitions		**(571)**	**—**	**(571)**	(1,176)	—	(1,176)
Finance costs	7	**(886)**	**—**	**(886)**	(1,741)	—	(1,741)
Profit before tax		**9,529**	**(811)**	**8,718**	8,088	(839)	7,249
Tax	8	**(3,347)**	**221**	**(3,126)**	(2,826)	209	(2,617)
Profit for the year from continuing operations		**6,182**	**(590)**	**5,592**	5,262	(630)	4,632
Discontinued operations							
Loss for the year from discontinued operations	9	**—**	**—**	**—**	(820)	—	(820)
Profit for the year		**6,182**	**(590)**	**5,592**	4,442	(630)	3,812
Earnings per share							
From continuing operations							
Basic and diluted	11			**6.3**			5.4
From continuing and discontinued operations							
Basic and diluted	11			**6.3**			4.4

Consolidated statement of comprehensive income
for the year ended 30 April 2010

	2010 £'000	2009 £'000
Profit for the year	**5,592**	3,812
Other comprehensive income		
Exchange differences on translation of foreign operations	**(9)**	8
Total comprehensive income for the year	**5,583**	3,820

Consolidated statement of changes in equity
for the year ended 30 April 2010

	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	**Total equity £'000**
At 1 May 2008	4,061	22,157	17,584	—	5,647	**49,449**
Profit for the year	—	—	—	—	3,812	**3,812**
Other comprehensive income:						
Foreign exchange adjustments	—	—	—	8	—	**8**
Total comprehensive income for the year	—	—	—	8	3,812	**3,820**
Transactions with owners:						
Dividends	—	—	—	—	(2,199)	**(2,199)**
Credit to equity for equity-settled share-based payments	—	—	—	—	27	**27**
Shares issued	398	12,227	—	—	—	**12,625**
At 30 April 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**
Transactions with owners:						
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**

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

Consolidated balance sheet
at 30 April 2010

	Notes	2010 £'000	2009 £'000
Non-current assets			
Intangible assets	12	**53,309**	53,716
Property, plant and equipment	13	**7,071**	7,012
		60,380	60,728
Current assets			
Trade and other receivables	14	**46,758**	40,431
Cash and cash equivalents		**3,118**	247
		49,876	40,678
Total assets		**110,256**	101,406
Current liabilities			
Trade and other payables	15	**(13,224)**	(13,091)
Current tax liabilities		**(1,508)**	(396)
Borrowings	16	**(2,282)**	(5,409)
		(17,014)	(18,896)
Net current assets		**32,862**	21,782
Non-current liabilities			
Trade and other payables	15	**(428)**	(2,943)
Borrowings	16	**(21,080)**	(12,326)
Deferred tax	18	**(4,560)**	(3,519)
		(26,068)	(18,788)
Total liabilities		**(43,082)**	(37,684)
Net assets		**67,174**	63,722
Equity			
Share capital	20	**4,530**	4,459
Share premium		**34,686**	34,384
Merger reserve		**17,584**	17,584
Translation reserve		**(1)**	8
Retained earnings		**10,375**	7,287
Equity attributable to owners of the company		**67,174**	63,722

The financial statements of Begbies Traynor Group plc, registered number 5120043, were approved by the board of directors and authorised for issue on 8 July 2010. They were signed on its behalf by:

Ric Traynor
Executive chairman

John Gittins
Chief financial officer

Consolidated cash flow statement
for the year ended 30 April 2010

	Notes	2010 £'000	2009 £'000
Cash flows from operating activities			
Cash generated (absorbed) by operations	22	**6,741**	(23)
Income taxes paid		**(973)**	(1,008)
Interest paid		**(541)**	(1,184)
Net cash flows from operating activities		**5,227**	(2,215)
Investing activities			
Proceeds on disposal of property, plant and equipment		**564**	349
Purchase of property, plant and equipment		**(2,556)**	(2,481)
Purchase of intangible fixed assets		**(713)**	(450)
Deferred consideration payments in the year		**(2,858)**	(4,192)
Acquisition of subsidiaries		**—**	(1,147)
Disposal of subsidiary		**—**	26
Net cash used in investing activities		**(5,563)**	(7,895)
Financing activities			
Dividends paid		**(2,593)**	(2,199)
Hire purchase finance received		**2,091**	1,469
Repayments of hire purchase finance obligations		**(1,859)**	(1,664)
Proceeds on issue of shares		**173**	12,626
Repayment of loans		**(835)**	(1,053)
New loans raised		**450**	405
Drawdown (repayment) of bank facility		**9,000**	(3,000)
(Repayment of) increase in bank overdrafts		**(3,220)**	3,220
Net cash from financing activities		**3,207**	9,804
Net increase (decrease) in cash and cash equivalents		**2,871**	(306)
Cash and cash equivalents at beginning of year		**247**	553
Cash and cash equivalents at end of year		**3,118**	247

Notes to the consolidated financial statements
for the year ended 30 April 2010

1. General information
Begbies Traynor Group plc is a company incorporated in the UK 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 8.

