Begbies Traynor Group plc
Annual Report and Accounts 2008

Company number 5120043

Specialist Professional Services

Corporate statement

Specialist Professional Services

Begbies Traynor Group plc is a specialist professional services organisation providing independent professional advice and solutions to businesses, financial institutions, the accountancy and legal professions and individuals in the areas of finance, recovery, investigation, risk management, commercial and specialist taxation advice.

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

Our highlights

Financial highlights

- Revenues from continuing operations of £48 1 million (2007 £41 9 million).
  - includes £4 3 million contribution from acquisitions
  - second half organic growth rate of 11% after zero growth in first half
- EBITA of £8 1 million (2007 £10 0 million)
- Adjusted [1] profit before tax of £7 0 million (2007 £9 2 million)
  - strong improvement in second half performance compared to first half
- Profit before tax from continuing operations of £5 7 million (2007 £8.5 million)
- Profit for the year of £1 1 million (2007 £5 0 million) after a £2.4 million impairment charge relating to discontinued operations
- Earnings per share
  - adjusted EPS [2] of 6 0 pence (2007 8 0 pence)
  - basic and fully diluted EPS from continuing operations of 4.7 pence (2007 7 3 pence)
- Total dividend maintained at 2 5 pence per share (2007 2 5 pence)

Operational highlights

- Continued investment in ongoing and new activities
  - five acquisitions completed during the year to boost insolvency and tax practices
  - 23% increase in direct fee earners during the year increases capacity
- Process underway to dispose of consumer insolvency activity and one other non-core business
- Renewed and enhanced banking facilities agreed in April 2008
- Upswing in insolvency activity in 2008 continues
  - high profile engagements including Silverjet, Alphasteel and Carlyle Capital Corporation

Profit before tax from continuing operations of £5 7 million (2007 £8 5 million) plus amortisation of £1 1 million (2007 £0 5 million) plus finance charge arising from the discounting of deferred consideration of £0 2 million (2007 £0 2 million)

[2] See reconciliation in note 11 to the consolidated financial statements

Chairman's statement

Introduction

The year being reported upon was an extraordinary period for our core business of insolvency administration which accounts for over 75% of Group continuing revenues Following one of the quietest periods for corporate insolvency in nearly 20 years, reflecting the ready availability of easy credit the advent of the credit crunch through the autumn of 2007 resulted in a significant change in activity levels

I am therefore pleased to announce improved insolvency activity and performance in the second half of the financial year after the disappointing first half reported in January 2008 The Group's other main operating activities corporate finance and tax consulting, also delivered good second half performances Overall, in this context, the Group has delivered a satisfactory outcome for the year as a whole

Group revenue from continuing operations in the year ended 30 April 2008 was £48 1 million (2007 £41 9 million) with earnings before interest taxation and amortisation ('EBITA') of £8 1 million (2007 £10 0 million) The organic revenue growth rate that is growth excluding acquisitions completed this year, was 11% in the second half compared to the prior year which contrasts with growth of £nil in the first half of the year

Operational review – continuing operations

Insolvency

Insolvency revenues increased by nearly 4% over the previous year to £38 1 million (2007 £36 7 million) Segmental EBITA fell to £7 6 million (2007 £9 3 million)

There has been a significant recovery in work flow in our core activity of business insolvency in the latter part of the financial year This included some high profile engagements for the Group such as Silverjet Alphasteel and Carlyle Capital Corporation The division had been impacted by the weak market conditions for our services in calendar year 2007, when the number of business insolvencies nationally fell by 10% over the previous year (source Government's Insolvency Service)

Our view at the time was that this was a temporary setback and for that reason we continued to invest in our insolvency operations This has been both organically in staff new offices and support infrastructure and by the acquisition of two practices in Leeds and York during the financial year In addition, two further insolvency practices in Southampton and Cardiff were acquired immediately following the year end The investment in the operating base is expected to bear fruit in the more favourable current market conditions

Corporate finance

Corporate finance reported revenues of £4 8 million (2007 £2 8 million) Segmental EBITA fell to £0 5 million (2007 £0 9 million)

Revenue has increased as the Group has expanded its corporate finance activities both through acquiring a successful practice in Newcastle in the second half of last year and organically We have engaged five new partners across the country since the end of the prior year who spent the early part of the financial year building their portfolio of engagements Performance in the second half was therefore stronger as these new partners began to contribute more substantively, following a loss-making first half for the division The overall profit is lower than 2007, when operating margins reflected the strong general market conditions for corporate finance services

Other (including tax)

Revenues in this segment increased by £2 8 million to £5 2 million (2007 £2 4 million) Segmental EBITA was broadly break-even (2007 loss of £0 3 million)

These operations include the Group s newly acquired tax consulting practice, as well as its existing forensics and investigations businesses Our tax activities which focus principally on providing outsourced specialist tax advice via fellow professionals, have performed strongly in the year and provide a solid platform from which to grow into a major service line The forensics and investigations activities were broadly flat when compared to the previous year The Group has also invested in some new start-up service lines of commercial finance and asset management consulting, which have incurred early stage costs in the year but provide important support activity for other major service lines particularly insolvency services

Strategy and objectives

The Group s strategy is to develop a specialist professional services group retaining strong counter-cyclical revenues by both organic growth and acquisition We will

- focus on our core activity of mid-market insolvency, taking advantage of the current upturn in cases resulting from the worsening economic outlook,
- steadily grow our two existing additional service lines of corporate finance and taxation consultancy taking into account the likely short and medium-term outlook in their respective market places and
- broaden our professional services to other areas in due course when prudent to do so in terms of management resource funding and prevailing market conditions

Acquisitions

During the year the Group acquired a number of businesses, as detailed below for a total consideration of £11 8 million

Since the year end we have acquired the insolvency and corporate finance practice of Fanshawe Lofts in Southampton and a small insolvency practice in Cardiff

Insolvency

In November 2007, the Group acquired the insolvency division of Bartfields (UK) Limited which joined our existing Leeds practice In December 2007, the Group acquired David Horner & Co Ltd, an insolvency practice with offices in York, Middlesbrough and Doncaster

Both of these operations have now been successfully integrated and have performed in line with expectations

Tax

In line with the strategy to extend the Group s professional services offering three tax practices were acquired in the year

In May 2007 the Group acquired Stellar Financial Partners LLP, based in Manchester which provides specialised fiscal structuring and investigations consultancy advice to independent financial advisors, financial institutions and general practice accountants

In January 2008 the Group acquired Shaw Tax, previously the largest independent firm of dedicated Chartered Tax Advisors in the United Kingdom Its team specialises in the provision of corporate and personal taxation services including consultancy, compliance, wealth management and trustee services The business operates from Birmingham and London

Finally in February 2008 the Group completed the acquisition of Coyle Clark LLP, a two partner specialist tax investigation practice, which operates from Manchester and Northern Ireland

These three acquisitions, which have a combined pro-forma annual revenue of approximately £5 million, are being integrated into one operation trading as BTG Tax and have performed profitably in line with expectations

Other

In May 2007, the Group invested in Servisional a business improvement and customer relationship management ('CRM') consultancy

Disposals

During the year the Board decided to withdraw from the consumer insolvency market, in light of conditions in this sector and the sub-scale nature of the operation It has taken the decision to initiate offers for the current case book This process is underway and the Group is involved in discussions with a number of interested parties

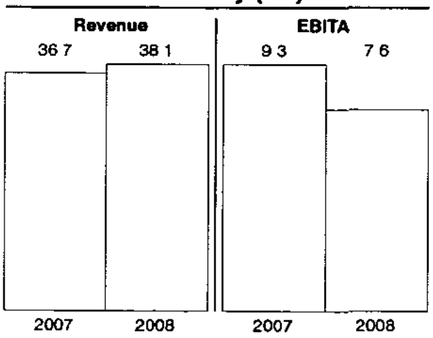
In addition, as a result of a recent review of non-strategic activities, the Board has decided to dispose of the non-core Servisional business This business, although only relatively recently acquired to broaden the Group s service offering, has failed to develop any synergies from being within the Group It is currently being actively marketed for sale

Dividend

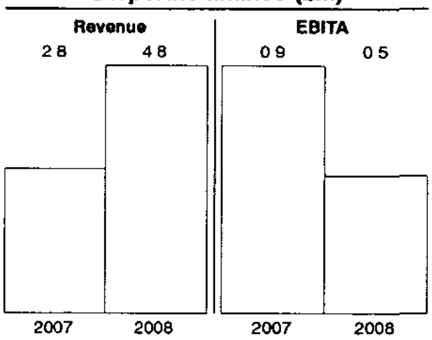
In the light of these results the Board has recommended a maintained final dividend for the year of 1 5 pence per ordinary share If approved the total dividend for the year ended 30 April 2008 will amount to 2 5 pence per share (2007 2 5 pence)

