

Begbies Traynor Group plc

# Annual Report and Accounts 2012

**Company number**  
5120043



# Begbies Traynor Group plc

**Begbies Traynor Group is the UK's leading independent business recovery practice, principally serving the mid-market and SMEs.**

**Our aim is to add value and optimise financial outcomes for our clients and business stakeholders.**

01	Our 2012 highlights
02	<b>At a glance</b>
02	Who we are
03	Where we are
04	Our strategy
05	Key facts
06	<b>Business review</b>
06	Chairman's statement
09	Financial review
12	<b>Corporate governance</b>
12	Board of directors
13	Directors' report
17	Statement of directors' responsibilities
18	Directors' remuneration report

20	Corporate governance statement
21	Independent auditor's report
22	<b>Financial statements</b>
22	Consolidated income statement
23	Consolidated statement of comprehensive income
24	Consolidated statement of changes in equity
25	Consolidated balance sheet
26	Consolidated cash flow statement
27	Notes to the consolidated financial statements
54	Independent auditor's report
55	Company balance sheet
56	Notes to the company financial statements
60	<b>Shareholder information</b>
60	Officers and professional advisors

# Our 2012 highlights

## Financial highlights

### Results in line with market expectations

- Revenue<sup>1</sup> of £57.7m (2011 £60.6m)
- EBITA<sup>2</sup> (pre-exceptional items and acquisition-related costs) of £8.5m (2011 £9.1m)
- Adjusted profit before tax<sup>3</sup> of £7.4m (2011 £8.1m)
- Profit before tax<sup>1</sup> of £5.5m (2011 £5.7m)
- Statutory loss for the year of £5.7m (2011 profit £0.2m), including loss from discontinued operations and associated impairment charges
- Earnings per share
  - adjusted basic and diluted EPS<sup>4</sup> from continuing operations of 6.0 pence (2011 6.4 pence)
  - basic and fully diluted EPS from continuing operations of 4.4 pence (2011 4.3 pence)
  - basic and fully diluted EPS from continuing and discontinued operations of (6.4 pence) (2011 0.2 pence)
- Final dividend proposed of 1.6 pence (2011 1.0 pence), making a total dividend for the year of 2.2 pence (2011 2.2 pence)
- Net debt of £20.1m (2011 £22.5m), comfortably within the banking facilities
- Net assets per share of 65 pence (2011 73 pence)

## Operational highlights

### Renewed focus on insolvency and complementary activities

- Insolvency and restructuring
  - Market-leading position maintained
  - Segmental operating profits increased to £13.7m (2011 £13.6m) in spite of a slight decrease in revenue
  - Benefits realised from cost saving actions over the last 18 months
- Global risk partners
  - Reduced activity compared to a very strong comparative period and actions taken to reduce fixed costs
  - Continued to invest in the UK forensic business
- Divested of the tax, red flag and offshore businesses
- Board changes Mark Fry joined the board during the year, Geoff Hill resigned following the sale of the tax business and Graham McInnes to take on a non-executive role

<sup>1</sup> From continuing operations

<sup>2</sup> Earnings before interest, tax and amortisation of intangible assets arising on acquisitions (from continuing operations)

<sup>3</sup> Profit before tax from continuing operations of £5.5m (2011 £5.7m) plus amortisation of intangible assets arising on acquisitions of £0.4m (2011 £0.2m) plus finance charge arising from the discounting of deferred consideration of £0.1m (2011 £0.1m) plus exceptional items and acquisition-related costs of £1.4m (2011 £2.1m)

<sup>4</sup> See reconciliation in note 11

# The UK's leading independent business recovery practice

## Who we are

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

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

## What we do

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

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### 1 Corporate recovery

Begbies Traynor is the UK's leading, independent insolvency practice, handling the largest number of corporate insolvency appointments in the country. Our highly experienced team of specialist partners has a strong reputation, we are accredited by all major banks, and have excellent referral networks from other professional services organisations.

Our nationwide team provides advice to businesses, financial institutions, stakeholders and other professionals on formal corporate insolvencies, including administrations and liquidations. Our team also advise on extinguishing solvent entities, including options for simplifying complex corporate structures to eliminate risk and costs.

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### 2 Restructuring and corporate finance

The restructuring team integrates both financial and operational restructuring to rebuild troubled businesses into sustainable and lasting organisations and is complemented by our corporate finance team which provides advisory services across the full range of corporate transactions.

Our team of restructuring specialists has an established track record in helping businesses to address the operational and financial challenges that hinder performance. We are committed to the health of businesses, working closely with directors, board members, management, lenders and other stakeholders to create strategic restructuring solutions that have an immediate positive impact and establish a sound basis for the future.

## Where we are

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

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

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### 3 Personal insolvency

Our experienced national team provides advice to individuals on all aspects of personal insolvency, both formal insolvency processes and informal procedure advice

In England and Wales our team will act on bankruptcy appointments and individual voluntary arrangements, together with trust deeds and sequestrations in Scotland

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### 4 Global risk partners

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

Its services include forensic accountancy, forensic technology, risk and security consultancy and corporate investigations

## Our strategy

We aim to enhance our position as the UK's leading independent business recovery practice, ensuring our core division is well-placed to benefit from the opportunities presented by the long-term growth in the UK insolvency market, together with developing the complementary global risk partners business.



# Key facts

<p><b>No.1</b></p> <p>We remain the UK's leading independent business recovery practice, handling the largest number of corporate appointments in the country</p>	<p><b>6</b></p> <p>The number of our staff promoted to partner during the year</p>	
<p><b>563</b></p> <p>Staff and partners at 30 April 2012</p>	<p><b>74</b></p> <p>The number of licensed Insolvency Practitioners across the UK</p>	<p><b>10,536</b></p> <p>The number of recovery engagements being handled by the group</p>
<p><b>2,592</b></p> <p>New recovery engagements in the year</p>	<p><b>34</b></p> <p>The total number of UK locations that we operate from</p>	<p><b>16</b></p> <p>The number of UK based banks who provided us with insolvency and restructuring appointments during the year</p>
<p><b>151</b></p> <p>The number of member and associated firms in BTG Global Network, our international alliance. These members operate in 371 locations across 112 countries</p>		

# Chairman's statement

## Summary of chairman's statement

- **A year of progress, having completed a number of actions to focus on core business**
- **Disposed of non-core businesses tax, red flag and offshore**
- **Board composition changed to three executive and two non-executive directors**
- **Core business delivered resilient financial performance in a subdued trading environment**
- **Group is better positioned and well-placed to take advantage of future market opportunities**

### Introduction

This has been a year of progress for the group, in which we have completed a number of actions to focus on our core UK insolvency and restructuring business, together with complementary service line activities. We have disposed of the group's tax, red flag and offshore businesses and we have delivered a resilient financial performance following the actions taken to reduce the group's cost base. Despite the continued subdued trading environment, we have maintained our operating margins on a reduced revenue base, reflecting the intrinsic profitability of our core insolvency business, whilst strengthening our financial position since the half year end in October 2011. The group is now much better positioned and well-placed to take advantage of future market opportunities.

### Results

Group revenue from continuing operations in the year ended 30 April 2012 was £57.7m (2011 £60.6m), with earnings before interest, tax and amortisation (pre-exceptional items and acquisition-related costs) of £8.5m (2011 £9.1m), in line with market expectations. Adjusted profit before tax<sup>1</sup> was £7.4m (2011 £8.1m). Profit before tax was £5.5m (2011 £5.7m). Earnings per share from continuing operations<sup>2</sup>, adjusted for the net of tax impact of amortisation of intangible assets arising on acquisitions, exceptional items, acquisition-related costs and the finance charge arising from the discounting of deferred consideration liabilities, was 6.0 pence (2011 6.4 pence). Basic and fully diluted EPS from continuing operations were 4.4 pence (2011 4.3 pence). Exceptional items and acquisition-related costs relating to continuing operations were £1.4m (2011 £2.1m). Statutory loss for the year was £5.7m (2011 profit £0.2m).

after loss from discontinued operations and associated impairment charges.

Net borrowings at 30 April 2012 were £20.1m (2011 £22.5m), giving gearing of 34% (2011 34%) and headroom of £15.3m in the group's principal banking facilities. Interest cover (pre-exceptional costs) was 7.2 times (2011 8.8 times). Net assets per share were 65 pence (2011 73 pence).

### Dividend

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

Having considered the results for the year, the outlook for the new financial year and the ongoing requirements of the business, the board has recommended the total dividend be maintained at 2.2 pence (2011 2.2 pence), comprising the interim dividend paid in May 2012 of 0.6 pence and a final dividend of 1.6 pence.

The final dividend will be paid on 7 November 2012 to shareholders on the register on 12 October 2012, with an ex-dividend date of 10 October 2012.

### Strategy

We aim to enhance our position as the UK's leading independent business recovery practice, ensuring our core division is well-placed to benefit from the opportunities presented by long-term growth in the UK insolvency market, together with developing the complementary global risk partners business.

<sup>1</sup> Profit before tax from continuing operations of £5.5m (2011 £5.7m) plus amortisation of intangible assets arising on acquisitions of £0.4m (2011 £0.2m) plus finance charge arising from the discounting of deferred consideration of £0.1m (2011 £0.1m) plus exceptional items and acquisition-related costs of £1.4m (2011 £2.1m).

<sup>2</sup> See reconciliation in note 11.

“Having re-focussed the business, we are now operating in a more stable environment with the benefit of a strengthened financial position and a core business which has retained its market leadership”

### Insolvency (£m)

Revenue	
2011	53.9
2012	53.1
EBITA	
2011	13.6
2012	13.7

### Global risk partners (£m)

Revenue	
2011	6.7
2012	4.6
EBITA	
2011	1.4
2012	Nil

### People

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

As at 30 April 2012, the group's continuing operations employed a total of 563 people (a decrease of 6% compared with a year ago), which includes 432 direct fee earners, of whom 84 are partners, and 131 staff in support functions. We continue to invest in training and developing our people and are pleased to have promoted six fee earners to partner during the year.