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 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, 17 and 19 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 considerable financial resources, which include principal banking facilities of £35 million, of which a gross £19 million was utilised at 30 April 2010, as detailed in note 16. Furthermore, the majority of the group's revenues are derived from the counter-cyclical insolvency operations which have shown strong financial performance over the last two years. As a consequence of the above factors, the directors believe that the group is able to manage its business risks, despite the current uncertain economic outlook.

In carrying out their duties in respect of going concern, the directors have completed a review of the group's current financial position and completed 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 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). 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.

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.

Notes to the consolidated financial statements
for the year ended 30 April 2010 continued

2. Accounting policies continued

(c) Changes in accounting policies
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the new standards and interpretations as of 1 May 2009, noted below:

IFRS 8 'Operating Segments' requires that segmental disclosure be reported on a management basis and in a manner consistent with internal financial reporting to the board. In adopting this standard, the directors considered the integration of the corporate finance business into the group's insolvency division. Accordingly, the group now reports its activities under IFRS 8 as three segments: insolvency; tax; and all other segments and the comparative numbers have been restated on this basis.

IAS 1 (revised) 'Presentation of Financial Statements' requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a consolidated statement of changes in equity has been included in the primary statements, showing the changes in each component of equity for each financial year.

(d) Business combinations
The acquisition of subsidiaries and businesses is accounted for using the purchase method. The cost of the 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, plus any costs directly attributable to the business combination. Where the value of consideration is contingent on future events, management estimates the fair value of this consideration based on the expected outcome of the contingent event.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-current Assets Held For Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell. 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. The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(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 initial value 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.

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	10% of cost
Intangible assets arising on acquisitions	50% of cost at fair value

Assets in the course of construction are not depreciated.

2. Accounting policies continued

(f) Property, plant and equipment

All assets are stated at depreciated 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 in 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) 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.

(i) 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.

Notes to the consolidated financial statements
for the year ended 30 April 2010 continued

2. Accounting policies continued

(j) 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.

(k) 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.

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 forwards 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.

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

(m) Pensions and retirement benefits
The group operates a defined contribution scheme in the UK 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.

(n) 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.

(o) 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.

2. Accounting policies continued

(o) Taxation continued

Deferred taxation continued

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.

(p) 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.

(q) 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.

(r) 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.

The directors anticipate that the adoption of the following standards may have a material impact on the group's financial statements:

IFRS 3	Business Combinations – Revised standard, issued in January 2008, effective for periods beginning on or after 1 July 2009. This will have a material impact on the group's financial statements only if it enters into any relevant transactions in the future.
IAS 27	Consolidated and Separate Financial Statements, issued in January 2008, effective for periods beginning on or after 1 July 2009.

The directors anticipate that the adoption of the following standards and interpretations will have no material impact on the group's financial statements other than in relation to the financial statement disclosure:

Improvements to IFRSs (2009)	Improvements to IFRSs effective for periods beginning on 1 July 2009 and 1 January 2010.

Notes to the consolidated financial statements
for the year ended 30 April 2010 continued

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

	2010 £'000	2009 £'000
Continuing operations		
Rendering of professional services	**69,052**	62,143
Other operating income	**178**	199
	69,230	62,342
Discontinued operations		
Rendering of professional services (note 9)	—	651
	69,230	62,993

4. Business and geographical segments
Business segments
The group has adopted IFRS 8 'Operating Segments' with effect from 1 May 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the board. As a result, following the adoption of IFRS 8, the group reports its activities as three segments:

- insolvency;
- tax consulting; and
- other professional services, principally the group's forensics, intelligence and risk businesses.

Segmental information about these businesses is presented below. The results of CRM consulting and consumer insolvency for the year ended 30 April 2009, which are considered to be a separate segment, are presented as discontinued operations, as shown in note 9.