Over the longer term the Board has adopted a progressive dividend policy, which takes account of the underlying growth in earnings whilst acknowledging the requirement for continuing investment to underpin growth over the longer term

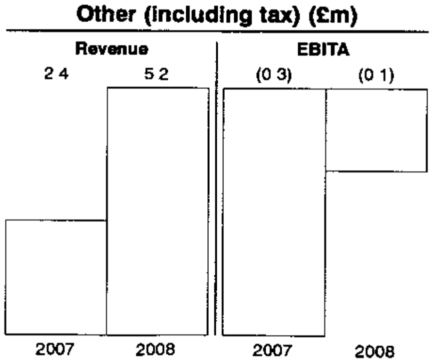
Insolvency (£m)



Corporate finance (£m)



Other (including tax) (£m)



Chairman's statement
continued

Board changes

We have taken the opportunity to strengthen the Board this year with a number of appointments and responsibility changes

John Gittins, who previously held the Finance Director role in a number of fast growing support services companies joined the Board as Chief Financial Officer in October 2007 Graham McInnes, who has served as Chief Financial Officer since our flotation in 2004 has taken on the role of Corporate Development Director and also Executive responsible for the corporate finance practice

Geoffrey Hill who was a Non-executive Director until October 2007, has now taken on an Executive role as Board member responsible for bringing together the Group s recently acquired tax practices as well as its forensic and intelligence activities Geoffrey is a Chartered Accountant and was previously Senior Partner at a large independent practice in Leeds and led its merger with a top 15 United Kingdom accounting practice

Finally, John May joined the Board in October 2007 as a Non-executive Director John brings considerable experience of the management of growing service companies from his background as an Executive Director of Caledonia Investments plc and previously Hambros Group

We believe these changes strengthen the Board and provide the appropriate focus on our three key service lines in order to implement our clearly defined growth strategy

People

Our most valued asset is the expertise, professionalism and commitment of our people and I thank all of them for their contribution to our results this year We now have 447 direct fee earners (an increase of 23% compared to a year ago) and 133 in support functions

In addition we have recently redesigned the partner reward platform so that going forward partners are highly motivated and incentivised financially to deliver long-term, sustainable growth within our various markets

Outlook

The Group starts the new financial year with an enhanced insolvency platform, a replenished insolvency case load and market indicators which continue to predict stronger demand in this, our counter-cyclical core business The Board therefore looks forward to a sustained period of improved new work flow and insolvency returns

The '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 May 2008 revealed that the number of United Kingdom companies experiencing critical or significant problems in the first quarter of 2008 had increased substantially over the same period in 2007 The statistics for the second quarter of 2008 are due for publication later this month and will show further significant deterioration

We have broadly completed the roll-out of our national corporate finance complement Given the current economic environment, the mix of our work is expected to shift towards business and debt advisory and support activities and be less dependent on capital transactions We believe this will generate a sustainable level of activity

We have now established critical mass in our third major service line, taxation, and we believe this has significant growth potential both organically and by acquisition

Overall activity levels at the start of the current financial year are well ahead of the same period last year and we will provide an update on progress at the time of the company's Annual General Meeting ('AGM') in October

Ric Traynor
Executive Chairman
9 July 2008

Financial review

Financial highlights

The Group s revenue from continuing operations in the year was £48 1 million (2007 £41 9 million) an increase of £6 2 million or 15% Current year acquisitions contributed £4 3 million of this growth, with the remainder largely generated through organic growth in existing service lines particularly in the second half of the year when we experienced a recovery in insolvency activities and generated returns from first half investments in our corporate finance practice On an annualised basis, the acquisitions reported approximately £8 million of revenues

EBITA decreased to £8 1 million (2007 £10 0 million) at a reduced margin of 17% (2007 24%) The decrease in margin is due to the difficult market conditions in the first half of the financial year in the insolvency division and the Group's continued investment in growth ahead of profit delivery This included recruitment into existing service teams and support infrastructure the establishment of new service lines a new Manchester headquarters and the continued development of the Begbies Global Network The full year performance masks the improvement experienced in the second half year, with an 80% increase in EBITA in the second half to £5 2 million from £2 9 million in the first half

Amortisation increased to £1 1 million (2007 £0 5 million), due to the combination of the full year impact of prior year acquisitions and current year acquisitions Finance costs increased to £1 3 million (2007 £1 0 million) due to increased levels of net debt due to our general investment activities and higher interest rates

Adjusted profit before tax was £7 0 million (2007 £9 2 million) Profit before tax was £5 7 million (2007 8 5 million)

The tax charge was £1 9 million (2007 £3 0 million) which represents an effective rate of 33% (2007 35%) The reduction in effective rate in the year is largely due to the change in tax rate from 30% to 28% in relation to the Group s deferred tax liabilities

Profit for the year from continuing operations was £3 8 million (2007 £5 5 million)

Discontinued operations

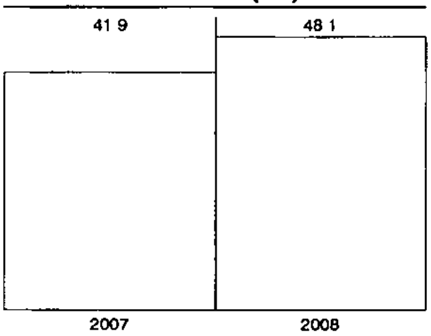
As the Board has resolved to dispose of the Group's consumer insolvency and CRM consultancy operations IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations requires the financial results for these activities to be disclosed as discontinued operations in the income statement and the carrying value of the net assets to be written down to the fair value of the assets less costs to sell This has resulted in a non-cash adjustment to the net assets carrying value of £2 4 million

Discontinued operations after non-cash write down costs noted above, generated a loss after tax of £2 8 million (2007 loss of £0 5 million) The carrying value of the assets of £1 1 million and liabilities of £0 5 million are separately disclosed on the balance sheet

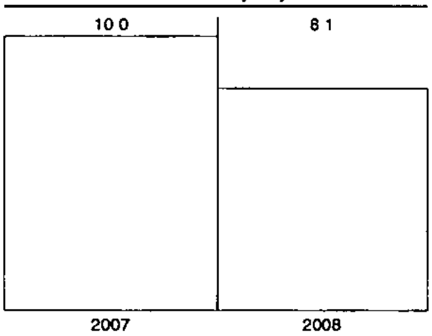
Earnings per share ('EPS')

EPS from continuing operations ² adjusted for the net of tax impact of amortisation and the finance charge arising from the discounting of deferred consideration liabilities, was 6 0 pence (2007 8 0 pence) Basic and fully diluted EPS from continuing operations was 4 7 pence (2007 7 3 pence)

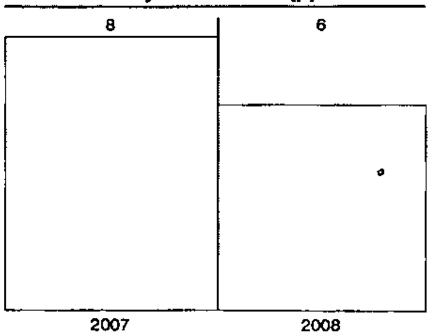
Revenue [3] (£m)



EBITA [3] (£m)



Adjusted EPS [2] (p)



[1] Profit before tax from continuing operations of £5 7 million (2007 £8 5 million) plus amortisation of £1 1 million (2007 £0 5 million) plus finance charge arising from the discounting of deferred consideration of £0 2 million (2007 £0 2 million)

[2] See reconciliation in note 11 to the consolidated financial statements

[3] From continuing operations

Financial review
continued

Financing

In April 2008 the Group renewed and increased its banking facilities to support future growth The new facilities include a £20 million three year, revolving credit facility ('RCF') and a £5 million overdraft Interest on the RCF is charged at 1 4% over LIBOR and on the overdraft is 1 5% over bank base rate At 30 April 2008 £7 million of the RCF and the entire £5 million overdraft were undrawn The Group continues to use other sources of finance as appropriate including hire purchase contracts and bank loans

Gross borrowings at 30 April 2008 were £18 4 million (2007 £5 8 million) giving gearing of 37% (2007 12%) Interest cover was 6 2 times (2007 10 4 times)

Cash flows

Operating cash flows in the year decreased to £5 8 million (2007 £8 1 million) principally due to the reduced levels of operating profits noted above 2008 was a significant year of investment for the Group, with £4 5 million of capital investment including the development of the new head office, £6 3 million of payments in relation to current year acquisitions and a further £2 8 million of deferred consideration payments This investment has been financed through a combination of new bank loans, hire purchase contracts and drawdown of the Group's RCF, resulting in an inflow from investing of £10 0 million