### Board changes

Mark Fry joined the board as head of insolvency and restructuring in July 2011. Mark joined the group in 2005, following our acquisition of his insolvency practice. He has since been the regional managing partner for London and the South East, successfully developing a restructuring and banking practice. Mark is currently deputy vice-president of the Insolvency Practitioners Association and will take up presidency in April 2014.

Geoff Hill has today resigned from the board following the disposal of the group's tax practice earlier in the financial year. Geoff joined the board in 2006 and I would like to thank him for his contribution to the group over the last six years. In addition, Graham McInnes will take on a new role as a non-executive director with effect from today. Graham has been an executive director since 2004, initially as finance director and latterly as corporate development director. Following these changes, the board will comprise three executive directors and two non-executive directors.

### Operational review – continuing operations

**Insolvency and restructuring**  
Begbies Traynor is the UK's leading independent business recovery practice, providing a partner-led service to stakeholders in troubled businesses.

Segmental operating profits in the year increased marginally to £13.7m (2011: £13.6m), on revenues which decreased slightly to £53.1m (2011: £53.9m). This reflected an increase in operating margins to 25.8% (2011: 25.3%).

The improved margins are as a result of actions taken to restructure the cost base over the last 18 months and reflect a decrease in the number of people employed in insolvency to 466 as at 30 April 2012 from 502 a year before. Further improvements in margin will be challenging to achieve in the current environment, as the depressed economic conditions have resulted in downward pressure on the value of asset realisations in our insolvency appointments, increasing the time and cost to complete transactions, and ultimately reducing levels of recovery on our cases. We continue to keep our cost base under close review to ensure it is aligned to current and projected activity levels.

During the period we acquired a portfolio of Scottish insolvency appointments, together with three employees, for a total consideration of £0.4m. This has been successfully integrated into our existing operations.

The UK insolvency market has stabilised over the last 12 months, after the decreases seen in 2009 and 2010, and we have retained our market-leading position.

# Chairman's statement continued

## Operational review – continuing operations continued

**Insolvency and restructuring continued**  
Despite the return of the UK economy into recession, base rates of 0.5% (since May 2009) continue to provide a very benign financing environment for otherwise weak companies, that in previous recessions would almost certainly have gone into an insolvency process.

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

We will continue to develop this core division through a combination of senior recruitment, selective acquisitions and staff development, with the intention of progressively increasing our market share. Further development will come from winning higher value, more complex instructions from existing clients and prospects, by demonstrating our growing capabilities and credentials.

### Global risk partners

Global risk partners is a specialist risk consulting and forensic investigation consultancy. Its services include forensic technology and accountancy, risk and security consultancy, and corporate intelligence and investigations.

This segment broke even (2011 segmental profit of £1.4m) on revenues which decreased to £4.6m (2011 £6.7m).

As previously reported, activity levels in the prior year benefited from several large and profitable engagements, which were completed at the start of this financial year and were not subsequently repeated. Consequently, we have taken action to reduce the fixed costs associated with business activities with a more unpredictable earnings profile. The board believes that this will mitigate the impact of future revenue volatility.

We have continued to invest in the UK forensic accounting and forensic technology businesses through senior recruitment, the cost of which has a short-term impact on profitability.

Overall, this division has grown through organic investment to date, has low working capital requirements and has good future growth prospects.

The number of people employed in global risk partners was 34 on 30 April 2012, unchanged from a year before.

### Exceptional costs

As a result of the market conditions outlined above we have restructured the cost base of the continuing operations, which resulted in exceptional costs of £1.4m, principally relating to staff reductions.

### Insolvency market

Trends in Government insolvency data reflect a small increase in corporate insolvencies in the UK over the course of the last financial year.

### Insolvency statistics

Government insolvency statistics for the 12 months ended 31 March 2012 showed a 5% increase in the number of UK corporate insolvencies compared to the same period in the prior year. This contrasts with a 13% decrease in the preceding year.

The statistics for the first quarter of calendar year 2012 indicated that the market had remained stable with a 3% increase on the comparable quarter of 2011. However, there are currently no signs of a material increase in volumes, in spite of the many indicators of financial stress. The board's view is that this is due to the on-going high level of monetary support, principally low interest rates, combined with lenient attitudes by creditors towards financially stressed companies.

The board's expectations are that this trend will continue in the current financial year.

### Red Flag Alert

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

The most recent survey, published in April 2012, revealed that the number of UK companies experiencing critical problems in the first calendar quarter of 2012 has increased by 7% over the same period in 2011. We believe that this demonstrates the underlying financial stress in the UK. However, whilst record low interest rates and other support factors remain in place, it is uncertain when this stress will materially increase the level of insolvencies.

### Outlook

Having re-focused the business, we are now operating in a more stable environment with the benefit of a strengthened financial position and a core business which has retained its market leadership. Whilst our markets remain challenging and we do not anticipate a substantial improvement in the near term, we remain committed to maximising the performance of and growing our cash-generative and profitable business, both organically and through acquisitions.

An update on current trading will be provided at the time of the company's annual general meeting in October 2012.

**Ric Traynor**  
Executive chairman  
5 July 2012

# Financial review

Revenue <sup>1</sup> (£m)	
2011	60.6
2012	57.7
EBITA <sup>2</sup> (£m)	
2011	9.1
2012	8.5
Adjusted EPS <sup>3</sup> (p)	
2011	6.4
2012	6.0

<sup>1</sup> From continuing operations

<sup>2</sup> Pre exceptional and acquisition-related costs

<sup>3</sup> See reconciliation in note 11

## Financial highlights – continuing operations

The group's revenue from continuing operations in the year was £57.7m (2011 £60.6m), with insolvency revenue having decreased by £0.7m or 1% and global risk partners revenue decreased by £2.1m or 31%

EBITA (pre-exceptional and acquisition-related costs) decreased to £8.5m (2011 £9.1m), due to the lower activity levels in the year. However, margins remained unchanged at 15% due to cost savings from the restructuring programme which commenced in the prior year

During the year, the group incurred exceptional restructuring costs of £1.4m (2011 £2.0m) to rationalise the cost base, which includes £0.1m (2011 £0.7m) of non-cash asset write downs. Costs of £nil (2011 £0.1m) associated with acquisitions were incurred in the year and have been expensed in the income statement in accordance with IFRS 3 (revised)

Amortisation of intangible assets arising on acquisitions increased to £0.4m (2011 £0.2m)

Finance costs increased to £1.2m (2011 £1.0m), due to higher average levels of net debt over the year

Adjusted profit before tax was £7.4m (2011 £8.1m). Profit before tax was £5.5m (2011 £5.7m). The reconciliation between these profit measures is detailed in the table below

The tax charge arising on pre-exceptional profits was £1.8m (2011 £2.3m). This represents an effective rate of 27% (2011 29%), the reduction resulting from a change in tax rate from 26% to 24% applied to the group's deferred tax liabilities. The tax charge for the year from continuing operations was £1.5m (2011 £1.9m), which represents an effective rate of 27% (2011 32%)

Profit for the year from continuing operations was £4.0m (2011 £3.9m)

## Earnings per share ('EPS')

EPS from continuing operations<sup>3</sup>, adjusted for the net of tax impact of the amortisation of intangible assets arising on acquisitions, exceptional and acquisition-related costs and the finance charge arising from the discounting of deferred consideration liabilities, was 6.0 pence (2011 6.4 pence). Basic and fully diluted EPS from continuing operations was 4.4 pence (2011 4.3 pence)

## Reconciliation of profit before tax

	2012 £m	2011 £m
Adjusted profit before tax from continuing operations	7.4	8.1
Less		
Amortisation of intangible assets arising on acquisitions	(0.4)	(0.2)
Finance charges arising on discounting of deferred consideration	(0.1)	(0.1)
Exceptional costs	(1.4)	(2.0)
Acquisition-related costs	—	(0.1)
Profit before tax from continuing operations	5.5	5.7

# Financial review

## continued

### Cash flows

Net cash flows from operating activities (after interest and tax) in the year were £2.4m (2011 £6.3m). The core business continues to be cash-generative with underlying operating cash flows of £9.1m (2011 £10.1m) in the year, with the reduction resulting principally from the decrease in operating profits. See reconciliation of cash generated by operations in the table below.

Tax payments in the year were £0.8m (2011 £1.7m), a reduction due to the lower level of taxable profits. Interest payments were £0.7m (2011 £0.9m).

Cash flows from investing activities were an inflow of £1.9m (2011 outflow of £7.0m). Proceeds from the disposal of property, plant and equipment were £3.8m (2011 £0.6m). During the year, the board resolved to outsource the provision of the group's company car fleet to a leading fleet management company, which resulted in the sale and leaseback of the existing fleet. This resulted in proceeds from disposal of £3.3m and a repayment of hire purchase obligations of £1.7m. Capital expenditure reduced to £1.2m (2011 £3.2m), principally due to lower levels of car purchases (due to the board's decision above) and reduced spend on IT and leasehold improvements.

The disposal of businesses (after transaction costs) generated cash of £2.5m (2011 £nil). Deferred payments relating to prior year acquisitions were £2.8m (2011 £2.6m) with in year acquisition payments of £0.4m (2011 £1.8m).

Financing cash flows were an outflow of £4.3m (2011 inflow £1.9m). During the year there was a net repayment of asset finance obligations of £3.4m (2011 £0.6m), which includes the car hire purchase obligations noted above. Dividend payments were £2.0m (2011 £1.7m). There was a net drawdown on the group's principal bank facilities of £1.0m (2011 £4.0m).

### Financing

Net borrowings at 30 April 2012 were £20.1m (2011 £22.5m), representing a significant reduction from the position at 31 October 2011 of £27.3m, giving gearing of 34% (2011 34%). Interest cover (pre-exceptional costs) was a very comfortable 7.2 times (2011 8.8 times).

At 30 April 2012, the group had utilised £19.7m (2011 £18.7m) of its principal bank facilities, giving significant headroom within the total facilities of £35m. During the year all bank covenants were met and the group remains in a robust financial position.

The group continues to use other sources of finance as appropriate. At 30 April 2012, the group had asset-related finance of £0.4m (2011 £3.8m).

### Net assets

At 30 April 2012 net assets were £58.5m (2011 £65.9m), equivalent to net assets per share of 65 pence (2011 73 pence).