	Insolvency 2010 £'000	Tax 2010 £'000	Others 2010 £'000	Consolidated 2010 £'000
Revenue (from continuing operations)				
Total revenue from rendering of professional services	**58,893**	**6,470**	**4,179**	**69,542**
Inter-segment revenue	—	**(211)**	**(279)**	**(490)**
External revenue	**58,893**	**6,259**	**3,900**	**69,052**
Segmental result (from continuing operations)	**11,897**	**(623)**	**(288)**	**10,986**
Exceptional costs				**(811)**
Amortisation of intangible assets arising on acquisitions				**(571)**
Finance costs				**(886)**
Profit before tax				**8,718**
Tax				**(3,126)**
Profit for the year from continuing operations				**5,592**
Balance sheet				
Assets				
Segment assets	**90,438**	**11,971**	**958**	**103,367**
Unallocated corporate assets				**6,889**
Consolidated total assets				**110,256**
Liabilities				
Segment liabilities	**(9,504)**	**(2,822)**	**(534)**	**(12,860)**
Unallocated corporate liabilities				**(30,222)**
Consolidated total liabilities				**(43,082)**

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

4. Business and geographical segments continued

Business segments continued

	Insolvency 2010 £'000	Tax 2010 £'000	Others 2010 £'000	Unallocated 2010 £'000	Consolidated 2010 £'000
Other information					
Capital additions	**1,874**	**191**	**141**	**1,063**	**3,269**
Depreciation and amortisation	**1,214**	**193**	**106**	**912**	**2,425**

The disclosures below have been restated following the adoption of IFRS 8 'Operating Segments'.

	Insolvency 2009 £'000	Tax 2009 £'000	Others 2009 £'000	Consolidated 2009 £'000
Revenue (from continuing operations)				
Total revenue from rendering of professional services	51,981	7,090	3,487	62,558
Inter-segment revenue	—	(60)	(355)	(415)
External revenue	51,981	7,030	3,132	62,143
Segmental result (from continuing operations)	10,406	611	(12)	11,005
Exceptional costs				(839)
Amortisation of intangible assets arising on acquisitions				(1,176)
Finance costs				(1,741)
Profit before tax				7,249
Tax				(2,617)
Profit for the year from continuing operations				4,632
Balance sheet				
Assets				
Segment assets	84,250	11,864	1,669	97,783
Unallocated corporate assets				3,623
Consolidated total assets				101,406
Liabilities				
Segment liabilities	(10,054)	(4,585)	(723)	(15,362)
Unallocated corporate liabilities				(22,322)
Consolidated total liabilities				(37,684)

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

	Insolvency 2009 £'000	Tax 2009 £'000	Others 2009 £'000	Unallocated 2009 £'000	Consolidated 2009 £'000
Other information					
Capital additions	1,590	216	86	1,039	2,931
Depreciation and amortisation	1,180	100	120	1,508	2,908

Geographical segments

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

Notes to the consolidated financial statements
for the year ended 30 April 2010 continued

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

	2010 £'000	2009 £'000
Net foreign exchange loss	**8**	—
Depreciation of property, plant and equipment	**1,821**	1,732
Impairment of property and motor vehicles	**18**	—
Amortisation of intangible assets	**604**	1,176
Loss on disposal of property, plant and equipment	**94**	266
Staff costs (see note 6)	**36,776**	32,533
Impairment of receivable balances (see note 14)	**360**	211
Reversal of impairment losses recognised on trade receivables (see note 14)	**(131)**	(34)

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

	2010 £'000	2009 £'000
Fees payable to the company's auditors for the audit of the company's annual accounts	**30**	30
Fees payable to the company's auditors and their associates for other services to the group		
– the audit of the company's subsidiaries pursuant to legislation	**40**	45
Total audit fees	**70**	75
– remuneration services	**55**	46
Total non-audit fees	**55**	46

Fees payable to Deloitte LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

During the year, the group incurred exceptional costs as detailed below:

	2010 £'000	2009 £'000
Restructuring costs (including direct costs of £183,000)	**668**	839
Refinancing costs	**143**	—
	811	839

6. Staff costs
The average monthly number of persons (including executive directors), working within the group was:

	2010 Number	2009 Number
Partners and consultants	**87**	82
Fee earning staff	**420**	379
Support staff	**162**	145
	669	606

	2010 £'000	2009 £'000
Their aggregate remuneration comprised:		
Wages, salaries and partners' profit share	**34,115**	30,257
Social security costs	**2,173**	1,883
Other pension costs (note 25)	**488**	393
	36,776	32,533

6. Staff costs continued

Directors' remuneration and transactions

Directors' remuneration

	2010 £'000	2009 £'000
Short-term employee benefits	**854**	1,300
Post-employment benefits	**10**	10
Sums paid to third parties in respect of directors' services	**25**	25
	889	1,335

	Number	Number
The 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:

	2010 £'000	2009 £'000
John Gittins	**10**	10

The highest paid director in the year was Ric Traynor and his total remuneration was £294,415 (2009: £378,243). No contributions were made into a company pension scheme on his behalf.