Net assets

At 30 April 2008 net assets were £49 4 million (2007 £49 8 million)

Non-current assets increased to £57 2 million (2007 £46 7 million), as a result of goodwill and intangible assets recognised on acquisitions in the year and the Group's investments noted above

Current assets increased to £31 3 million (2007 £25 2 million) principally from increased trade receivables and recoverable income and costs on cases due to the combination of acquired businesses and working capital absorption of the Group's organic revenue growth in the year, particularly in the second half

Total liabilities increased to £39 0 million (2007 £22 1 million) due to increased gross borrowings of £12 6 million following the investing activities in the year noted above additional deferred consideration of £2 6 million due to current year acquisitions and other increases in working capital liabilities of £1 7 million Total liabilities include £7 7 million of deferred consideration payments of which £3 9 million is payable within one year

International Financial Reporting Standards ('IFRS')

This is our first year reporting under IFRS the effect of which on comparative periods is set out in note 27 to the consolidated financial statements

The principal adjustments relate to acquisition accounting IFRS 3 'Business Combinations requires the recognition of intangible assets separately from goodwill, that goodwill is not amortised but is subject to annual impairment reviews and that deferred consideration is provided at net present value with the unwind of the discount rate charged to the consolidated income statement over the period to payment

John Gittins
Chief Financial Officer
9 July 2008

Directors' report

The Directors present their Annual Report on the affairs of the Group together with the financial statements and auditors' reports for the year ended 30 April 2008

Principal activity

During the year under review the Group s principal activity involved the provision of professional services to clients based in the United Kingdom

The subsidiary and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in note 4 to the company financial statements

Business review

The company is required by section 234 of the Companies Act 1985 to set out in this report a fair review of the business of the Group during the financial year ended 30 April 2008 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 4 and the Financial Review on pages 5 to 6 A description of the principal risks and uncertainties facing the Group is contained within the Directors' Report below

Post balance sheet events

In May 2008 the Group acquired Fanshawe Lofts, a business insolvency and corporate finance practice based in Southampton and Bath and a further small insolvency practice in Cardiff

Dividends

The Directors recommend a final dividend of 1 5 pence per ordinary share which together with the interim dividend of 1 pence paid on 7 April 2008, makes a total of 2 5 pence for the year (2007 2 5 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 19 The company has one class of ordinary shares which carry no right to fixed income 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 both 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 shares are fully paid

With regard to the appointment and replacement of Directors the company is governed by its Articles of Association, the Companies Acts and related legislation The articles themselves may be amended by special resolution of the shareholders The powers of Directors are described in the main Board terms of reference copies of which are available on request and the Corporate Governance Statement on page 12

Under its Articles of Association, the company has authority to issue 100,000,000 shares

Business risk

The key risks to the business are the preservation of the flow of new assignments and the retention of professional staff The former is managed through consistent effort in marketing brand awareness initiatives and selling activity The latter is controlled by attention to human resource issues and the monitoring of remuneration levels against the wider market

Financial risk

Details of financial instruments and risk factors are set out in note 18 to the financial statements

Directors' report
continued

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

Name of director	Board title	Age	Date of appointment
Ric Traynor	Executive Chairman	48	5 May 2004
Andrew Dick	Chief Operating Officer	43	5 May 2004
John Gittins	Chief Financial Officer	48	12 October 2007
Geoffrey Hill	Executive Director	60	25 September 2006
Graham McInnes	Corporate Development Director	57	24 September 2004
John May	Non-executive Director	53	12 October 2007

Graham McInnes and Geoffrey Hill retire by rotation at the next Annual General Meeting and being eligible, offer themselves for re-election

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 2008 were equivalent to 36 (2007 23) 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 £22,000 (2007 £30,000), principally to local charities serving the communities in which the Group operates

No political donations were made during the year (2007 £nil)

Substantial shareholdings
On 1 July 2008, the company had been notified, in accordance with sections 198 to 208 of the Companies Act 1985 of the following interests in the ordinary share capital of the company

Name of holder	Number	Percentage held
Caledonia Investments plc	8,796 257	10 83%
Bank of New York DBV Account	3,583,973	4 41%
Baillie Gifford	3,400,494	4 19%
ISIS Equity Partners	3 398 846	4 18%
Octopus Investments	2,612,400	3 22%

Other than the above holdings and those of Directors (see page 11), 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

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 without reference to sex, race, age, religion or disability 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 person who is a Director 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 Directors have taken all the steps that they ought to have taken as Directors in order to make themselves 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 s234ZA of the Companies Act 1985

Howarth Clark Whitehill LLP resigned as auditors during the year

Deloitte & Touche LLP were appointed as auditors on 10 October 2007 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 Gittins
Company Secretary
9 July 2008

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 The Directors are required by the IAS Regulation to prepare the Group financial statements under International Financial Reporting Standards ('IFRSs') as adopted by the European Union The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the company's financial position financial performance and cash flows This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets liabilities income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements' In virtually all circumstances a fair presentation will be achieved by compliance with all applicable IFRSs However, Directors are also required to

- properly select and apply accounting policies,
- present information including accounting policies, in a manner that provides relevant, reliable comparable and understandable information and
- 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

The Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The parent company financial statements are required by law to give a true and fair view of the state of affairs of the company In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and 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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the parent company financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

Directors' remuneration report

The company is not obliged to comply with the provisions of the Directors' Remuneration Report Regulations 2002 and the information below does not constitute a 'Directors Remuneration Report within the meaning of those regulations

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 with service of at least one year 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 and death in service benefits

Directors fees are fixed by the Board The profit shares and consultancy charges disclosed are the amounts charged against operating profit in the consolidated profit and loss account for the year ended 30 April 2008

Directors' emoluments

Name of director	Fees/ basic salary/ profit share £	Bonus £	Benefits in kind £	**2008 Total £**	2007 Total £
Executive					
Ric Traynor	200,000	—	32 016	**232,016**	361,792
Andrew Dick	150,000	—	37,976	**187,976**	349,044
John Gittins	154,167	25,000	14,500	**193,667**	—
Graham McInnes	101 850	—	3 194	**105,044**	223 135
Geoffrey Hill [2]	70,000	25,000	—	**95,000**	—
Non-executive					
Paul Rhodes	—	—	—	**—**	7,500
Geoffrey Hill [2]	46 417	—	—	**46,417**	45,583
Aggregate emoluments	722,434	50,000	87,686	**860,120**	987,054
Fees to third parties					
John May (Non-executive)	10 799	—	—	**10,799**	—

[1] John Gittins joined the Group in July 2007 and was appointed to the Board in October 2007 The total remuneration for the period from July is disclosed above

[2] Geoffrey Hill acted as a Non-executive Director up to 12 October 2007 and his emoluments for that period have been disclosed accordingly

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 2008 had the following interests in the shares and debentures of Group undertakings

Name of director	Description of shares	**30 April 2008 Beneficial**	**%**	1 May 2007 or subsequent date of appointment Beneficial	%
Ric Traynor	Ordinary shares	**26,311,697**	**32 5**	26 311 697	32 5
Andrew Dick	Ordinary shares	**7,661,518**	**9 5**	7,661,518	9 5
John Gittins		**—**	**—**	—	—
Geoffrey Hill		**—**	**—**	—	—
Graham McInnes	Ordinary shares	**948,344**	**1.2**	948 344	1 2
John May		**—**	**—**	—	—

No changes took place in the interests of Directors between 30 April 2008 and 1 July 2008

Corporate governance statement

The Board is committed to high standards of corporate governance and although as an AIM listed company is not bound by the corporate governance rules and codes, the Directors adopt them as appropriate to the company's status

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 Operating Officer, 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, 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 Corporate Development Director Chief Financial Officer and a representative of the external auditors will normally attend meetings The committee meets at least half yearly 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, is responsible for all elements of the remuneration of the Executive Directors The committee performs its functions in accordance with its terms of reference

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

After making enquiries, the Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future For this reason the Directors continue to adopt the going concern basis in preparing the 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 2008 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement and the related notes 1 to 27 These Group financial statements have been prepared under the accounting policies set out therein

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

This report is made solely to the company s members, as a body, in accordance with s235 of the Companies Act 1985 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

The Directors responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the Group financial statements give a true and fair view, whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit or if information specified by law regarding Director s remuneration and other transactions is not disclosed

We read the other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements The other information comprises only the Chairman's Statement, the Financial Review, the Directors Report, the Directors' Remuneration Report and the Corporate Governance Statement We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements Our responsibilities do not extend to any further information outside the Annual Report

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements

Opinion

In our opinion

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group s affairs as at 30 April 2008 and of its profit for the year then ended
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation, and
- the information given in the Directors Report is consistent with the Group financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester
United Kingdom
9 July 2008