Non-current assets decreased to £53.6m (2011 £58.2m) due to the disposal of the company car fleet, low levels of capital investment in the year and depreciation costs.

Current assets (excluding assets held for sale) were broadly unchanged at £48.1m (2011 £47.6m). Assets held for sale decreased to £0.2m (2011 £9.5m) following the disposal of the tax division in the year.

Gross borrowings reduced to £24.4m (2011 £26.6m).

Trade and other payables, which reduced to £10.4m (2011 £14.1m), includes trade creditors and accruals £7.6m (2011 £7.2m), deferred consideration liabilities £0.9m (2011 £3.5m) and tax and social security creditors £1.9m (2011 £3.5m). Provisions for restructuring costs and post-disposal obligations total £3.5m (2011 £0.4m) of which £2.0m is payable within one year. Current tax liabilities reduced to £nil (2011 £0.8m). Deferred tax liabilities are £5.0m (2011 £5.0m).

Liabilities directly associated with assets classified as held for sale decreased from £2.6m to £0.1m, following the divestments in the year. Other liabilities include £0.9m of deferred consideration payments, of which £0.8m is payable within one year.

### Discontinued operations

The group completed a number of disposals in the year, in line with its previously announced strategy to focus on its core division of UK insolvency and restructuring and developing its

### Cash generated by operations

	2012 £m	2011 £m
<b>Underlying cash flows from continuing activities</b>	<b>9.1</b>	<b>10.1</b>
Less:		
Change in VAT payment dates resulting in timing difference between financial years	(1.9)	1.9
Exceptional payments relating to restructuring costs for the continuing business	(0.8)	(0.9)
Cash outflows related to discontinued operations	(2.5)	(2.2)
<b>Cash generated by operations</b>	<b>3.9</b>	<b>8.9</b>

complementary global risk partners business. The remaining transaction, relating to the disposal of the Kenyan insolvency operations, is at an advanced stage.

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 net assets to be written down to the fair value of the assets less costs to sell.

Discontinued operations generated a post-tax loss for the year (before exceptional and acquisition-related costs) of £2.6m (2011: £1.1m). The post-tax cost of exceptional and acquisition-related costs was £71m (2011: £2.6m), resulting in a post-tax loss of £9.7m (2011: £3.7m).

#### Tax

On 26 November 2011, we completed the sale of the tax division to Smith & Williamson Holdings Limited for an initial consideration of £2.9m paid in cash on completion, subject to completion account adjustments. In addition, the group may be entitled to a deferred consideration payment, dependent on the success of certain specified client engagements in the period to 30 April 2013.

The sale of the business resulted in exceptional costs of £7.3m in the year relating to goodwill impairment of £4.4m, disposal provisions of £2.4m and a loss on disposal of £0.5m.

The division generated revenue of £2.8m (2011: £7.0m) and an operating loss of £1.5m (2011: profit £0.1m).

#### Red Flag Alert

On 10 April 2012, we completed the sale of Red Flag Alert LLP. Ric Traynor, the group's executive chairman, acquired the controlling interest in the LLP, with the group retaining a minority interest in the partnership. This follows a disposal process, during which feedback from third parties was that the business was not yet

sufficiently established for consideration as a standalone acquisition opportunity.

The agreement allows for a return of up to £1.5m of the investment made by the group in the business to date, together with a future share of any trading profits of the LLP, with a de-minimis obligation for future investment. Ric Traynor will act as chairman of the Red Flag business, which will be managed by the current management team who transferred with the business.

The group has agreed to continue to provide shared accommodation, IT, HR, marketing, administrative and accounting services to Red Flag on a similar basis to current intra-group arrangements. The group has negotiated an agreement to retain full access to the database and joint marketing rights for the publication of Red Flag Alert quarterly statistics.

The sale of the business resulted in exceptional costs of £0.2m in the year relating to transaction costs of £0.1m and disposal provisions of £0.1m.

Revenue in the period was £0.5m (2011: £0.2m) with losses of £0.9m (2011: loss of £0.7m).

#### Offshore insolvency

On 11 January 2012, we completed the sale of the Channel Islands insolvency and restructuring business to Grant Thornton Limited for consideration of £0.2m. The sale of the business resulted in exceptional costs of £0.3m in the year relating to disposal provisions of £0.2m and a loss on disposal of £0.1m. In addition, during the year we closed our Cayman Islands operations.

The Kenyan insolvency business is in the advanced stage of a sales process and has consequently been classified as held for sale in the balance sheet. IFRS 5 requires that the carrying value of the net assets be written down to the fair value of the assets less costs to sell. This has

resulted in a non-cash charge to profit of £0.4m which has been disclosed within exceptional costs.

Revenue in the period from the offshore insolvency operations was £0.5m (2011: £0.9m) with losses of £0.3m (2011: loss of £0.6m).

#### Nick Taylor

Group finance director  
5 July 2012

## Board of directors

**Ric Traynor (age 52)**  
Executive chairman

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

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

**Mark Fry (age 44)**  
Head of insolvency and restructuring

Mark was appointed to the board on 7 July 2011 as head of insolvency and restructuring. He joined the group in 2005, following its acquisition of his insolvency practice. He has recently been the regional managing partner for London and the South East, successfully developing a restructuring and banking practice. Mark is currently deputy vice-president of the Insolvency Practitioners Association and will take up presidency in April 2014.

**John May (age 57)**  
Non-executive director

John was appointed to the board in 2007 as a non-executive director. He currently runs his own private equity investment and consultancy business. John was an executive director of Caledonia Investments plc until his retirement on 30 September 2011 and previously worked for the Hambros Group for over 20 years, where he was an executive director of Hambros Bank and joint managing director of Hambro Countrywide.

**Nick Taylor (age 41)**  
Group finance director

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

**Graham McInnes (age 60)**  
Non-executive director

Graham was appointed to the board in 2004, initially as group finance director and, since 2007, has served as corporate development director. With effect from 5 July 2012, Graham will take on a new role as a non-executive director. He has held a number of senior finance positions including corporate finance partner at Spicer and Oppenheim (now part of Deloitte) and finance director of Enterprise plc, in addition to developing his own corporate finance boutique in the 1990s.

## Directors' report

The directors present their Annual Report on the affairs of the group together with the financial statements and auditor's report for the year ended 30 April 2012

### Principal activity

During the year under review, the group's principal activity involved the provision of professional services to clients based in the UK

The subsidiary and associated undertakings principally affecting the profits or net assets of the group in the year are listed in note 3 to the company financial statements

### Business review

The company is required by section 417 of the Companies Act 2006 to set out in this report a fair review of the business of the group during the financial year ended 30 April 2012 and of the position of the group at the end of the year. This information can be found within the chairman's statement on pages 6 to 8 and the financial review on pages 9 to 11. The directors use a number of key performance indicators ('KPIs') to monitor the progress of the group, which include those set out in the operational review. The board continuously identifies and reviews key business risks. A description of the principal risks and uncertainties facing the group is contained within the directors' report below.

### Dividends

The directors recommend a final dividend of 1.6 pence per ordinary share to be paid on 7 November 2012 to shareholders on the register at 12 October 2012. This, together with the interim dividend of 0.6 pence paid on 8 May 2012, makes a total of 2.2 pence for the year (2011: 2.2 pence).

### Capital structure

Details of the authorised and issued share capital, together with details of the movements in the company's issued share capital during the year, are shown in note 21. The company has two classes of shares: ordinary and A ordinary. The ordinary shares comprise 97% of the total issued nominal value of all share capital.

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

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

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

A ordinary shares were issued in connection with the company's partner growth share plan as detailed in note 21 and have no rights to fixed income, dividends or voting rights at general meetings of the company. The shares are only transferable either pursuant to an offer required to be made by the city code for the A ordinary shares, or otherwise, with prior written consent of the company. Within 30 days of the third anniversary of the date of allotment, A ordinary shares may be converted into fully paid ordinary shares in accordance with the company's articles of association. All issued A ordinary shares are partly paid.

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

## Directors' report continued

### Business risks

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

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

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

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

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

### Financial risk

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

### Directors

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

Name of director	Board title	Age	Date of appointment	Date of resignation
Ric Traynor	Executive chairman	52	5 May 2004	—
Nick Taylor	Group finance director	41	21 December 2010	—
Mark Fry	Head of insolvency and restructuring	44	7 July 2011	—
Graham McInnes	Corporate development director*	60	24 September 2004	—
Geoffrey Hill	Executive director	64	25 September 2006	5 July 2012
John May	Non-executive director	57	12 October 2007	—

\* With effect from 5 July 2012, Graham McInnes will take on a new role as a non-executive director.

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

**Supplier payment policy**

The group's policy is to meet obligations promptly on agreed payment dates, unless there is an unresolved query or dispute over the sum due. Trade creditors of the group at 30 April 2012 were equivalent to 31 (2011: 35) 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 £4,000 (2011: £3,000), principally to local charities serving the communities in which the group operates. No political donations were made during the year (2011: £nil).

**Substantial shareholdings**

On 29 June 2012, the company had been notified, in accordance with sections 791 to 828 of the Companies Act 2006, of the following interests in the ordinary share capital of the company:

Name of holder	Number	Percentage held
Caledonia Investments	14,000,654	15.56
Fortelus Capital Management*	7,571,395	8.42
Theodoor Gilissen	4,944,547	5.50
Heronbridge Investment Management	3,560,662	3.96

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

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

**Disabled employees**

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

**Directors' remuneration report and corporate governance statement**

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

**Social policies and employee involvement**

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

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

## Directors' report continued

### Going concern

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

### Auditor

Each of the directors at the date of approval of this Annual Report confirms that

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

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

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

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

  
John Humphrey  
Company secretary  
5 July 2012

## Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

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

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

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

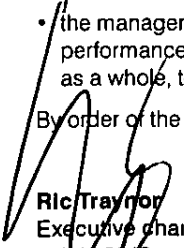
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Responsibility statement

We confirm that to the best of our knowledge

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole, and
- the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the board

  
**Ric Traynor**  
Executive chairman  
5 July 2012

  
**Nick Taylor**  
Group finance director

## Directors' remuneration report

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

### The remuneration committee

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

### Remuneration policy

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

### Directors' remuneration

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

Directors' fees are fixed by the remuneration committee. The profit shares and consultancy charges disclosed are the amounts charged against operating profit in the consolidated income statement for the year ended 30 April 2012.