7. Finance costs

	2010 £'000	2009 £'000
Interest on bank overdrafts and loans	**433**	1,025
Finance charges on hire purchase contracts	**108**	159
Total interest expense	**541**	1,184
Unwinding of discount on deferred consideration liabilities	**345**	557
Total finance costs	**886**	1,741

8. Tax

	Continuing operations		Discontinued operations		Total	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Current tax charge (credit)	**2,085**	1,425	**—**	(195)	**2,085**	1,230
Deferred tax (note 18)	**1,041**	1,192	**—**	52	**1,041**	1,244
	3,126	2,617	**—**	(143)	**3,126**	2,474

Corporation tax is calculated at 28% (2009: 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:

	2010 £'000	2009 £'000
Profit before tax		
Continuing operations	**8,718**	7,249
Discontinued operations	**—**	(963)
	8,718	6,286
Notional tax charge at the UK corporation tax rate of 28% (2009: 28%)	**2,441**	1,760
Adjustments in respect of current income tax of prior years	**18**	106
Tax effect of expenses that are not deductible in determining taxable profit	**723**	704
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(56)**	(96)
Total tax expense reported in the income statement	**3,126**	2,474

Notes to the consolidated financial statements
for the year ended 30 April 2010 continued

9. Discontinued operations
During the year ended 30 April 2009, the group completed the disposal of its CRM consulting business and ceased its consumer insolvency operations. These discontinued operations generated a loss after tax in the prior period of £0.8 million, which includes a loss on disposal of £0.2 million.

The results of the discontinued operations included in the consolidated income statement for the prior year were as follows:

	2009 £'000
Revenue	651
Direct costs	(606)
Gross profit	45
Administrative expenses	(789)
EBITA	(744)
Loss on disposal of discontinued operations	(219)
Loss before tax	(963)
Tax	143
Loss for the year from discontinued operations	(820)

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

During the year ended 30 April 2009, the discontinued operations incurred net operating cash outflows of £244,000, received £nil in respect of investing activities and paid £nil in respect of financing activities.

10. Dividends

	2010 £'000	2009 £'000
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 30 April 2009 of 1.7 pence (2008: 1.5 pence) per share	**1,520**	1,218
Interim dividend for the year ended 30 April 2010 of 1.2 pence (2009: 1.1 pence) per share	**1,073**	981
	2,593	2,199
Proposed final dividend for the year ended 30 April 2010 of 1.9 pence (2009: 1.7 pence) per share	**1,700**	1,520

The proposed final dividend is subject to approval by shareholders at the annual general meeting and has not been included as a liability in these financial statements.

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

	2010 £'000	2009 £'000
Earnings		
Profit for the year from continuing operations attributable to equity holders	**5,592**	4,632
Loss from discontinued operations attributable to equity holders	**—**	(820)
Profit for the year attributable to equity holders	**5,592**	3,812

	2010	2009
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**89,367,374**	86,083,730

All potential ordinary shares under option were anti-dilutive at 30 April 2010 and 30 April 2009.

11. Earnings per share continued

	2010 pence	2009 pence
Basic and diluted earnings (loss) per share from:		
Continuing operations	**6.3**	5.4
Discontinued operations	**—**	(1.0)
Total	**6.3**	4.4

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

	2010 £'000	2009 £'000
Earnings		
Profit for the year from continuing operations attributable to equity holders	**5,592**	4,632
Amortisation of intangible assets arising on acquisitions	**571**	1,176
Unwinding of discount on deferred consideration liabilities	**345**	557
Exceptional costs	**811**	839
Tax effect of above items	**(381)**	(538)
Adjusted earnings	**6,938**	6,666

	2010 pence	2009 pence
Adjusted basic and diluted earnings per share from continuing operations	**7.8**	7.7

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 2008	49,070	—	—	3,178	52,248
Recognised on acquisition of a subsidiary	2,202	—	—	214	2,416
Classified as held for sale	247	—	—	—	247
Additions	—	450	—	—	450
Adjustment to goodwill as a result of changes in deferred consideration	1,176	—	—	—	1,176
At 30 April 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**
Amortisation and impairment					
At 1 May 2008	—	—	—	1,645	1,645
Amortisation during the year	—	—	—	1,176	1,176
At 30 April 2009	—	—	—	2,821	2,821
Amortisation during the year	—	—	33	571	604
At 30 April 2010	**—**	**—**	**33**	**3,392**	**3,425**
Carrying amount					
At 30 April 2010	**52,179**	**—**	**1,130**	**—**	**53,309**
At 30 April 2009	52,695	450	—	571	53,716

Notes to the consolidated financial statements
for the year ended 30 April 2010 continued

12. Intangible assets continued
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:

	2010 £'000	2009 £'000 (restated)[1]
Insolvency	**46,202**	46,180
Tax	**5,977**	6,515
	52,179	52,695

[1] As explained in note 2, the group's operating segments have been amended following the adoption of IFRS 8 'Operating Segments'.