Consolidated income statement
for the year ended 30 April 2008

	Notes	2008 £'000	2007 £'000
Continuing operations			
Revenue	3	**48,108**	41 910
Direct costs		**(24,270)**	(18 627)
Gross profit		**23,838**	23 283
Other operating income	3	**4**	9
Administrative expenses		**(15,720)**	(13,320)
Earnings before interest, tax and amortisation		**8,122**	9,972
Amortisation		**(1,125)**	(520)
Finance costs	7	**(1,320)**	(957)
Profit before tax		**5,677**	8 495
Tax	8	**(1,873)**	(2,975)
Profit for the year from continuing operations		**3,804**	5,520
Discontinued operations			
Loss for the year from discontinued operations	9	**(2,752)**	(480)
Profit for the year		**1,052**	5,040
Attributable to			
Equity holders of the parent		**1,172**	5,040
Minority interest		**(120)**	—
		1,052	5 040
Earnings per share			
From continuing operations			
Basic and diluted	11	**4 7**	7 3
From continuing and discontinued operations			
Basic and diluted	11	**1 4**	6 7

There are no recognised gains in either year other than the profit for that year

Consolidated balance sheet

at 30 April 2008

	Notes	2008 £'000	2007 £'000
Non-current assets			
Intangible assets	12	**50,399**	42,432
Property, plant and equipment	13	**6,843**	4 277
		57,242	46 709
Current assets			
Trade and other receivables	14	**29,558**	24 718
Cash and cash equivalents		**553**	527
Assets held for sale	9	**1,140**	—
		31,251	25,245
Total assets		**88,493**	71,954
Current liabilities			
Trade and other payables	15	**(13,908)**	(11,337)
Current tax liabilities		**(171)**	(1,485)
Financial liabilities	16	**(2,324)**	(667)
Liabilities directly associated with assets classified as held for sale	9	**(465)**	—
		(16,868)	(13,489)
Net current assets		**14,383**	11,756
Non-current liabilities			
Trade and other payables	15	**(3,833)**	(2 316)
Non-current tax liabilities		**—**	(193)
Financial liabilities	16	**(16,032)**	(5,131)
Deferred tax	17	**(2,311)**	(1,000)
		(22,176)	(8 640)
Total liabilities		**(39,044)**	(22,129)
Net assets		**49,449**	49,825
Equity			
Share capital	19	**4,061**	4,044
Share premium	20	**22,157**	21,696
Merger reserve	20	**17,584**	17,584
Retained earnings	20	**5,647**	6 501
Equity attributable to equity holders of the parent		**49,449**	49,825
Minority interest	20	**—**	—
Total equity		**49,449**	49,825

The financial statements were approved by the Board of Directors and authorised for issue on 9 July 2008 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 2008

	Notes	2008 £'000	2007 £'000
Cash flows from operating activities			
Cash generated by operations	22	**5,831**	8,054
Income taxes paid		**(1,835)**	(1 981)
Interest paid		**(1,085)**	(700)
Net cash flows from operating activities		**2,911**	5,373
Investing activities			
Proceeds on disposal of property, plant and equipment		**678**	301
Purchases of property, plant and equipment		**(4,472)**	(1,942)
Deferred consideration payments in the year		**(2,779)**	(3 487)
Acquisition of subsidiaries		**(6,306)**	(3,185)
Net cash used in investing activities		**(12,879)**	(8,313)
Financing activities			
Dividends paid		**(2,026)**	(1,505)
Hire purchase finance received		**2,326**	1 055
Repayments of hire purchase finance obligations		**(1,154)**	(939)
Proceeds on issue of shares		**478**	7 787
Repayment of loans		**(250)**	—
New loans raised		**2,125**	—
Drawdown (repayment) of bank facility		**8,495**	(3 529)
Net cash from financing activities		**9,994**	2 869
Net increase (decrease) in cash and cash equivalents		**26**	(71)
Cash and cash equivalents at beginning of year		**527**	598
Cash and cash equivalents at end of year		**553**	527

Notes to the consolidated financial statements

for the year ended 30 April 2008

1 General information

Begbies Traynor Group plc is a company incorporated in the United Kingdom under the Companies Act 1985 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 7

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 Group has adopted International Financial Reporting Standards ('IFRSs') in the current year The impact on comparative periods is included in note 27 The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation

The financial statements have been prepared on the historical cost basis and all accounting policies have been applied consistently

(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

(c) 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 The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 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 which are recognised and measured at fair value less costs to sell

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

(d) 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 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 on intangible assets is charged at 20% – 50% of cost per annum

Notes to the consolidated financial statements

for the year ended 30 April 2008 continued

2 Accounting policies continued

(e) 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, other than land, over their estimated useful lives, on the following basis

Computers	–	33% of cost
Motor vehicles	–	25% of opening book value
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

(f) 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

(g) 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

(h) 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

2. Accounting policies continued

(i) 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 and 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

(j) Revenue recognition

Professional services (Insolvency, Forensics Tax and Corporate Finance)

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 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

Unbilled revenue on individual client assignments is included within recoverable income and costs on cases within current assets

Consumer debt

Nominee fees are recognised following the approval of the creditors' meeting for the Individual Voluntary Arrangements ('IVAs')

Supervisory fees are recognised over the life of IVAs

Re-mortgage commission is recorded at the date on which approval of the mortgage is obtained from the provider

Debt management fees are recorded as the services are provided

(k) Borrowing costs

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

(l) Pensions and retirement benefits

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

(m) Taxation

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

Current taxation

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

Deferred taxation

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

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

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

Notes to the consolidated financial statements

for the year ended 30 April 2008 continued

2. Accounting policies continued

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

EBITA includes the results from operating activities of the Group, stated before finance costs amortisation of intangible assets arising on acquisition and taxation

(o) 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, require management to make subjective judgements concerning the fair value of cash generating units Estimates of fair value are consistent with market information and the Group's plans and forecasts

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

(p) 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 and interpretations will have no material impact on the Group s financial statements The Directors anticipate that the Group will adopt these standards and interpretations on their effective dates

IFRS 8 Operating Segments' issued in November 2006 effective for periods beginning on or after 1 January 2009

IAS 23 'Borrowing Costs revised version issued in March 2007 effective for periods beginning on or after 1 January 2009

IAS 1 'Presentation of Financial Statements', revised version issued in September 2007, effective for periods beginning on or after 1 January 2009

IFRS 3 'Business Combinations , revised version issued in January 2008 effective for periods beginning on or after 1 July 2009

IAS 27 Consolidated and Separate Financial Statements', issued in January 2008, effective for periods beginning on or after 1 July 2009

Interpretations in issue but not considered relevant to the activities of the Group are as follows

IFRS 2 'Share Based Payment Vesting Conditions and Cancellations'

IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation'

IFRIC 12 Service Concession Arrangements

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'

IFRIC 13 Customer Loyalty Programmes

IFRIC 15 'Agreements for the Construction of Real Estate'

IFRIC 16 Hedges of a Net Investment in a Foreign Operation'

3. Revenue

An analysis of the Group's revenue is as follows

	2008 £'000	2007 £'000
Continuing operations		
Rendering of professional services	**48,108**	41,910
Other operating income	**4**	9
	48,112	41,919
Discontinued operations		
Rendering of professional services	**2,540**	2 573
	50,652	44,492

4. Business and geographical segments

Business segments

For management purposes, the Group is currently organised into three operating segments These segments are the basis on which the Group reports its primary segmental information

The principal activities are as follows

- insolvency
- corporate finance, and
- other professional services principally the Group's tax consulting practice and its forensics and investigations businesses

Segmental information about these businesses is presented below

	Insolvency 2008 £'000	Corporate finance 2008 £'000	Others 2008 £'000	Consolidated 2008 £'000
Revenue (from continuing operations)				
Total revenue	38 099	4,867	5 375	48,341
Inter-segment revenue	—	(107)	(126)	(233)
External revenue	38 099	4,760	5 249	48 108
Segmental result	7 640	544	(62)	8,122
Amortisation				(1,125)
Finance costs				(1 320)
Profit before tax				5 677
Tax				(1,873)
Profit for the year from continuing operations				3,804
Balance sheet				
Assets				
Segment assets	67 180	6,021	11 821	85 022
Unallocated corporate assets				2,331
Assets held for sale				1,140
Total assets				88 493
Liabilities				
Segment liabilities	(10,635)	(1,718)	(6,712)	(19,065)
Unallocated corporate liabilities				(19,514)
Liabilities directly associated with assets classified as held for sale				(465)
Total liabilities				(39,044)

Unallocated amounts above include current and deferred tax liabilities and financial liabilities

Notes to the consolidated financial statements
for the year ended 30 April 2008 continued