### Directors' emoluments

Name of director	Fees/ basic salary/ profit share £	Benefits in kind £	Bonus £	2012 Total £	2011 Total £
<b>Executive</b>					
Ric Traynor	265,000	13,596	—	<b>278,596</b>	281,639
Nick Taylor (from 21 December 2010)	130,500	32,937	—	<b>163,437</b>	48,315
Mark Fry (from 7 July 2011)	375,000	32,748	50,000	<b>457,748</b>	—
Graham McInnes	61,950	3,772	—	<b>65,722</b>	49,356
Geoffrey Hill	170,000	23,875	—	<b>193,875</b>	187,362
John Gittins (to 20 August 2010)	—	—	—	—	70,422
<b>Non-executive</b>					
John May	14,583	—	—	<b>14,583</b>	—
<b>Aggregate emoluments</b>	<b>1,017,033</b>	<b>106,928</b>	<b>50,000</b>	<b>1,173,961</b>	<b>637,094</b>
<b>Fees to third parties</b>					
John May (Non-executive)				<b>10,417</b>	25,000

Fees to third parties include £10,417 paid to Caledonia Investments plc under an agreement to provide the group with the services of John May up to 30 September 2011.

**Directors' interests**

The directors who held office at 30 April 2012 had the following interests in the shares of group undertakings

Name of director	Description of shares	30 April 2012		1 May 2011 or subsequent date of appointment	
		Beneficial	%	Beneficial	%
Ric Traynor	Ordinary shares	26,561,697	29.5	26,561,697	29.6
Nick Taylor	Ordinary shares	5,000	0.006	5,000	0.006
Mark Fry	Ordinary shares	143,890	0.16	143,890	0.16
Graham McInnes	Ordinary shares	855,704	0.95	855,704	0.95
Geoffrey Hill	Ordinary shares	10,000	0.01	10,000	0.01
John May	Ordinary shares	202,500	0.23	62,500	0.07

No changes took place in the interests of directors between 30 April 2012 and 29 June 2012

**Directors' share options**

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

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

The market price of the company's shares at the end of the financial year was 29 pence and the range of market prices during the year was 19 pence to 51 pence

**Growth share plan**

During the year, Mark Fry was offered a growth share scheme. Under the scheme, Mark purchased 1,923,077 A ordinary shares on 1 July 2011, which may be converted into ordinary shares of the company on 1 July 2014, subject to the share price at that date exceeding 68 pence.

Details of share options granted by the company at 30 April 2012 are given in note 22. None of the terms and conditions of the share options were varied in the period. The performance criteria for all of the directors' options were consistent with the remuneration policy.

## Corporate governance statement

The board is committed to high standards of corporate governance and, although as an AIM listed company Begbies Traynor Group plc is not bound by the corporate governance rules and codes, the directors adopt them in the manner they believe appropriate to the company's status. Detailed below are the key components of the group's corporate governance policies and procedures.

### The board

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

During the financial year, the board consisted of the executive chairman, group finance director, three 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. On 5 July 2012, the composition of the board changed to three executive directors and two non-executive directors, as detailed in the chairman's statement.

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

### The remuneration committee

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

### Investor communications

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

### Internal control and risk management

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

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

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

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

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

We have audited the group financial statements of Begbies Traynor Group plc for the year ended 30 April 2012, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

### Respective responsibilities of directors and auditor

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

### Scope of the audit of the financial statements

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

### Opinion on financial statements

In our opinion the group financial statements

- give a true and fair view of the state of the group's affairs as at 30 April 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

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

### Matters on which we are required to report by exception

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

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

### Other matter

We have reported separately on the parent company financial statements of Begbies Traynor Group plc for the year ended 30 April 2012.



**William Smith MA ACA (Senior Statutory Auditor)**

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Manchester, United Kingdom

5 July 2012

## Consolidated income statement for the year ended 30 April 2012

	Notes	2012			2011		
		Before exceptional and acquisition related costs £ 000	Exceptional items and acquisition related costs (note 5) £ 000	Total £'000	Before exceptional and acquisition- related costs £ 000	Exceptional items and acquisition related costs (note 5) £ 000	Total £ 000
<b>Continuing operations</b>							
Revenue	3	57,737	—	57,737	60,550	—	60,550
Direct costs		(30,572)	(1,033)	(31,605)	(31,549)	(1,458)	(33,007)
<b>Gross profit</b>		<b>27,165</b>	<b>(1,033)</b>	<b>26,132</b>	29,001	(1,458)	27,543
Other operating income	3	—	—	—	68	—	68
Administrative expenses		(18,658)	(414)	(19,072)	(19,995)	(640)	(20,635)
<b>Earnings before interest, tax and amortisation</b>		<b>8,507</b>	<b>(1,447)</b>	<b>7,060</b>	9,074	(2,098)	6,976
Amortisation of intangible assets arising on acquisitions		(419)	—	(419)	(198)	—	(198)
Finance costs	7	(1,187)	—	(1,187)	(1,031)	—	(1,031)
<b>Profit before tax</b>		<b>6,901</b>	<b>(1,447)</b>	<b>5,454</b>	7,845	(2,098)	5,747
Tax	8	(1,839)	345	(1,494)	(2,303)	452	(1,851)
<b>Profit for the year from continuing operations</b>		<b>5,062</b>	<b>(1,102)</b>	<b>3,960</b>	5,542	(1,646)	3,896
<b>Discontinued operations</b>							
Loss for the year from discontinued operations	9	(2,528)	(7,149)	(9,677)	(1,087)	(2,610)	(3,697)
<b>(Loss) profit for the year</b>		<b>2,534</b>	<b>(8,251)</b>	<b>(5,717)</b>	4,455	(4,256)	199
<b>Earnings (loss) per share</b>							
From continuing operations							
Basic and diluted	11			<b>4 4 pence</b>			4 3 pence
From continuing and discontinued operations							
Basic and diluted	11			<b>(6 4) pence</b>			0 2 pence

The income statement for the year ended 30 April 2011 has been represented to reflect the classification of the insolvency offshore businesses as discontinued operations in accordance with IFRS 5, alongside the tax and red flag businesses already classified as discontinued operations

## Consolidated statement of comprehensive income for the year ended 30 April 2012

	2012 £'000	2011 £'000
(Loss) profit for the year	(5,717)	199
<b>Other comprehensive income</b>		
Exchange differences on translation of foreign operations	(5)	(56)
<b>Total comprehensive income for the year</b>	<b>(5,722)</b>	<b>143</b>

## Consolidated statement of changes in equity for the year ended 30 April 2012

	Share capital £ 000	Share premium £ 000	Merger reserve £ 000	Translation reserve £ 000	Retained earnings £ 000	Total equity £'000
At 1 May 2010	4,530	34,686	17,584	(1)	10,375	67,174
Profit for the year	—	—	—	—	199	199
Other comprehensive income						
Exchange differences on translation of foreign operations	—	—	—	(56)	—	(56)
Total comprehensive income for the year	—	—	—	(56)	199	143
Dividends	—	—	—	—	(1,701)	(1,701)
Capital reduction (note 29)	—	(17,343)	—	—	17,343	—
Credit to equity for equity-settled share-based payments	—	—	—	—	96	96
Shares issued	49	100	—	—	—	149
At 30 April 2011	4,579	17,443	17,584	(57)	26,312	65,861
Loss for the year	—	—	—	—	(5,717)	(5,717)
Other comprehensive income						
Exchange differences on translation of foreign operations	—	—	—	(5)	—	(5)
Total comprehensive income for the year	—	—	—	(5)	(5,717)	(5,722)
Dividends	—	—	—	—	(1,973)	(1,973)
Exchange differences recognised in income statement on disposals	—	—	—	29	—	29
Credit to equity for equity-settled share-based payments	—	—	—	—	118	118
Shares issued	72	81	—	—	—	153
At 30 April 2012	4,651	17,524	17,584	(33)	18,740	58,466

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

## Consolidated balance sheet at 30 April 2012

	Notes	2012 £'000	2011 € 000
<b>Non-current assets</b>			
Intangible assets	12	50,942	51,422
Property, plant and equipment	13	2,677	6,820
		<b>53,619</b>	<b>58,242</b>
<b>Current assets</b>			
Trade and other receivables	14	43,755	43,295
Current tax receivable		12	—
Cash and cash equivalents		4,302	4,334
Assets classified as held for sale	9	198	9,548
		<b>48,267</b>	<b>57,177</b>
<b>Total assets</b>		<b>101,886</b>	<b>115,419</b>
<b>Current liabilities</b>			
Trade and other payables	15	(10,271)	(13,064)
Current tax liabilities		—	(760)
Borrowings	16	(212)	(1,718)
Provisions	17	(1,986)	(443)
Liabilities directly associated with assets classified as held for sale	9	(145)	(2,583)
		<b>(12,614)</b>	<b>(18,568)</b>
<b>Net current assets</b>		<b>35,653</b>	<b>38,609</b>
<b>Non-current liabilities</b>			
Trade and other payables	15	(94)	(1,027)
Borrowings	16	(24,145)	(24,915)
Provisions	17	(1,542)	—
Deferred tax	19	(5,025)	(5,048)
		<b>(30,806)</b>	<b>(30,990)</b>
<b>Total liabilities</b>		<b>(43,420)</b>	<b>(49,558)</b>
<b>Net assets</b>		<b>58,466</b>	<b>65,861</b>
<b>Equity</b>			
Share capital	21	4,651	4,579
Share premium		17,524	17,443
Merger reserve		17,584	17,584
Translation reserve		(33)	(57)
Retained earnings		18,740	26,312
<b>Equity attributable to owners of the company</b>		<b>58,466</b>	<b>65,861</b>

The financial statements of Begbies Traynor Group plc, registered number 5120043, were approved by the board of directors and authorised for issue on 5 July 2012. They were signed on its behalf by