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

The recoverable amounts of the 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 from all CGUs is 10% (2009: 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 2008	3,482	960	1,091	4,474	10,007
Additions	516	128	279	1,558	2,481
Acquisition of subsidiaries	—	1	34	—	35
Disposals	—	—	—	(1,188)	(1,188)
At 30 April 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**
Depreciation and impairment					
At 1 May 2008	696	435	708	1,325	3,164
Charge for the year	444	128	238	922	1,732
Disposals	—	—	—	(573)	(573)
At 30 April 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**
Carrying amount					
At 30 April 2010	**2,764**	**478**	**495**	**3,334**	**7,071**
At 30 April 2009	2,858	526	458	3,170	7,012

In addition, the group's obligations under hire purchase contracts (see note 17) are secured by the lessors' title to the leased assets, which have a carrying amount of £3,693,000 (2009: £3,315,000).

14. Trade and other receivables

	2010 £'000	2009 £'000
Trade and other receivables	**8,080**	7,596
Recoverable income and costs on cases	**35,866**	30,855
Other debtors and prepayments	**2,812**	1,980
	46,758	40,431

Trade receivables do not carry interest and are stated net of allowances for doubtful receivables of £477,000 (2009: £371,000).

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.

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

			Past due but not impaired	
	Total £'000	Neither past due nor impaired up to 30 days £'000	1–3 months £'000	More than 4 months £'000
2010	**8,080**	**4,463**	**2,347**	**1,270**
2009	7,596	4,000	2,481	1,115

Movement in the allowance for doubtful debts

	2010 £'000	2009 £'000
Balance at beginning of the year	**371**	400
Amounts written off during the year	**(123)**	(206)
Amounts recovered during the year	**(131)**	(34)
Increase in allowance recognised in profit or loss	**360**	211
Balance at end of the year	**477**	371

15. Trade and other payables

	2010 £'000	2009 £'000
Current		
Trade payables	**1,507**	1,658
Other taxes and social security	**1,894**	1,482
Accruals	**7,101**	6,471
Deferred consideration	**2,722**	3,480
	13,224	13,091
Non-current		
Deferred consideration	**428**	2,943

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.

Notes to the consolidated financial statements
for the year ended 30 April 2010 continued

16. Borrowings

	2010 £'000	2009 £'000
Unsecured borrowing at amortised cost		
Bank loans	**20,223**	1,608
Secured borrowing at amortised cost		
Bank overdraft	**—**	3,220
Bank loans	**—**	10,000
Hire purchase capital (see note 17)	**3,139**	2,907
Total secured borrowings	**3,139**	16,127
Total borrowings	**23,362**	17,735
Amount due for settlement within 12 months	**2,282**	5,409
Amount due for settlement after 12 months	**21,080**	12,326

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

(i) The group's principal borrowings at 30 April 2010 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 £9 million was drawn at 30 April 2010. Interest is payable at 2.0% over LIBOR on this facility, which has a 4.25 year term;
- RCF of £15 million provided by Yorkshire Bank, of which £10 million was drawn at 30 April 2010. Interest is payable at 2.0% over LIBOR on this facility, which has a 3.75 year term; and
- bank overdraft of £5 million provided by HSBC, which is repayable on demand. This facility was undrawn at 30 April 2010 and interest is payable at 1.75% over bank base rate.

(ii) The group has additional unsecured bank loans as follows:

- borrowings of £512,000 (2009: £1,062,000), repayable over one to three years. Interest on these loans is variable at 0.75% over base rate, subject to a minimum interest rate of 3%;
- borrowings of £63,000 (2009: £162,000), repayable over one year. Interest on this loan is variable at 2.325% over base rate;
- borrowings of £254,000 (2009: £384,000), repayable over two years. Interest on this loan is fixed at 4.83%; and
- borrowings of £394,000 (2009: £nil), 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 three years.