4 Business and geographical segments continued
Business segments continued

Other information	Insolvency 2008 £'000	Corporate finance 2008 £'000	Others 2008 £'000	Discontinued operations 2008 £'000	Unallocated amounts 2008 £'000	Consolidated 2008 £'000
Capital additions	1,874	127	473	10	1,988	4 472
Depreciation and amortisation	1,659	167	632	282	178	2 918

	Insolvency 2007 £ 000	Corporate finance 2007 £ 000	Others 2007 £ 000	Consolidated 2007 £ 000
Revenue (from continuing operations)				
Total revenue	36 708	2,768	2,461	41 937
Inter-segment revenue	—	(9)	(18)	(27)
External revenue	36 708	2 759	2 443	41 910
Segmental result	9 348	910	(286)	9,972
Amortisation				(520)
Finance costs				(957)
Profit before tax				8 495
Tax				(2,975)
Profit for the year from continuing operations				5,520
Balance sheet				
Assets				
Segment assets	61,738	5 283	918	67,939
Unallocated corporate assets				1,244
Discontinued operations				2,771
Total assets				71,954
Liabilities				
Segment liabilities	(14,641)	(1 673)	(900)	(17,214)
Unallocated corporate liabilities				(4,377)
Discontinued operations				(538)
Total liabilities				(22 129)

Unallocated amounts above include current and deferred tax liabilities and financial liabilities

Other information	Insolvency 2007 £ 000	Corporate finance 2007 £ 000	Others 2007 £ 000	Discontinued operations 2007 £ 000	Unallocated amounts 2007 £ 000	Consolidated 2007 £ 000
Capital additions	1 408	111	142	143	138	1 942
Depreciation and amortisation	1,369	148	51	41	53	1,662

Geographical segments
The Group's principal operations are located in the United Kingdom

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

	2008 £'000	2007 £ 000
Depreciation of property plant and equipment	**1,519**	1,142
Amortisation of intangible assets arising on acquisitions	**1,399**	520
Impairment of property, plant and equipment	**39**	—
Impairment of goodwill	**1,662**	—
Impairment of intangible assets	**549**	—
Impairment of receivable balances	**313**	263
Reversal of impairment losses recognised on trade receivables	**(95)**	(197)
Staff costs (see note 6)	**27,224**	21,991

5. Profit for the year continued

During the year, the Group obtained the following services from the Group s auditors, at the costs detailed below

	2008 £'000	2007 £ 000
Audit services		
– company	**25**	15
– other Group entities	**45**	50
	70	65
Non-audit services		
– taxation services	**—**	11
– remuneration services	**15**	—
– other services	**5**	—
	90	76

Fees payable to Deloitte & Touche 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

6. Staff costs

The average monthly number of persons (including Executive Directors) working within the Group was

	2008 Number	2007 Number
Partners and consultants	**80**	63
Fee earning staff	**328**	286
Support staff	**115**	90
	523	439

	2008 £'000	2007 £ 000
Their aggregate remuneration comprised		
Wages and salaries	**25,432**	20 617
Social security costs	**1,490**	1 140
Other pension costs	**302**	234
	27,224	21 991

7. Finance costs

	2008 £'000	2007 £ 000
Interest on bank overdrafts and loans	**944**	722
Finance charges on hire purchase instalments	**141**	70
Total interest expense	**1,085**	792
Unwinding of discount on deferred consideration liabilities	**235**	165
Total finance costs	**1,320**	957

8 Tax

	Continuing operations		Discontinued operations		Total	
	2008 £'000	2007 £ 000	2008 £'000	2007 £ 000	2008 £'000	2007 £ 000
Current tax charge (credit)	**809**	2 113	**(499)**	(206)	**310**	1 907
Adjustment	**—**	34	**—**	—	**—**	34
Deferred tax (note 17)	**1,064**	828	**34**	—	**1,098**	828
	1,873	2 975	**(465)**	(206)	**1,408**	2,769

Corporation tax is calculated at 30% (2007 30%) of the estimated assessable profit for the year

Notes to the consolidated financial statements
for the year ended 30 April 2008 continued

8 Tax continued

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

	2008 £'000	2007 £'000
Profit before tax		
Continuing operations	**5,677**	8,495
Discontinued operations	**(3,217)**	(686)
	2,460	7,809
Notional tax charge at the UK corporation tax rate of 30% (2007 30%)	**738**	2,343
Adjustments in respect of current income tax of prior years	**—**	34
Tax effect of expenses that are not deductible in determining taxable profit	**349**	392
Non-deductible costs incurred on re-measurement of discontinued operations to fair value	**470**	—
Impact of change in rate	**(89)**	—
Short-term timing differences at 28% (2007 30%)	**(60)**	—
Total tax expense reported in the income statement	**1,408**	2,769

9. Discontinued operations

During the year the Board decided to withdraw from the consumer insolvency market in light of conditions in this sector and the sub-scale nature of the operation, and has taken the decision to initiate offers for the current case book The case book is being actively marketed for sale and there is an expectation that a transaction will qualify for recognition as a completed sale within one year

In addition, as a result of a recent review of non-strategic activities the Board have decided to dispose of the non-core Servisional business a CRM consultancy This business is being actively marketed for sale and there is an expectation that a transaction will qualify for recognition as a completed sale within one year

These two businesses therefore meet the definition of a disposal group in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' as at 30 April 2008 and are therefore classified as held for sale and discontinued operations

In accordance with IFRS 5 an adjustment to fair value less costs to sell has been recognised The adjustment to carrying value of £2,357,000 was allocated against goodwill of £1,662,000, intangible assets of £549,000, tangible assets of £39 000 and trade and other receivables of £107,000

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

	2008 £'000	2007 £'000
Revenue	**2,540**	2 573
Direct costs	**(1,753)**	(1,426)
Gross profit	**787**	1,147
Administrative expenses	**(1,373)**	(1,833)
EBITA	**(586)**	(686)
Amortisation	**(274)**	—
Loss recognised on the measurement to fair value less costs to sell	**(2,357)**	—
Loss before tax	**(3,217)**	(686)
Tax	**465**	206
Loss for the year from discontinued operations	**(2,752)**	(480)

Revenue from the Group's discontinued operations was derived within the United Kingdom

During the year the discontinued operations generated net operating cash out flows of £498,000 received £8 000 in respect of investing activities and paid £nil in respect of financing activities

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows

	£'000
Goodwill	**247**
Property plant and equipment	**91**
Trade and other receivables	**802**
Total assets classified as held for sale	**1,140**
Trade and other payables	**(462)**
Tax liabilities	**(3)**
Total liabilities directly associated with assets classified as held for sale	**(465)**
Net assets of disposal group	**675**

10 Dividends

	2008 £'000	2007 £'000
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 30 April 2007 of 1 5p (2006 1p) per share	**1,214**	749
Interim dividend for the year ended 30 April 2008 of 1p (2007 1p) per share	**812**	756
	2,026	1,505
Proposed final dividend for the year ended 30 April 2008 of 1 5p (2007 1 5p) per share	**1,218**	1 214

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

	2008 £'000	2007 £'000
Earnings		
Profit for the year from continuing operations attributable to equity holders	**3,804**	5,520
Loss from discontinued operations attributable to equity holders	**(2,632)**	(480)
Profit for the year attributable to equity holders	**1,172**	5,040

	2008	2007
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**81,032,686**	75,783,977

	2008 pence	2007 pence
Basic and diluted earnings (loss) per share from·		
Continuing operations	**4 7**	7 3
Discontinued operations	**(3.3)**	(0 6)
Total	**1 4**	6 7

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

	2008 £'000	2007 £'000
Earnings		
Profit for the year attributable to equity holders from continuing operations	**3,804**	5 520
Amortisation	**1,125**	520
Unwinding of discount on deferred consideration liabilities	**235**	165
Tax effect	**(315)**	(156)
Adjusted earnings	**4,849**	6 049

	2008	2007
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**81,032,686**	75 783,977

	2008 pence	2007 pence
Adjusted basic and diluted earnings per share from continuing operations	**6 0**	8 0

Notes to the consolidated financial statements

for the year ended 30 April 2008 continued

12. Intangible assets

	Goodwill £'000	Intangible assets arising on acquisitions £'000	Total £'000
Cost			
At 1 May 2006	36,878	—	36,878
Recognised on acquisition of a subsidiary	5,609	1,041	6,650
Adjustment to goodwill as a result of changes in deferred consideration	(576)	—	(576)
At 30 April 2007	41,911	1,041	42,952
Recognised on acquisition of a subsidiary	8,989	2,960	11,949
Classified as held for sale	(1,909)	(823)	(2,732)
Adjustment to goodwill as a result of changes in deferred consideration	(125)	—	(125)
At 30 April 2008	**48,866**	**3,178**	**52,044**
Amortisation and impairment			
At 1 May 2006	—	—	—
Amortisation during the year	—	520	520
At 30 April 2007	—	520	520
Amortisation during the year	—	1,399	1,399
Impairment losses for the year	1,662	549	2,211
Classified as held for sale	(1,662)	(823)	(2,485)
At 30 April 2008	**—**	**1,645**	**1,645**
Carrying amount			
At 30 April 2008	**48,866**	**1,533**	**50,399**
At 30 April 2007	41,911	521	42,432

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 had been allocated as follows:

	2008 £'000	2007 £'000
Insolvency	**39,338**	36,750
Corporate finance	**3,331**	3,331
Others	**6,197**	1,830
	48,866	41,911

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. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the latest one year budget forecast extrapolated for nine future years based on an estimated growth rate of 5%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from all CGUs is 12%.