  
**Ric Traynor**  
Executive chairman

  
**Nick Taylor**  
Group finance director

## Consolidated cash flow statement for the year ended 30 April 2012

	Notes	2012 £ 000	2011 £ 000
<b>Cash flows from operating activities</b>			
Cash generated by operations	24	3,851	8,852
Income taxes paid		(778)	(1,665)
Interest paid		(719)	(887)
<b>Net cash flows from operating activities</b>		<b>2,354</b>	<b>6,300</b>
<b>Investing activities</b>			
Proceeds on disposal of property, plant and equipment		3,771	624
Purchase of property, plant and equipment		(1,145)	(2,676)
Purchase of intangible fixed assets		(47)	(485)
Proceeds on disposal of businesses		2,466	—
Deferred consideration payments in the year		(2,792)	(2,626)
Acquisition of businesses		(380)	(1,803)
<b>Net cash from investing activities</b>		<b>1,873</b>	<b>(6,966)</b>
<b>Financing activities</b>			
Dividends paid		(1,973)	(1,701)
Hire purchase finance received		315	1,985
Repayments of hire purchase finance obligations		(3,496)	(1,845)
Proceeds on issue of shares		153	149
Repayment of loans		(258)	(706)
Drawdown of bank facility		1,000	4,000
<b>Net cash from financing activities</b>		<b>(4,259)</b>	<b>1,882</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(32)</b>	<b>1,216</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>4,334</b>	<b>3,118</b>
<b>Cash and cash equivalents at end of year</b>		<b>4,302</b>	<b>4,334</b>

## Notes to the consolidated financial statements for the year ended 30 April 2012

### 1 General information

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

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

### 2 Accounting policies

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

#### (a) Basis of accounting

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

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

#### Going concern

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

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

The group has principal banking facilities of £35m, of which £19.7m was utilised (net of cash balances) at 30 April 2012.

In carrying out their duties in respect of going concern, the directors have completed a review of the group's current financial position and cash flow forecasts for a period exceeding 12 months from the date of signing these financial statements. This review included sensitivity analysis to determine the potential impact on the group of reasonably possible downside scenarios. Under all modelled scenarios, the group's banking facilities were sufficient and all associated covenant measures were forecast to be met.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

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

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

#### Exceptional items

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

## Notes to the consolidated financial statements continued for the year ended 30 April 2012

### 2 Accounting policies continued

#### (b) Basis of consolidation

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

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

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

#### (c) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

#### (d) Business combinations

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

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

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

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

#### (e) Intangible assets

##### *Goodwill*

Goodwill arising on consolidation is recognised as an asset.

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

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

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

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

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

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

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

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

Assets in the course of construction are not depreciated.

**(f) Property, plant and equipment**

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

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

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

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

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

**(g) Impairment of tangible and intangible assets excluding goodwill**

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

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

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

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

## Notes to the consolidated financial statements continued for the year ended 30 April 2012

### 2 Accounting policies continued

#### (h) Assets and liabilities classified as held for sale

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

#### (i) Financial instruments

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

#### *Cash and cash equivalents*

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

#### *Trade receivables*

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

#### *Trade payables*

Trade payables are stated at their amortised cost.

#### *Financial liabilities and equity instruments*

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

#### *Equity instruments*

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

#### *Bank borrowings*

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

#### (j) Provisions

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

#### (k) Leases

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

#### *Finance leases*

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

#### *Operating leases*

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

## 2 Accounting policies continued

### (l) Revenue recognition

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

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

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

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

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

### (m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### (n) Pensions and retirement benefits

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

### (o) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 22.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of equity instruments that will eventually vest. At each balance sheet date, the group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

## Notes to the consolidated financial statements continued for the year ended 30 April 2012

### 2. Accounting policies continued

#### (p) Taxation

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

##### *Current taxation*

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

##### *Deferred taxation*

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

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

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

#### (q) Foreign currency

##### *Transactions and balances*

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

##### *Group companies*

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

#### (r) Critical accounting judgements and key sources of estimation uncertainty

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

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

**2. Accounting policies continued****(r) Critical accounting judgements and key sources of estimation uncertainty continued****Goodwill**

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

**Revenue recognition**

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

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

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

International Accounting Standards (IAS/IFRSs)	Effective date (year end commencing on or after)
Amendment to IAS 1 (June 2011)	1 July 2012
IFRS 9 'Financial Instruments'	1 January 2015
Improvements to IFRSs 2011 (May 2012)	1 January 2013
IFRS 10 'Consolidated Financial Statements'	1 January 2013
IFRS 12 'Disclosure of Interests in Other Entities'	1 January 2013
IFRS 13 'Fair Value Measurements'	1 January 2013

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

**3. Revenue**

An analysis of the group's revenue is as follows

	2012 £ 000	2011 £ 000
<b>Continuing operations</b>		
Rendering of professional services	57,737	60,550
Other operating income	—	68
	<b>57,737</b>	<b>60,618</b>
<b>Discontinued operations</b>		
Rendering of professional services (note 9)	3,824	8,142
	<b>61,561</b>	<b>68,760</b>

## Notes to the consolidated financial statements continued for the year ended 30 April 2012

### 4 Business and geographical segments

#### Business segments

The continuing group is managed as two operating segments: insolvency and restructuring and global risk partners. The tax, red flag and insolvency offshore businesses are classified as discontinued. The prior year information has been represented to reflect the classification of the insolvency offshore businesses as discontinued.

Segmental information about these businesses is presented below. The results of tax, red flag and insolvency offshore are shown in note 9.

	Insolvency and restructuring 2012 £'000	Global risk partners 2012 £'000	Consolidated 2012 £'000
<b>Revenue (from continuing operations)</b>			
Total revenue from rendering of professional services	53,117	4,813	57,930
Inter-segment revenue	—	(193)	(193)
External revenue	53,117	4,620	57,737
Segmental result (from continuing operations)	13,700	5	13,705
Shared and central costs			(5,198)
EBITA (from continuing operations)			8,507
Exceptional and acquisition-related costs			(1,447)
Amortisation of intangible assets arising on acquisitions			(419)
Finance costs			(1,187)
Profit before tax			5,454
Tax			(1,494)
Profit for the year from continuing operations			3,960
Loss for the year from discontinued operations			(9,677)
Total loss for the financial year			(5,717)
<b>Balance sheet</b>			
<b>Assets</b>			
Segment assets	95,808	3,003	98,811
Unallocated corporate assets			2,877
Consolidated total assets			101,688
<b>Liabilities</b>			
Segment liabilities	(11,365)	(691)	(12,056)
Unallocated corporate liabilities			(31,219)
Consolidated total liabilities			(43,275)
Net assets – continuing operations			58,413
Net assets – discontinued operations			53
<b>Total</b>			<b>58,466</b>

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

**4 Business and geographical segments continued****Business segments continued**

	Insolvency and restructuring 2012 £'000	Global risk partners 2012 £ 000	Discontinued 2012 £ 000	Unallocated 2012 £ 000	Consolidated 2012 £'000
<b>Other information</b>					
Capital additions	754	271	31	136	1,192
Depreciation and amortisation	1,595	122	10	606	2,333

	Insolvency and restructuring 2011 £ 000	Global risk partners 2011 £ 000	Consolidated 2011 £ 000
<b>Revenue (from continuing operations)</b>			
Total revenue from rendering of professional services	53,853	7,013	60,866
Inter-segment revenue	—	(316)	(316)
External revenue	53,853	6,697	60,550
Segmental result (from continuing operations)	13,607	1,363	14,970
Shared and central costs			(5,896)
EBITA (from continuing operations)			9,074
Exceptional and acquisition-related costs			(2,098)
Amortisation of intangible assets arising on acquisitions			(198)
Finance costs			(1,031)
Profit before tax			5,747
Tax			(1,851)
Profit for the year from continuing operations			3,896
Loss for the year from discontinued operations			(3,697)
<b>Total profit for the financial year</b>			<b>199</b>
<b>Balance sheet</b>			
<b>Assets</b>			
Segment assets	95,382	1,680	97,062
Unallocated corporate assets			8,809
Consolidated total assets			105,871
<b>Liabilities</b>			
Segment liabilities	(14,332)	(559)	(14,891)
Unallocated corporate liabilities			(32,084)
Consolidated total liabilities			(46,975)
Net assets – continuing operations			58,896
Net assets – discontinued operations			6,965
<b>Total</b>			<b>65,861</b>

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

## Notes to the consolidated financial statements continued for the year ended 30 April 2012

### 4 Business and geographical segments continued

#### Business segments continued

	Insolvency and restructuring 2011 £ 000	Global risk partners 2011 £'000	Discontinued 2011 £ 000	Unallocated 2011 £ 000	Consolidated 2011 £'000
<b>Other information</b>					
Capital additions	1,709	322	21	1,109	3,161
Depreciation and amortisation	1,456	95	192	562	2,305

#### Geographical segments

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

### 5. (Loss) profit for the year

(Loss) profit for the year has been arrived at after charging (crediting)

	Continuing		Discontinued		Total	
	2012 £ 000	2011 £ 000	2012 £'000	2011 £ 000	2012 £'000	2011 £ 000
Net foreign exchange (gain) loss	(27)	44	8	(31)	(19)	13
Depreciation of property, plant and equipment	1,735	1,767	10	192	1,745	1,959
Impairment of property, plant and equipment	—	—	64	—	64	—
Amortisation of intangible assets	588	346	—	—	588	346
(Profit) loss on disposal of property, plant and equipment	(18)	(21)	(3)	8	(21)	(13)
Staff costs (see note 6)	32,507	33,698	3,504	5,982	36,011	39,680
Impairment of receivable balances (see note 14)	280	115	—	230	280	345
Reversal of impairment losses recognised on trade receivables (see note 14)	(33)	(84)	—	(7)	(33)	(91)

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

	2012 £ 000	2011 £ 000
<b>Fees payable to the company's auditor for the audit of the company's annual accounts</b>	<b>30</b>	<b>30</b>
<b>Fees payable to the company's auditor and its associates for other services to the group</b>		
– the audit of the company's subsidiaries pursuant to legislation	47	43
<b>Total audit fees</b>	<b>77</b>	<b>73</b>
– other taxation advisory services	6	—
– other services	14	7
<b>Total non-audit fees</b>	<b>20</b>	<b>7</b>