(iv) The borrowings in place during the current financial year from 1 May 2009 to 29 April 2010 and the whole of the preceding financial year were as follows:

- a bank overdraft secured by fixed and floating charges over the assets of the entities within the group (2009: amount drawn of £3,220,000). Interest payable on this facility was variable at the rate of 2.75% (2009: 1.5%) over bank base rate; and
- bank borrowing under 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% (2009: 1.4%) over LIBOR (2009: amount drawn of £10,000,000).

At 30 April 2010, the group had available a £30 million (2009: £20 million) facility, of which £11 million (2009: £10 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 (2009: £1,780,000) was undrawn.

The group has no financial instruments other than those shown as borrowings above and cash balances, all of which are denominated in sterling. The directors consider that the fair values of the group's financial instruments approximate to their book value.

17. Obligations under hire purchase contracts

	Minimum lease payments		Present value of minimum lease payments	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Amounts payable under finance leases and hire purchase contracts:				
Within one year	**1,685**	1,568	**1,565**	1,403
In the second to fifth years inclusive	**1,663**	1,650	**1,574**	1,504
	3,348	3,218	**3,139**	2,907
Less: future finance charges	**(209)**	(311)		
Present value of lease obligations	**3,139**	2,907		

It is the group's policy to lease certain assets under finance leases and hire purchase contracts at effective variable rates of interest of between 0.65% and 1.75% over finance house base rate. 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.

18. 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 2008	(2,232)
Charge to income	(1,244)
Arising on acquisitions	(43)
At 30 April 2009	(3,519)
Charge to income	(1,041)
As 30 April 2010	**(4,560)**

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:

	2010 £'000	2009 £'000
Deferred tax liabilities	**(4,952)**	(4,004)
Deferred tax assets	**392**	485
	(4,560)	(3,519)

19. 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 overleaf.

Notes to the consolidated financial statements
for the year ended 30 April 2010 continued

19. Financial instruments continued

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 2010 and net assets at that date would decrease by £78,000 (2009: £67,000). 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(k).

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 2010 based on contractual payments:

At 30 April 2010

	Within 1 year £000	**Between 2–5 years £000**	**Total £000**
Hire purchase	**1,685**	**1,663**	**3,348**
Bank borrowings	**1,137**	**20,676**	**21,813**
Trade and other payables	**13,224**	**428**	**13,652**
	16,046	**22,767**	**38,813**

At 30 April 2009

	Within 1 year £000	Between 2–5 years £000	Total £000
Hire purchase	1,568	1,650	3,218
Bank borrowings	4,375	11,189	15,564
Trade and other payables	13,091	2,943	16,034
	19,034	15,782	34,816

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:

	2010 £'000	2009 £'000
Shareholders' funds	**67,174**	63,722
Bank borrowings	**20,223**	14,828
Hire purchase capital	**3,139**	2,907
At 30 April	**90,536**	81,457

20. Share capital

	2010 Thousand	2009 Thousand	2010 £'000	2009 £'000
Authorised				
Ordinary shares of 5 pence	**149,392**	150,000	**7,470**	7,500
A ordinary shares of 3 pence	**10,000**	—	**300**	—
Allotted, called up and fully paid				
Ordinary shares of 5 pence				
At 1 May	**89,170**	81,210	**4,459**	4,061
Issue of shares for cash	**—**	7,879	**—**	394
Issue of shares in relation to deferred consideration payments	**194**	—	**10**	—
Staff SIP scheme	**108**	81	**5**	4
At 30 April	**89,472**	89,170	**4,474**	4,459
Allotted, called up but not fully paid				
A ordinary shares of 3 pence				
At 1 May	**—**	—	**—**	—
Issue of shares for cash	**1,872**	—	**56**	—
At 30 April	**1,872**	—	**56**	—
Issued share capital	**91,344**	89,170	**4,530**	4,459

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.

21. Share-based payments

Share option scheme

The group operates a share option scheme which has been offered to two executive directors, 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 12 and 13.

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	Share option scheme	Growth share plan
Grant date	10 July 2008	23 July 2009	21 December 2009
Share price at grant date (pence)	161	100	100
Exercise price (pence)	161	102	133–150
Number of participants	2	2	33
Number of shares under option	400,000	400,000	1,871,800
Vesting period (years)	3	3	3
Time to expiry (years)	7	7	3
Expected volatility (%)	20	20	20
Risk free rate (%)	4.8	0.5	0.5
Expected dividend yield (%)	2	2	2
Fair value per option (pence)	25	10	2–3

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.

The group recognised an expense of £89,000 (2009: £27,000) related to equity settled share-based payments.