13 Property, plant and equipment

	Leasehold improvements £ 000	Office equipment £ 000	Computers £ 000	Motor vehicles £ 000	Total £ 000
Cost or valuation					
At 1 May 2006	1 470	1,059	1,385	2 643	6,557
Additions	87	142	218	1,495	1,942
Acquisition of subsidiaries	—	24	29	21	74
Disposals	—	(1)	—	(537)	(538)
At 1 May 2007	1 557	1,224	1 632	3 622	8,035
Additions	1,819	135	318	2,200	4,472
Acquisition of subsidiaries	219	135	46	46	446
Disposals	(112)	(427)	(784)	(1,363)	(2,686)
Reclassified as held for sale	(1)	(107)	(121)	(31)	(260)
At 30 April 2008	**3,482**	**960**	**1,091**	**4,474**	**10,007**
Depreciation and impairment					
At 1 May 2006	316	582	1,210	718	2,826
Charge for the year	186	119	156	681	1 142
Disposals	—	—	—	(210)	(210)
At 1 May 2007	502	701	1 366	1 189	3 758
Charge for the year	306	170	203	840	1 519
Impairment loss	—	27	12	—	39
Disposals	(112)	(401)	(783)	(687)	(1 983)
Reclassified as held for sale	—	(62)	(90)	(17)	(169)
At 30 April 2008	**696**	**435**	**708**	**1,325**	**3,164**
Carrying amount					
At 30 April 2008	**2,786**	**525**	**383**	**3,149**	**6,843**
At 30 April 2007	1,055	523	266	2,433	4,277

In addition the Group s obligations under hire purchase contracts (see note 16) are secured by the lessors' title to the leased assets, which have a carrying amount of £2 842,000 (2007 £1 866 000)

14. Trade and other receivables

	2008 £'000	2007 £ 000
Trade and other receivables	**4,933**	3,583
Recoverable income and costs on cases	**23,039**	19 663
Other debtors and prepayments	**1,586**	1 472
	29,558	24 718

Trade receivables do not carry interest and are stated net of allowances for doubtful receivables of £400 000 (2007 £343,000)

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

Notes to the consolidated financial statements
for the year ended 30 April 2008 continued

14. Trade and other receivables continued
As at 30 April the analysis of trade receivables that were past due but not impaired is as follows

	Neither past due nor impaired up to 30 days £'000	Past due but not impaired 1–3 months £'000	More than 4 months £'000	Total £'000
2008	**2,499**	**1,601**	**833**	**4,933**
2007	1,524	947	1,112	3,583

Movement in the allowance for doubtful debts

	2008 £'000	2007 £'000
Balance at the beginning of the year	**343**	411
Amounts written off during the year	**(149)**	(134)
Amounts recovered during the year	**(95)**	(197)
Arising on acquisition	**95**	—
Increase in allowance recognised in profit or loss	**206**	263
Balance at the end of the year	**400**	343

15. Trade and other payables

	2008 £'000	2007 £'000
Current		
Trade payables	**1,708**	763
Other taxes and social security	**2,674**	2,448
Accruals	**5,641**	5,274
Deferred consideration	**3,885**	2,852
	13,908	11,337
Non-current		
Deferred consideration	**3,833**	2,316

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

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

16 Financial liabilities
Financial liabilities at amortised cost

	2008 £'000	2007 £'000
Current		
Bank loans	**650**	—
Hire purchase capital	**1,299**	667
Other loans	**375**	—
	2,324	667
Non-current		
Bank loans	**14,230**	4,506
Hire purchase capital	**1,802**	625
	16,032	5,131

16 Financial liabilities continued

Bank borrowings

	2008 £'000	2007 £ 000
Bank borrowings are repayable as follows		
On demand or within one year	**650**	—
In the second year	**650**	4 506
In the third to fifth years inclusive	**13,580**	—
	14,880	4 506
Less Amount due for settlement within 12 months (shown under current liabilities)	**(650)**	—
Amount due for settlement after 12 months	**14,230**	4 506

The principal features of the Group s borrowings are as follows

(i) Bank overdrafts of £nil (2007 £nil) are repayable on demand and are secured by fixed and floating charges over the assets of the entities within the Group Interest during the current and previous year was payable at 1% over bank base rate On 30 April 2008, the Group entered into a new overdraft agreement under which interest is variable at 1 5% over bank base rate

(ii) Bank borrowing of £13,000,000 (2007 £4 506,000) represents the net drawdown on the Group's revolving credit facility which is secured by fixed and floating charges over the assets of the entities within the Group Interest payable on drawings under this facility during the current and previous year was variable at the rate of 0 9% over LIBOR On 30 April 2008, the Group entered into a new revolving credit facility under which interest is variable at 1 4% over LIBOR

(iii) Borrowings of £1,612,000 (2007 £nil) are unsecured loans, repayable over three to five years Interest on these loans is variable at 0 75% over base rate

(iv) Bank borrowing of £268,000 (2007 £nil) represents an unsecured loan repayable over three years Interest is variable at 2 325% over base rate

(v) Other loans of £375,000 (2007 £nil) are unsecured, interest free and repayable within one year

At 30 April 2008, the Group had available a £20 million (2007 £15 million) facility of which £7 million (2007 £10 5 million) was undrawn committed, borrowing facilities in respect of which all conditions precedent had been met In addition the Group had available a £5 million overdraft facility which is repayable on demand and had not been drawn down

The Group has no financial instruments other than those shown as financial liabilities above and cash balances, all of which are denominated in pounds sterling The Directors of the company consider that the fair values of the Group s financial instruments approximate to their book value

Obligations under hire purchase contracts

	Minimum lease payments		Present value of lease payments	
	2008 £'000	2007 £ 000	2008 £'000	2007 £ 000
Amounts payable under finance leases and hire purchase contracts				
Within one year	**1,496**	731	**1,299**	667
In the second to fifth years inclusive	**2,029**	647	**1,802**	625
	3,525	1,378	**3,101**	1,292
Less future finance charges	**(424)**	(86)	**N/A**	N/A
Present value of lease obligations	**3,101**	1 292		
Less amount due for settlement within 12 months (shown under current liabilities)			**(1,299)**	(667)
Amount due for settlement after 12 months			**1,802**	625

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 75% and 1 00% 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

Notes to the consolidated financial statements

for the year ended 30 April 2008 continued

17. Deferred tax

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

	Short-term timing differences £'000
At 1 May 2006	140
Charge to income	(828)
Arising on acquisitions	(312)
At 1 May 2007	(1,000)
Charge to income	(1,187)
Arising on acquisitions	(213)
Income statement effect of change in tax rate	89
At 30 April 2008	**(2,311)**

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

	2008 £'000	2007 £'000
Deferred tax liabilities	**(2,733)**	(1,341)
Deferred tax assets	**422**	341
	(2,311)	(1,000)

18 Financial instruments

Financial risk management objectives and policies

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

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

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

Interest rate risk

The Group's external borrowings at the balance sheet date comprise bank overdraft and loan facilities and finance lease and hire purchase payables These borrowings are all on floating interest rates The Group does not seek to fix interest rates on these borrowings as the Board consider the exposure to interest rate risk acceptable

The following table demonstrates the sensitivity to a possible change in interest rates with all other variables held constant, of the Group's profit before tax and equity (through the impact on floating rate borrowings)

	Increase in basis points %	Impact on profit before tax £'000	Impact on equity £'000
2008	**50**	**(57)**	**(57)**
2007	50	(49)	(49)

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 The other Group divisions 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

18 Financial instruments continued

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

The table below summarises the maturity profile of the Group's financial liabilities at 30 April 2008 based on contractual payments

At 30 April 2008	Within 1 year £'000	Between 2–5 years £'000	Total £'000
Hire purchase	**1,496**	**2,029**	**3,525**
Bank borrowings	**1,679**	**16,180**	**17,859**
Other loans	**375**	**—**	**375**
	3,550	**18,209**	**21,759**