**5. (Loss) profit for the year continued**

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

	Continuing		Discontinued		Total	
	2012 £ 000	2011 £ 000	2012 £'000	2011 £ 000	2012 £'000	2011 £ 000
Restructuring costs	1,437	1,998	—	1,211	1,437	3,209
Provision against unbilled income	—	—	—	1,131	—	1,131
Impairment of goodwill	—	—	4,437	1,069	4,437	1,069
Loss on disposal of businesses (note 9)	—	—	3,391	—	3,391	—
Impairment of assets	—	—	366	—	366	—
Acquisition-related costs	10	100	—	58	10	158
	<b>1,447</b>	<b>2,098</b>	<b>8,194</b>	<b>3,469</b>	<b>9,641</b>	<b>5,567</b>

**6 Staff costs**

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

	Continuing		Discontinued		Total	
	2012 £'000	2011 £ 000	2012 £'000	2011 £ 000	2012 £ 000	2011 £ 000
Partners and consultants	83	84	9	16	92	100
Fee earning staff	366	394	24	52	390	446
Support staff	137	140	24	27	161	167
	<b>586</b>	<b>618</b>	<b>57</b>	<b>95</b>	<b>643</b>	<b>713</b>

	Continuing		Discontinued		Total	
	2012 £'000	2011 £ 000	2012 £ 000	2011 £ 000	2012 £ 000	2011 £ 000
Their aggregate remuneration comprised						
Wages, salaries and partners' profit share	29,688	31,165	3,216	5,550	32,904	36,715
Social security costs	1,871	2,005	210	352	2,081	2,357
Other pension costs (note 27)	948	528	78	80	1,026	608
	<b>32,507</b>	<b>33,698</b>	<b>3,504</b>	<b>5,982</b>	<b>36,011</b>	<b>39,680</b>

## Notes to the consolidated financial statements continued for the year ended 30 April 2012

### 6. Staff costs continued

#### Directors' remuneration and transactions

##### Directors' remuneration

	2012 £ 000	2011 £ 000
Short-term employee benefits	1,152	632
Post-employment benefits	22	5
Sums paid to third parties in respect of directors' services	10	25
	<b>1,184</b>	<b>662</b>

	Number	Number
<b>The average number of directors who</b>		
Are members of a defined contribution pension scheme	1	1
Had awards receivable in the form of shares under a long-term incentive scheme	3	2

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

	2012 £'000	2011 £ 000
John Gittins	—	3
Nick Taylor	22	2

The highest paid director in the year was Mark Fry and his total remuneration for the period from 7 July 2011 to 30 April 2012 was £457,748 (2011 Ric Traynor £281,639) No contributions were made into a company pension scheme on his behalf

### 7. Finance costs

	Continuing		Discontinued		Total	
	2012 £ 000	2011 £ 000	2012 £'000	2011 £ 000	2012 £ 000	2011 £ 000
Interest on bank overdrafts and loans	1,067	867	5	1	1,072	868
Finance charges on hire purchase contracts	72	84	5	19	77	103
<b>Total interest expense</b>	<b>1,139</b>	<b>951</b>	<b>10</b>	<b>20</b>	<b>1,149</b>	<b>971</b>
Unwinding of discount on deferred consideration liabilities	48	80	—	41	48	121
<b>Total finance costs</b>	<b>1,187</b>	<b>1,031</b>	<b>10</b>	<b>61</b>	<b>1,197</b>	<b>1,092</b>

**8. Tax**

	Continuing		Discontinued		Total	
	2012 £ 000	2011 £ 000	2012 £'000	2011 £ 000	2012 £ 000	2011 £ 000
Current tax charge (credit)	1,517	1,291	(1,484)	(445)	33	846
Deferred tax charge (credit) (note 19)	(23)	560	261	(591)	238	(31)
	<b>1,494</b>	<b>1,851</b>	<b>(1,223)</b>	<b>(1,036)</b>	<b>271</b>	<b>815</b>

Corporation tax is calculated at 26% (2011 28%) of the estimated assessable profit for the year

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

	2012 £ 000	2011 £ 000
(Loss) profit before tax		
Continuing operations	5,454	5,747
Discontinued operations (note 9)	(10,900)	(4,733)
	<b>(5,446)</b>	<b>1,014</b>
Notional tax (credit) charge at the UK corporation tax rate of 26% (2011 28%)	(1,416)	284
Adjustments in respect of current income tax of prior years	6	105
Tax effect of expenses that are not deductible in determining taxable profit	850	784
Tax effect of asset impairment charges (discontinued operations) that are not deductible in determining taxable profit	1,249	—
Impact of change in rate	(390)	(344)
Short-term timing differences at 24% (2011 26%)	(28)	(26)
Effect of different tax rates of subsidiaries operating in other jurisdictions	—	12
Total tax expense reported in the income statement	<b>271</b>	<b>815</b>

**9 Discontinued operations**

The group has completed a number of disposals in the year. On 26 November 2011, the group disposed of its tax business to Smith & Williamson Holdings Limited, and on 10 April 2012, the group disposed of Red Flag Alert LLP to Ric Traynor, the group's executive chairman. The group has also substantially divested its insolvency offshore business. The Channel Islands business was sold to Grant Thornton Limited on 11 January 2012, the Cayman Islands business has been closed and the Kenyan business is in the advanced stage of a sales process and has consequently been classified as held for sale in the balance sheet.

## Notes to the consolidated financial statements continued for the year ended 30 April 2012

### 9 Discontinued operations continued

Tax, red flag and insolvency offshore have been presented as discontinued operations. The results of the discontinued operations, which have been included in the consolidated income statement, were as follows

	2012				2011			
	Tax £'000	Red flag £ 000	Insolvency offshore £ 000	Total £'000	Tax £'000	Red flag £ 000	Insolvency offshore £ 000	Total £ 000
Revenue	2,802	531	491	3,824	6,998	202	942	8,142
Direct costs	(2,811)	(78)	(530)	(3,419)	(4,437)	(167)	(1,022)	(5,626)
<b>Gross profit (loss)</b>	<b>(9)</b>	<b>453</b>	<b>(39)</b>	<b>405</b>	<b>2,561</b>	<b>35</b>	<b>(80)</b>	<b>2,516</b>
Administrative expenses	(1,539)	(1,310)	(252)	(3,101)	(2,468)	(756)	(495)	(3,719)
<b>EBITA</b>	<b>(1,548)</b>	<b>(857)</b>	<b>(291)</b>	<b>(2,696)</b>	<b>93</b>	<b>(721)</b>	<b>(575)</b>	<b>(1,203)</b>
Finance costs	(10)	—	—	(10)	(61)	—	—	(61)
Exceptional and acquisition-related costs	(4,437)	—	(366)	(4,803)	(3,469)	—	—	(3,469)
Loss before tax	(5,995)	(857)	(657)	(7,509)	(3,437)	(721)	(575)	(4,733)
Tax				178				1,036
Loss after tax				(7,331)				(3,697)
Loss on disposal				(3,391)				—
Tax on loss on disposal				1,045				—
Net loss attributable to discontinued operations				(9,677)				(3,697)

The loss on disposal of discontinued operations is set out below

	Tax £'000	Red flag £ 000	Insolvency offshore £ 000	2012 Total £'000
Proceeds (net of transaction costs)	2,381	(88)	197	2,490
Net assets disposed	(2,862)	(19)	(260)	(3,141)
Disposal provisions (see note 17)	(2,413)	(107)	(191)	(2,711)
Exchange differences recognised in the income statement on disposal	(29)	—	—	(29)
Loss on disposal	(2,923)	(214)	(254)	(3,391)

The proceeds in the cash flow statement in the year reconcile to total proceeds as follows

	Tax £ 000	Red flag £ 000	Insolvency offshore £'000	2012 Total £ 000
Proceeds in cash flow statement	2,473	(88)	81	2,466
Less Completion accounts adjustment to be repaid	(218)	—	—	(218)
Add Deferred consideration not yet received	—	—	116	116
Add Cash and cash equivalents disposed	126	—	—	126
Proceeds (net of transaction costs)	2,381	(88)	197	2,490

**9. Discontinued operations continued**

The discontinued operations resulted in cash flows as follows

	2012 £ 000	2011 £ 000
Net cash flows from operating activities	(2,501)	(2,220)
Net cash flows from investing activities	2,435	(966)
<b>Net cash out flows</b>	<b>(66)</b>	<b>(3,186)</b>

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

	2012		2011	
	Insolvency offshore £ 000	Tax £ 000	Red flag £ 000	Total £ 000
Goodwill	—	4,437	—	4,437
Intangible assets	—	—	1	1
Property, plant and equipment	—	328	29	357
Trade and other receivables	198	4,456	38	4,494
Deferred tax	—	259	—	259
<b>Total assets</b>	<b>198</b>	<b>9,480</b>	<b>68</b>	<b>9,548</b>
Trade and other payables	(130)	(1,902)	(104)	(2,006)
Provisions	(15)	(414)	—	(414)
Hire purchase capital	—	(163)	—	(163)
<b>Total liabilities</b>	<b>(145)</b>	<b>(2,479)</b>	<b>(104)</b>	<b>(2,583)</b>
<b>Net assets (liabilities) of disposal group</b>	<b>53</b>	<b>7,001</b>	<b>(36)</b>	<b>6,965</b>

**10. Dividends**

	2012 £ 000	2011 £ 000
<b>Amounts recognised as distributions to equity holders in the year</b>		
Interim dividend for the year ended 30 April 2011 of 1.2 pence per share	1,076	—
Final dividend for the year ended 30 April 2011 of 1.0 pence (2010 1.9 pence) per share	897	1,701
	<b>1,973</b>	<b>1,701</b>
Interim dividend for the year ended 30 April 2012 of 0.6 pence (2011 1.2 pence) per share	539	1,076
Proposed final dividend for the year ended 30 April 2012 of 1.6 pence (2011 1.0 pence) per share	1,439	897
	<b>1,978</b>	<b>1,973</b>

The proposed final dividend is subject to approval by shareholders at the AGM. The interim dividend for 2012 was not paid until 8 May 2012 and, accordingly, neither has been included as a liability in these financial statements nor as a distribution to equity shareholders.