Notes to the consolidated financial statements
for the year ended 30 April 2010 continued

22. Reconciliation to the cash flow statement

	2010 £'000	2009 £'000
Profit for the year	**5,592**	3,812
Adjustments for:		
Tax	**3,126**	2,474
Finance costs	**886**	1,741
Amortisation of intangible assets	**604**	1,176
Depreciation of property, plant and equipment	**1,821**	1,732
Impairment loss on equipment and motor vehicles	**18**	—
Exceptional restructuring costs relating to asset write downs	**369**	—
Loss on disposal of property, plant and equipment	**94**	266
Loss on disposal of discontinued operations	—	219
Share-based payment expense	**89**	27
Operating cash flows before movements in working capital	**12,599**	11,447
Increase in receivables	**(6,624)**	(10,228)
Increase (decrease) in payables	**766**	(1,242)
Cash generated (absorbed) by operations	**6,741**	(23)

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.

23. Contingent liabilities
The group had no material contingent liabilities at 30 April 2010 or 30 April 2009.

24. Operating lease arrangements
The group as lessee

	2010 £'000	2009 £'000
Minimum lease payments under operating leases recognised as an expense in the year	**2,509**	2,393

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:

	2010 £'000	2009 £'000
Within one year	**2,535**	2,132
In the second to fifth years inclusive	**7,606**	6,536
After five years	**2,128**	2,683
	12,269	11,351

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 £103,000 (2009: £116,000) arising from a sublease on one of the group's leased office properties.

At the balance sheet date, the group had contracted with a tenant for the following minimum lease payments:

	2010 £'000	2009 £'000
Within one year	**81**	122
In the second to fifth years inclusive	**169**	373
	250	495

On 12 May 2010, the tenant requested a reduction in the lease term, which the group granted. Consequently, the future minimum lease payments at the balance sheet date have reduced to £27,000, which is all receivable within one year.

25. Pensions

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

The total cost charged to income of £488,000 (2009: £393,000) represents contributions payable to these schemes by the group at rates specified in the rules of the plans. As at 30 April 2010, contributions of £82,000 (2009: £63,000) due in respect of the current year had not been paid over to the schemes.

26. 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 £43,000 (2009: £27,000). Further information about the remuneration of individual directors is provided in the directors' remuneration report on pages 12 and 13.

At 30 April 2010, £102,000 (2009: £350,000) 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 and Andrew Dick and their personal pension funds. Rent and service charges paid on those properties by entities within the group in the year totalled £501,000 (2009: £580,000).

At 30 April 2010, £119,000 (2009: £109,000) was payable in respect of these transactions.

27. Post balance sheet event

On 7 June 2010 the group acquired Tomlinsons, a Manchester-based firm of business recovery and insolvency practitioners.

Independent auditors' 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 2010, which comprise the company balance sheet and the related notes 1 to 8. The financial reporting framework that has been applied in their preparation is applicable law and UK 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 auditors' 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 auditors

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 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 ('APB'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 2010;
- 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 2010.

William Smith (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Manchester, UK
8 July 2010

Company balance sheet
at 30 April 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Investment in subsidiaries	3	**28,242**	28,238
Current assets			
Debtors	4	**35,633**	34,309
Creditors: amounts falling due within one year			
Other creditors and accruals		**(3)**	(7)
Borrowings	5	**(656)**	(686)
Deferred consideration		**(914)**	(1,225)
		(1,573)	(1,918)
Net current assets		**34,060**	32,391
Total assets less current liabilities		**62,302**	60,629
Creditors: amounts falling due after more than one year			
Borrowings	5	**(504)**	(760)
Deferred consideration		**—**	(915)
Net assets		**61,798**	58,954
Capital and reserves			
Called up share capital	6	**4,530**	4,459
Share premium account	7	**34,686**	34,384
Merger reserve	7	**17,584**	17,584
Profit and loss account	7	**4,998**	2,527
Shareholders' funds	8	**61,798**	58,954

The financial statements of Begbies Traynor Group plc, registered number 5120043, were approved by the board of directors and authorised for issue on 8 July 2010. They were signed on its behalf by:

Ric Traynor
Executive chairman

John Gittins
Chief financial officer

Notes to the company financial statements
for the year ended 30 April 2010

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 UK 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 profit for the financial year ended 30 April 2010 of £4,975,000 (2009: £2,522,000).