At 30 April 2007	Within 1 year £ 000	Between 2–5 years £ 000	Total £ 000
Hire purchase	731	647	1,378
Bank borrowings	293	4 604	4,897
	1,024	5 251	6,275

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

	2008 £'000	2007 £ 000
Shareholders funds	**49,449**	49 825
Bank borrowings	**14,880**	4 506
Hire purchase capital	**3,101**	1,292
At 30 April	**67,430**	55,623

19 Share capital

	2008 Thousands	2007 Thousands	2008 £'000	2007 £ 000
Authorised				
Ordinary shares of 5p	**100,000**	100 000	**5,000**	5,000
Allotted, called up and fully paid:				
Ordinary shares of 5p				
At 1 May	**80,878**	74 879	**4,044**	3 744
Issued re-acquisitions	**—**	696	**—**	35
Placing for cash	**254**	5 263	**13**	263
Staff SIP scheme	**78**	40	**4**	2
At 30 April	**81,210**	80,878	**4,061**	4,044

Notes to the consolidated financial statements

for the year ended 30 April 2008 continued

20 Reconciliation of movements in equity

	Share capital £'000	Share premium £'000	Merger reserve £'000	Shares to be issued £'000	Retained earnings £'000	Equity attributable to equity holders of the parent £'000	Minority interest £'000	Total equity £'000
At 1 May 2006	3 744	13 009	17,584	439	2 966	37,742	—	37 742
Shares issued	300	8 687	—	—	—	8,987	—	8,987
Cancellation of obligation to issue shares	—	—	—	(439)	—	(439)	—	(439)
Total recognised income and expense for the year	—	—	—	—	5,040	5 040	—	5 040
Equity dividends paid	—	—	—	—	(1 505)	(1,505)	—	(1,505)
At 30 April 2007	4 044	21 696	17,584	—	6,501	49,825	—	49,825
Shares issued	17	461	—	—	—	478	—	478
Total recognised income and expense for the year	—	—	—	—	1 172	1,172	(120)	1 052
Arising on acquisition	—	—	—	—	—	—	120	120
Equity dividends paid	—	—	—	—	(2 026)	(2 026)	—	(2,026)
At 30 April 2008	**4,061**	**22,157**	**17,584**	**—**	**5,647**	**49,449**	**—**	**49,449**

21 Acquisition of subsidiaries

Shaw tax

On 18 January 2008, the Group acquired 100% of the issued share capital of Shaw Group Limited an independent firm of chartered tax advisors based in Birmingham and London for consideration of £4 6 million

This transaction has been accounted for by the purchase method of accounting The net assets acquired in this transaction and the goodwill arising, are as follows

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Net assets acquired			
Property, plant and equipment	636	(279)	357
Other intangible assets	—	1,097	1,097
Trade and other receivables	1,770	(238)	1,532
Cash and cash equivalents	1	—	1
Trade and other payables	(1,030)	(477)	(1,507)
Net debt	(980)	—	(980)
Deferred tax liabilities	—	(27)	(27)
Total	397	76	473
Goodwill			4 106
Total consideration satisfied by cash and deferred consideration			**4,579**
Satisfied by:			
Cash			2,000
Directly attributable costs			119
Deferred consideration in cash			2,460
			4,579
Net cash outflow arising on acquisition			
Cash consideration			2,119
Cash and cash equivalents acquired			(1)
			2,118

The goodwill arising on this acquisition represents the excess of consideration over the fair value of the net assets and liabilities acquired

Shaw Group Limited generated revenue of £1 322,000 and a loss before tax of £26 000 for the period between the date of acquisition and the balance sheet date

21. Acquisition of subsidiaries continued
Other acquisitions

Other acquisitions in the year included

- The insolvency division of Barfields (UK) Ltd, a practice based in Leeds,
- David Horner & Co Ltd an insolvency practice based in York,
- Stellar Financial Partners LLP, a tax practice based in Manchester,
- Coyle Clark LLP, a tax practice based in Altrincham, and
- Servisional, a CRM consultancy based in Manchester

for a combined consideration of £7 2 million

These transactions have been accounted for by the purchase method of accounting The net assets acquired in these transactions, and the goodwill arising are as follows

	Book value £ 000	Fair value adjustments £ 000	Fair value £ 000
Net assets acquired			
Property plant and equipment	89	—	89
Other intangible assets	—	1 863	1,863
Trade and other receivables	844	(376)	468
Cash and cash equivalents	275	—	275
Trade and other payables	(53)	—	(53)
Deferred tax liabilities	—	(186)	(186)
Total	1 155	1,301	2 456
Minority interest			(120)
Goodwill			4 883
Total consideration satisfied by cash and deferred consideration			**7,219**
Satisfied by:			
Cash			4 332
Directly attributable costs			131
Deferred consideration in cash			2 756
			7,219
Net cash outflow arising on acquisition			
Cash consideration			4,463
Cash and cash equivalents acquired			(275)
			4,188

The goodwill arising on these acquisitions represents the excess of consideration over the fair value of the net assets and liabilities acquired

These acquisitions contributed revenue of £2 967,000 and profit before tax of £241 000 for the period between the dates of acquisition and the balance sheet date

If all acquisitions had been completed on 1 May 2007 Group revenues for the period from continuing and discontinued operations would have been £55,041,000 and Group profit attributable to equity holders of the parent would have been £1 292 000

During the year deferred consideration of £2 779 000 was paid in respect of acquisitions made in prior years

In May 2008 the Group acquired Fanshawe Lofts a business insolvency and corporate finance practice based in Southampton and Bath and a further small insolvency practice in Cardiff

Notes to the consolidated financial statements
for the year ended 30 April 2008 continued

22. Notes to the cash flow statement

	2008 £'000	2007 £ 000
Profit for the year	**1,052**	5 040
Adjustments for		
Tax	**1,408**	2,769
Finance costs	**1,320**	957
Amortisation of goodwill and intangibles	**1,399**	520
Depreciation of property plant and equipment	**1,519**	1,142
Loss recognised on the measurement to fair value less costs to sell	**2,357**	—
Loss on asset sale	**25**	27
Operating cash flows before movements in working capital	**9,080**	10,455
Increase in receivables	**(3,748)**	(3,570)
Increase in payables	**499**	1 169
Cash generated by operations	**5,831**	8,054

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 2008 or 30 April 2007

24 Operating lease arrangements

	2008 £'000	2007 £ 000
Minimum lease payments under operating leases recognised as an expense in the year	**2,435**	2 241

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

	2008 £'000	2007 £ 000
Within one year	**2,344**	1,317
In the second to fifth years inclusive	**6,765**	3 737
After five years	**3,995**	1,834
	13,104	6,888

Operating lease payments principally represent rentals payable by the Group for certain of its office properties

25 Pensions

The Group operates defined contribution pension schemes for all qualifying employees

The total cost charged to income of £302,000 (2007 £234 000) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans As at 30 April 2008 contributions of £56,000 (2007 £38,000) 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 below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures Further information about the remuneration of individual Directors is provided in the Directors' Remuneration Report on page 11

	2008 £'000	2007 £ 000
Short-term employee benefits	**865**	987
Post-employment benefits	**6**	—
	871	987

At 30 April 2008 £93 000 (2007 £325,000) was payable in respect of these transactions

26. Related party transactions continued

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 Mr Traynor and Mr Dick and their personal pension funds Rent and service charges paid on those properties by entities within the Group in the year totalled £579,000 (2007 £154,000)

At 30 April 2008 £133,000 (2007 £8 000) was payable in respect of these transactions

The commercial premises used by a member of the Group in London and owned in part by Mr Traynor and Mr Dick was sold during the comparative financial year Rent and service charges paid on this property during the period from 1 May 2006 to 6 October 2007 the date of sale, totalled £150,000

27 Summary of impacts resulting from the changes in accounting policy following the adoption of IFRS

The financial impact on reported net assets is as follows

	30 April 2007 £ 000	1 May 2006 £ 000
UK GAAP net assets	48,788	38 365
(a) Business combinations	2,129	—
(b) Deferred consideration	(165)	—
(c) Prepayments	(237)	(95)
(d) Impairment review at date of transition	(528)	(528)
(e) Revenue recognition	(162)	—
IFRS net assets	**49,825**	**37,742**

The financial impact on profit for the period is as follows

	Year ended 30 April 2007 £ 000
UK GAAP profit for the year	3 380
(a) Business combinations	2,129
(b) Deferred consideration	(165)
(c) Prepayments	(142)
(d) Impairment review at date of transition	—
(e) Revenue recognition	(162)
IFRS profit for the year	**5,040**

The cash flow differences between UK GAAP and IFRS are either movements within a classification (adjustments netting to zero) or presentational There is no impact on the final cash position nor the movement during the periods presented