## Notes to the consolidated financial statements continued for the year ended 30 April 2012

### 11. Earnings (loss) per share

The calculation of the basic and diluted earnings (loss) per share is based on the following data

	2012 £ 000	2011 £ 000
<b>Earnings</b>		
Profit for the year from continuing operations attributable to equity holders	3,960	3,896
Loss for the year from discontinued operations attributable to equity holders	(9,677)	(3,697)
(Loss) profit for the year attributable to equity holders	(5,717)	199

	2012	2011
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	89,788,660	89,628,411

All potential ordinary shares under option were anti-dilutive at 30 April 2012 and 30 April 2011

	2012 pence	2011 pence
<b>Basic and diluted earnings (loss) per share from</b>		
Continuing operations	4 4	4 3
Discontinued operations	(10 8)	(4 1)
Total	(6 4)	0 2

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

	2012 £ 000	2011 £ 000
<b>Earnings</b>		
Profit for the year from continuing operations attributable to equity holders	3,960	3,896
Amortisation of intangible assets arising on acquisitions	419	198
Unwinding of discount on deferred consideration liabilities	48	80
Exceptional and acquisition-related costs	1,447	2,098
Tax effect of above items	(446)	(522)
Adjusted earnings	5,428	5,750

	2012 pence	2011 pence
Adjusted basic and diluted earnings per share from continuing operations	6 0	6 4

## 12 Intangible assets

	Goodwill £ 000	Software £ 000	Intangible assets arising on acquisitions £ 000	Total £ 000
<b>Cost</b>				
At 1 May 2010	52,179	1,163	3,392	56,734
Additions	2,876	485	1,093	4,454
Transfer to assets classified as held for sale	(5,506)	(1)	—	(5,507)
Adjustment to goodwill as a result of changes in deferred consideration	(488)	—	—	(488)
At 30 April 2011	49,061	1,647	4,485	55,193
Additions	—	47	—	47
Transfer to assets classified as held for sale	—	(8)	—	(8)
Adjustment to goodwill as a result of changes in deferred consideration	69	—	—	69
<b>At 30 April 2012</b>	<b>49,130</b>	<b>1,686</b>	<b>4,485</b>	<b>55,301</b>
<b>Amortisation and impairment</b>				
At 1 May 2010	—	33	3,392	3,425
Amortisation during the year	—	148	198	346
Impairment loss	1,069	—	—	1,069
Transfer to assets classified as held for sale	(1,069)	—	—	(1,069)
At 30 April 2011	—	181	3,590	3,771
Amortisation during the year	—	169	419	588
<b>At 30 April 2012</b>	<b>—</b>	<b>350</b>	<b>4,009</b>	<b>4,359</b>
<b>Carrying amount</b>				
At 30 April 2012	49,130	1,336	476	50,942
At 30 April 2011	49,061	1,466	895	51,422

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

	2012 £ 000	2011 £ 000
Insolvency	49,130	49,061
Tax	—	5,506
	<b>49,130</b>	<b>54,567</b>

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

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

The group has prepared two year financial forecasts, which have then been extrapolated for eight further years using estimated growth rates of 3%. These rates do not exceed the average long-term growth rates for the relevant markets.

The rate used to discount the forecast cash flows is 9% (2011: 10%), being the group's current pre-tax weighted average cost of capital and represents an estimate of current market risks and the time value of money.

## Notes to the consolidated financial statements continued for the year ended 30 April 2012

### 13. Property, plant and equipment

	Leasehold improvements £ 000	Office equipment £ 000	Computers £ 000	Motor vehicles £ 000	Total £ 000
<b>Cost or valuation</b>					
At 1 May 2010	4,385	1,171	1,683	5,255	12,494
Additions	77	77	518	2,004	2,676
Disposals	—	—	—	(1,358)	(1,358)
Transfer to assets classified as held for sale	(255)	(145)	(139)	—	(539)
At 30 April 2011	4,207	1,103	2,062	5,901	13,273
Additions	220	35	172	718	1,145
Disposals	(84)	(29)	(15)	(6,444)	(6,572)
Transfer to assets classified as held for sale	(71)	(45)	(64)	(20)	(200)
<b>At 30 April 2012</b>	<b>4,272</b>	<b>1,064</b>	<b>2,155</b>	<b>155</b>	<b>7,646</b>
<b>Depreciation and impairment</b>					
At 1 May 2010	1,621	693	1,188	1,921	5,423
Charge for the year	489	132	316	1,022	1,959
Disposals	—	—	—	(747)	(747)
Transfer to assets classified as held for sale	(56)	(41)	(85)	—	(182)
At 30 April 2011	2,054	784	1,419	2,196	6,453
Charge for the year	432	104	286	923	1,745
Impairment	26	18	10	10	64
Disposals	(81)	(28)	(15)	(2,995)	(3,119)
Transfer to assets classified as held for sale	(71)	(43)	(41)	(19)	(174)
<b>At 30 April 2012</b>	<b>2,360</b>	<b>835</b>	<b>1,659</b>	<b>115</b>	<b>4,969</b>
<b>Carrying amount</b>					
<b>At 30 April 2012</b>	<b>1,912</b>	<b>229</b>	<b>496</b>	<b>40</b>	<b>2,677</b>
At 30 April 2011	2,153	319	643	3,705	6,820

In addition, the group's obligations under hire purchase contracts (see note 18) are secured by the lessors' title to the leased assets, which have a carrying amount of £24,000 (2011 £3,634,000)

### 14. Trade and other receivables

	2012 £'000	2011 £'000
Trade receivables	6,896	7,851
Recoverable income and costs on cases	33,785	32,631
Other debtors and prepayments	3,074	2,813
	<b>43,755</b>	<b>43,295</b>

Trade receivables do not carry interest and are stated net of allowances for doubtful receivables of £444,000 (2011 £264,000)

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

**14. Trade and other receivables continued**

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

	Total £ 000	Neither past due nor impaired up to 30 days £ 000	Past due but not impaired	
			1–3 months £ 000	More than 4 months £ 000
<b>2012</b>	<b>6,896</b>	<b>3,164</b>	<b>1,496</b>	<b>2,236</b>
2011	7,851	2,898	2,681	2,272

**Movement in the allowance for doubtful debts**

	2012 £ 000	2011 £ 000
Balance at beginning of the year	264	477
Amounts written off during the year	(67)	(211)
Amounts recovered during the year	(33)	(91)
Increase in allowance recognised in profit or loss	280	345
Transfer to assets classified as held for sale	—	(256)
Balance at end of the year	444	264

**15 Trade and other payables**

	2012 £ 000	2011 £ 000
<b>Current</b>		
Trade payables	1,324	1,983
Other taxes and social security	1,869	3,459
Accruals	6,248	5,172
Deferred consideration	830	2,450
	<b>10,271</b>	<b>13,064</b>
<b>Non-current</b>		
Deferred consideration	94	1,027

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

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

## Notes to the consolidated financial statements continued for the year ended 30 April 2012

### 16. Borrowings

	2012 £ 000	2011 £ 000
<b>Unsecured borrowing at amortised cost</b>		
Bank loans	24,259	23,517
<b>Secured borrowing at amortised cost</b>		
Hire purchase capital (see note 18)	98	3,116
<b>Total borrowings</b>	<b>24,357</b>	<b>26,633</b>
Amount due for settlement within 12 months	212	1,718
Amount due for settlement after 12 months	24,145	24,915

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

(i) The group's principal borrowings at 30 April 2012 comprise unsecured, revolving credit facilities ('RCFs') totalling £30m (2011 £30m) together with a £5m overdraft (2011 £5m) which were entered into on 29 April 2010. The principal features of these borrowings are summarised as follows

- RCF of £15m provided by HSBC, of which £11m was drawn at 30 April 2012 (30 April 2011 £11m). The facility has a 4.25 year term. The effective interest rate was 4.2%,
- RCF of £15m provided by Yorkshire Bank, of which £13m was drawn at 30 April 2012 (30 April 2011 £12m). The facility has a 3.75 year term. The effective interest rate was 4.2%, and
- bank overdraft of £5m provided by HSBC, which is repayable on demand. This facility was undrawn at 30 April 2012 (30 April 2011 undrawn) and interest is payable at 1.75% over bank base rate.

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

- borrowings of £37,000 (2011 £88,000), repayable over one year. Interest on these loans is variable at 0.75% over base rate, subject to a minimum interest rate of 3%,
- borrowings of £nil (2011 £118,000). Interest on this loan was fixed at 4.83%, and
- borrowings of £222,000 (2011 £311,000), repayable over three years. Interest on this loan is fixed at 6.27%.

(iii) Hire purchase liabilities are secured by the assets leased. The borrowings are a mixture of fixed and variable interest rate debt with repayment periods not exceeding four years.

All borrowings are denominated in sterling. Of the total cash balance of £4,302,000 (2011 £4,334,000), £3,989,000 is denominated in sterling (2011 £3,446,000), £313,000 in US dollars (2011 £642,000) and £nil in euros (2011 £246,000). The directors consider that the fair values of the group's financial instruments approximate to their book value.

**17 Provisions**

	Restructuring £ 000	Disposal provisions £ 000	Total £ 000
At 1 May 2010	—	—	—
Charged for the year	1,917	—	1,917
Utilised	(1,060)	—	(1,060)
Transfer to liabilities classified as held for sale	(414)	—	(414)
At 30 April 2011	443	—	443
Transfer from accruals	—	194	194
Charged for the year	1,296	2,711	4,007
Utilised	(789)	(327)	(1,116)
<b>At 30 April 2012</b>	<b>950</b>	<b>2,578</b>	<b>3,528</b>
Current liabilities	787	1,199	1,986
Non-current liabilities	163	1,379	1,542
<b>At 30 April 2012</b>	<b>950</b>	<b>2,578</b>	<b>3,528</b>

Disposal provisions include liabilities arising from warranty and onerous contract obligations relating to the businesses disposed of during the year. The non-current element of the provisions is expected to be utilised over six years.