The auditors' 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 2009	29,806
Adjustments	4
At 30 April 2010	**29,810**
Provision for impairment	
At 1 May 2009 **and 30 April 2010**	**1,568**
Net book value	
At 30 April 2010	**28,242**
At 30 April 2009	28,238

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 McInnes Corporate Finance LLP	Corporate finance	England and Wales
BTG Intelligence Limited	Investigation agency	England and Wales
BTG Consulting LLP	Asset consulting	England and Wales
BTG Tax LLP	Tax consultancy	England and Wales
Shaws Group Limited+	Tax consultancy	England and Wales
Shaws (Cyprus) Limited	Tax consultancy	Cyprus
Shaws IPM Limited	Tax consultancy	Cyprus

+ Shares are held by subsidiary undertakings, except where marked where shares are held directly by Begbies Traynor Group plc.

All share-holdings 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.

A full list of the company's subsidiary entities is included in the company's annual return.

4. Debtors

	2010 £'000	2009 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	**35,574**	34,291
Other debtors	**59**	18
	35,633	34,309

5. Borrowings

	2010		2009	
	Due within one year £'000	**Due after one year £'000**	Due within one year £'000	Due after one year £'000
Bank loans	**656**	**504**	686	760

The company has the following unsecured bank loans:

(i) borrowings of £512,000 (2009: £1,062,000), repayable over one to three years. Interest on these loans is variable at 0.75% over base rate, subject to a minimum interest rate of 3%;

(ii) borrowings of £254,000 (2009: £384,000), repayable over two years. Interest on this loan is fixed at 4.83%; and

(iii) borrowings of £394,000 (2009: £nil), repayable over four years. Interest on this loan is fixed at 6.27%.

Bank loans fall due as follows:

	2010 £'000	2009 £'000
Within 1 year	**656**	686
1–2 years	**258**	561
2–5 years	**246**	199
	1,160	1,446

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

	2010 Thousand	2009 Thousand	**2010 £'000**	2009 £'000
Authorised				
Ordinary shares of 5 pence	**149,392**	150,000	**7,470**	7,500
A ordinary shares of 3 pence	**10,000**	—	**300**	—
Allotted, called up and fully paid				
Ordinary shares of 5 pence				
At 1 May	**89,170**	81,210	**4,459**	4,061
Issue of shares for cash	**—**	7,879	**—**	394
Issue of shares in relation to deferred consideration payments	**194**	—	**10**	—
Staff SIP scheme	**108**	81	**5**	4
At 30 April	**89,472**	89,170	**4,474**	4,459
Allotted, called up but not fully paid				
A ordinary shares of 3 pence				
At 1 May	**—**	—	**—**	—
Issue of shares for cash	**1,872**	—	**56**	—
At 30 April	**1,872**	—	**56**	—
Issued share capital	**91,344**	89,170	**4,530**	4,459

Notes to the company financial statements
for the year ended 30 April 2010 continued

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 to two executive directors as set out in note 21 to the consolidated financial statements.

7. Reserves

	Share premium account £'000	Merger reserve £'000	Profit and loss account £'000
At 1 May 2009	34,384	17,584	2,527
Profit for the year	—	—	4,975
Shares issued	302	—	—
Dividends paid	—	—	(2,593)
Credit to equity for equity settled share-based payment	—	—	89
At 30 April 2010	**34,686**	**17,584**	**4,998**

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

8. Reconciliation of movements in equity shareholders' funds

	2010 £'000	2009 £'000
At 1 May	**58,954**	45,979
Proceeds of share issues, net of costs:		
– nominal share capital	**71**	398
– share premium account	**302**	12,227
Profit for the year	**4,975**	2,522
Dividends paid	**(2,593)**	(2,199)
Credit to equity for equity settled share-based payment	**89**	27
At 30 April	**61,798**	58,954

Officers and professional advisors

Directors
R W Traynor
J A Gittins
R G McInnes
G D Hill
J M May
A D Dick (resigned 2 October 2009)

Secretary
J A Humphrey (appointed 8 July 2009)
J A Gittins (resigned 8 July 2009)

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

Auditors
Deloitte LLP
Chartered Accountants
and Statutory Auditors
Manchester

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

Nominated advisor
Shore Capital & Corporate Limited
Bond Street House
14 Clifford Street
London
W1S 4JU

Corporate and financial PR advisors
Hogarth
No 1 London Bridge
London
SE1 9BG

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

designed and produced by
the design portfolio
marketing services.
www.design-portfolio.co.uk

Begbies Traynor Group plc
340 Deansgate
Manchester
M3 4LY
Tel: 0161 837 1700
Fax: 0161 837 1701
Web: www.begbies-traynorgroup.com

Begbies Traynor Group plc

Begbies Traynor Group plc Annual Report and Accounts 2010