(a) Business combinations

IFRS 3 includes the following changes from UK GAAP

- goodwill is not amortised but is measured at cost less impairment losses, whereas under UK GAAP goodwill was amortised on a straight-line basis over the period of its expected useful life,
- intangible assets arising on acquisition, that are separable or arise from contractual or other legal rights, are recognised as intangible assets separately from goodwill and
- the adjustment of initial acquisition accounting completed using provisional estimates requires the restatement of comparative figures

(b) Deferred consideration

IFRS 3 requires deferred consideration on business combinations to be recognised at present value The subsequent unwind of the discounting is charged to the income statement as a finance cost on an annual basis

(c) Prepayments

IAS 38 requires all advertising and promotional activities to be expensed as incurred

(d) Impairment review at date of transition

IFRS 1 requires an impairment review to be performed at the date of transition which resulted in an impairment loss being recognised at 1 May 2006

(e) Revenue recognition

The Directors have reviewed the accounting policy for revenue recognition on contingent fee engagements and believe that a more appropriate policy under IAS 18 is to recognise revenue only after having achieved virtual certainty of a successful outcome to an engagement at the balance sheet date

Independent auditors' report

to the members of Begbies Traynor Group plc

We have audited the parent company financial statements of Begbies Traynor Group plc for the year ended 30 April 2008 which comprise the balance sheet and the related notes 1 to 10 These parent company financial statements have been prepared under the accounting policies set out therein

We have reported separately on the Group financial statements of Begbies Traynor Group plc for the year ended 30 April 2008

This report is made solely to the company s members, as a body, in accordance with section 235 of the Companies Act 1985 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

The Directors' responsibilities for preparing the Annual Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the Directors' Report is consistent with the parent company financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed

We read the other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements The other information comprises only the Chairman's Statement, the Financial Review, the Directors' Report, the Directors Remuneration Report and the Corporate Governance Statement We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements Our responsibilities do not extend to any further information outside the Annual Report

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the parent company financial statements It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the parent company financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements

Opinion

In our opinion

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 April 2008
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Directors Report is consistent with the parent company financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester
United Kingdom
9 July 2008

Company balance sheet
at 30 April 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Intangible assets	3	**1,424**	1,612
Investment in subsidiaries	4	**26,836**	23,579
		28,260	25,191
Current assets			
Debtors	5	**22,788**	20 152
Creditors: amounts falling due within one year			
Sundry creditors and accruals		**—**	(20)
Financial liabilities	6	**(550)**	—
Deferred consideration		**(1,060)**	(377)
		(1,610)	(397)
Net current assets		**21,178**	19,755
Total assets less current liabilities		**49,438**	44,946
Creditors amounts falling due after more than one year			
Financial liabilities	6	**(1,063)**	—
Deferred considerations		**(2,396)**	(500)
Net assets		**45,979**	44 446
Capital and reserves			
Called up share capital	7	**4,061**	4,044
Share premium account	8	**22,157**	21,696
Merger reserve	8	**17,584**	17,584
Profit and loss account	8	**2,177**	1,122
Shareholders' funds	9	**45,979**	44,446

The financial statements were approved by the Board of Directors and authorised for issue on 9 July 2008 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 2008

1. Significant accounting policies
Basis of accounting
The separate financial statements of the company have been prepared under the historical cost convention and in accordance with applicable United Kingdom 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

Goodwill
Goodwill arising from the formation of the Group under Begbies Traynor Group plc is not amortised

2. Profit for the year
As permitted by section 230 of the Companies Act 1985, 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 2008 of £3,081,000 (2007 £1,777,000)

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

3. Intangible assets

	£000
Cost	
At 1 May 2007 and 30 April 2008	**1,612**
Amortisation and provision for impairment	
1 May 2007	—
Amounts written off	(188)
At 30 April 2008	**(188)**
Net book value	
At 30 April 2008	**1,424**
At 30 April 2007	1,612

4 Investment in subsidiaries

	£000
Cost	
At 1 May 2007	23,579
Additions	4 825
At 30 April 2008	**28,404**
Provision for impairment	
At 1 May 2007	—
Impairment charges	1 568
At 30 April 2008	**1,568**
Net book value	
At 30 April 2008	**26,836**
At 30 April 2007	23,579

4. Investment in subsidiaries continued

Details of principal operating subsidiary entities are set out below These undertakings are included in the consolidated Group financial statements and are 100% owned unless otherwise stated

Subsidiary undertaking	Nature of business
Begbies Traynor Limited	Holding company
Insolvency Advice Limited	Personal insolvency
BTG Consulting Limited	Holding company
Begbies Traynor (North) LLP	Insolvency
Begbies Traynor (Scotland) LLP	Insolvency
Begbies Traynor (South West) LLP	Insolvency
BTG McInnes Corporate Finance LLP	Corporate finance
Begbies Traynor (Central) LLP	Insolvency
Begbies Traynor (South) LLP	Insolvency
W3 Debt Solutions LLP	Personal insolvency
BTG Intelligence Limited	Investigation agency
BTG Consulting LLP	Forensic accounting
Servisional LLP [2]	CRM consultancy
Shaws Group Limited	Tax consultancy
BTG Financial Partners LLP	Tax consultancy

[1] Shares are held by subsidiary undertakings except where marked where shares are held directly by Begbies Traynor Group plc

[2] 51% owned by the Group

The Directors of the company are of the opinion that the value of the investments in subsidiaries as underpinned by their indirect 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

5 Debtors

	2008 £'000	2007 £ 000
Amounts falling due within one year:		
Amounts owed by Group undertakings	**22,729**	20 115
Other debtors	**59**	37
	22,788	20 152

6. Financial liabilities

	2008		2007	
	Due within one year £'000	Due after one year £'000	Due within one year £ 000	Due after one year £ 000
Bank loans	**550**	**1,063**	—	—

Bank borrowings comprise unsecured bank loans repayable over three to five years Interest payable on these loans is variable at 0 75% over base rate

Bank borrowings fall due as follows

	2008 £'000	2007 £ 000
Within one year	**550**	—
One to two years	**550**	—
Two to five years	**513**	—
	1,613	—

The company has no financial instruments other than those shown as financial liabilities above all of which are denominated in pounds 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

Notes to the company financial statements
for the year ended 30 April 2008 continued

7 Share capital

	2008 Thousands	2007 Thousands	2008 £'000	2007 £'000
Authorised				
Ordinary shares of 5p	**100,000**	100 000	**5,000**	5,000
Allotted, called up and fully paid:				
Ordinary shares of 5p				
At 1 May	**80,878**	74 879	**4,044**	3,744
Issued re-acquisitions	**—**	696	**—**	35
Placing for cash	**254**	5,263	**13**	263
Staff SIP scheme	**78**	40	**4**	2
At 30 April	**81,210**	80,878	**4,061**	4 044

8. Reserves

	Share premium account £ 000	Merger reserve £ 000	Profit and loss account £ 000
At 1 May 2007	21 696	17 584	1,122
Profit for the year	—	—	3 081
Shares issued	461	—	—
Dividends paid	—	—	(2,026)
At 30 April 2008	**22,157**	**17,584**	**2,177**

9 Reconciliation of movements in equity shareholders' funds

	2008 £'000	2007 £ 000
At 1 May	**44,446**	35,626
Proceeds of share issues, net of cost		
– nominal share capital	**17**	300
– share premium account	**461**	8 687
Profit for the year	**3,081**	1 777
Dividends paid	**(2,026)**	(1 505)
Estimated shares to be issued	**—**	(439)
At 30 April	**45,979**	44 446

10 Commitments and contingencies

The company has entered into cross guarantees with fellow group undertakings in the ordinary course of business in connection with the security granted under the Group s banking facilities as set out in note 16 to the Group financial statements

Officers and professional advisors

Directors

R W Traynor
A D Dick
J A Gittins
R G McInnes
G D Hill
J M May

Secretary

J A Gittins (appointed 17 January 2008)
C M Brandwood (resigned 17 January 2008)

Company number

5120043

Registered office

340 Deansgate
Manchester
M3 4LY

Bankers

Royal Bank of Scotland plc
1 Spinningfields Square
Manchester
M3 3AP

Solicitors

Brabners Chaffe Street LLP
Brook House
77 Fountain Street
Manchester M2 2EE

Auditors

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
2 Hardman Street
Manchester M60 2AT

Registrar

Computershare Investor Services Plc
PO Box 82 The Pavilions
Bridgewater Road
Bristol BS99 7NH

Nominated advisor

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Bond Street House
14 Clifford Street
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Broker

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Corn Exchange Building
Fenwick Street
Liverpool
Merseyside L2 7RB

Corporate & financial PR advisors

Smithfield Consultants Limited
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