**18. Obligations under hire purchase contracts**

	Minimum lease payments		Present value of minimum lease payments	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Amounts payable under finance leases and hire purchase contracts				
Within one year	122	1,572	80	1,456
In the second to fifth years inclusive	25	1,896	18	1,660
	147	3,468	98	3,116
Less future finance charges	(49)	(352)		
Present value of lease obligations	98	3,116		

It is the group's policy to lease certain assets under finance leases and hire purchase contracts on variable and fixed rates of interest. The effective interest rate was 3.5% (2011: 3.3%) and the average lease term is one year (2011: three years).

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

## Notes to the consolidated financial statements continued for the year ended 30 April 2012

### 19. Deferred tax

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

	Short term timing differences £ 000
At 1 May 2010	(4,560)
Charge to income	(313)
Income statement effect of change in tax rate	344
Arising on acquisitions	(260)
Transfer to liabilities classified as held for sale	(259)
At 30 April 2011	(5,048)
Charge to income	(366)
Income statement effect of change in tax rate	389
<b>At 30 April 2012</b>	<b>(5,025)</b>

On 21 March 2012, the government announced that it intended to reduce the rate of corporation tax to 24% with effect from 1 April 2012, 23% from 1 April 2013 and 22% from 1 April 2014. This legislation was substantively enacted at the balance sheet date. Accordingly, deferred tax balances have been revalued to the lower rate of 24% in these financial statements which has resulted in a credit to the income statement of £389,000. If the deferred tax assets and liabilities were all to reverse after 1 April 2014, the effect of the future changes from 24% to 22% would be to reduce the net deferred tax liability by £419,000.

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:

	2012 £ 000	2011 £ 000
Deferred tax liabilities	(5,198)	(5,272)
Deferred tax assets	173	224
	<b>(5,025)</b>	<b>(5,048)</b>

### 20. Financial instruments

#### Financial risk management objectives and policies

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

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

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

#### Interest rate risk

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

If interest rates had been 50 basis points higher and all other variables were held constant, the group's profit for the year ended 30 April 2012 and net assets at that date would decrease by £96,000 (2011: £97,000). This is attributable to the group's exposure to movements in interest rate on its variable rate borrowings.

**20 Financial instruments continued****Credit risk**

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

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

**Liquidity risk**

Liquidity risk is the risk that the group will encounter difficulty in meeting its obligations associated with its financial liabilities. The group's ability to generate cash from formal insolvency appointments is usually reliant on asset realisations. As a result of the current depressed economic environment in the UK, asset markets remain challenging and the value of unbilled income, relating to work completed by the group but not invoiced, remains at a high level. A further deterioration in asset markets could delay realisations and in the short-term reduce the group's operating cash generation and increase its financing requirements. The group monitors its risks to a shortage of funds through regular cash management and forecasting and ensuring suitable headroom within its banking facilities.

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

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

The table below summarises the maturity profile of the group's financial liabilities at 30 April 2012 based on contractual payments.

	At 30 April 2012			At 30 April 2011		
	Within 1 year £'000	Between 2-5 years £'000	Total £'000	Within 1 year £'000	Between 2-5 years £'000	Total £'000
Hire purchase	122	25	147	1,572	1,896	3,468
Bank borrowings	981	25,515	26,496	803	24,319	25,122
Trade and other payables	10,271	94	10,365	13,064	1,027	14,091
	<b>11,374</b>	<b>25,634</b>	<b>37,008</b>	15,439	27,242	42,681

**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.

	2012 £'000	2011 £'000
Shareholders' funds	58,466	65,861
Bank borrowings	24,259	23,517
Hire purchase capital	98	3,116
At 30 April	<b>82,823</b>	92,494

## Notes to the consolidated financial statements continued for the year ended 30 April 2012

### 21. Share capital

	2012 Thousand	2011 Thousand	2012 £ 000	2011 £ 000
<b>Allotted, called up and fully paid</b>				
Ordinary shares of 5 pence				
At 1 May	89,641	89,472	4,482	4,474
Staff SIP scheme	289	169	14	8
At 30 April	89,930	89,641	4,496	4,482
<b>Allotted, called up but not fully paid</b>				
A ordinary shares of 3 pence				
At 1 May	3,243	1,872	97	56
Issue of shares	1,923	1,371	58	41
At 30 April	5,166	3,243	155	97
Issued share capital	95,096	92,884	4,651	4,579

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

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

### 22. Share-based payments

#### Share option scheme

The group operates a share option scheme which is settled in ordinary shares The exercise of the grants is subject to a performance hurdle requiring an overall increase in the adjusted earnings per share over a three-year period of RPI plus 6% Directors' remuneration information is provided on pages 18 and 19 No share options were issued in 2012

#### Growth share plan

During the year the group offered a growth share scheme to Mark Fry The group has operated similar schemes for partners over the previous two years Under the schemes, partners purchase A ordinary shares, which may be converted into ordinary shares of the company at a date three years from the date of allotment, subject to ordinary share price performance compared to a pre-determined rate

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

Scheme type	Share option scheme			Growth share plan		
	10 July 2008	23 July 2009	15 July 2010	21 December 2009	21 December 2010	1 July 2011
Grant date						
Share price at grant date (pence)	161	100	62	100	60	45
Exercise price (pence)	161	102	62	133 – 150	100	68
Number of participants	1	1	3	33	38	1
Number of shares under option outstanding	200,000	200,000	300,000	1,871,800	1,371,682	1,923,077
Vesting period (years)	3	3	3	3	3	3
Time to expiry (years)	7	7	7	3	3	3
Expected volatility (%)	20	20	20	20	20	20
Risk free rate (%)	4.8	0.5	1.2	0.5	1.6	1.4
Expected dividend yield (%)	2	2	2.5	2	2.5	2.5
Fair value per option (pence)	25	10	7	2 – 3	0.6	0.8

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

**22 Share-based payments continued****Growth share plan continued**

No options were exercised during the financial year

The group recognised an expense of £118,000 (2011 £96,000) related to equity-settled share-based payments

**23. Acquisitions**

During the year, the group acquired a portfolio of Scottish insolvency cases, together with three employees, for £0.4m

**24. Reconciliation to the cash flow statement**

	2012 £'000	2011 £'000
<b>(Loss) profit for the year</b>	<b>(5,717)</b>	199
Adjustments for		
Tax	271	815
Finance costs	1,197	1,092
Amortisation of intangible assets	588	346
Depreciation of property, plant and equipment	1,745	1,959
Exceptional cost relating to impairment of assets	366	—
Exceptional restructuring costs relating to asset write downs	141	1,292
Exceptional cost relating to provision against unbilled income	—	1,131
Loss on disposal of businesses	680	—
Profit on disposal of property, plant and equipment	(21)	(13)
Impairment of goodwill	4,437	1,069
Share-based payment expense	118	96
Operating cash flows before movements in working capital	3,805	7,986
Increase in receivables	(101)	(1,886)
(Decrease) increase in payables	(2,345)	1,895
Increase in provisions	2,492	857
<b>Cash generated by operations</b>	<b>3,851</b>	<b>8,852</b>

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

**25 Contingent liabilities**

The group had no material contingent liabilities at 30 April 2012 or 30 April 2011

## Notes to the consolidated financial statements continued for the year ended 30 April 2012

### 26. Operating lease arrangements

The group as lessee

	2012 £'000	2011 £'000
Minimum lease payments under operating leases recognised as an expense in the year	2,666	2,643

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

	2012 £'000	2011 £'000
Within one year	3,771	2,585
In the second to fifth years inclusive	6,394	7,477
After five years	2	958
	<b>10,167</b>	<b>11,020</b>

Operating lease payments principally represent rentals payable by the group for certain of its office properties, which have an average duration of six years, together with operating leases for motor vehicles

#### The group as lessor

Property rental income earned during the year was £nil (2011 £34,000) arising from a sublease on one of the group's leased office properties. This lease terminated in the prior year.

### 27. Pensions

The group operates defined contribution pension schemes for all qualifying employees

The total cost charged to income of £1,026,000 (2011 £608,000) represents contributions payable to these schemes by the group at rates specified in the rules of the plans. As at 30 April 2012, contributions of £75,000 (2011 £96,000) due in respect of the current year had not been paid over to the schemes.

### 28 Related party transactions

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

#### Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the group, is set out in note 6 for each of the categories specified in IAS 24 'Related Party Disclosures'. In addition, the share-based payment charge in respect of key management personnel in the year was a credit of £26,000 (2011 charge of £17,000). Further information about the remuneration of individual directors is provided in the directors' remuneration report on pages 18 and 19.

At 30 April 2012 £174,000 (2011 £41,000) was payable to key management personnel in respect of these transactions.

## 28. 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 Ric Traynor or his personal pension fund. Rent and service charges paid on those properties by entities within the group in the year totalled £720,000 (2011: £709,000). At 30 April 2012 £nil (2011: £120,000) was payable in respect of these transactions.

One commercial property used by members of the group during the year is part owned by Mark Fry. Rent and service charges paid on this property by entities within the group in the year totalled £85,000. At 30 April 2012 £nil was payable in respect of this transaction. Mark Fry also part owns a company which provides archiving facilities to entities within the group. £22,500 was paid by entities within the group for this service during the year. At 30 April 2012 £5,000 was payable in respect of this service.

Ric Traynor purchased the controlling interest in Red Flag Alert LLP on 10 April 2012, with the group retaining a minority interest in the partnership. This followed a disposal process, during which feedback from third parties was that the business was not yet sufficiently established for consideration as a standalone acquisition opportunity. The group has agreed to continue to provide shared accommodation, IT, HR, marketing, administrative and accounting services to Red Flag on a similar basis to current intra-group arrangements for which a fee of £18,750 was charged to Red Flag for the month of April. The Group has negotiated an agreement to retain full access to the database and joint marketing rights for the publication of Red Flag Alert quarterly statistics and was charged a fee of £12,500 for the month of April. At 30 April 2012 £nil was owing or payable in respect of these transactions.

## 29 Capital reduction

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

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

We have audited the financial statements of Begbies Traynor Group plc for the year ended 30 April 2012, which comprise the company balance sheet and the related notes 1 to 9. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### Respective responsibilities of directors and auditor

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

### Scope of the audit of the financial statements

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

### Opinion on financial statements

In our opinion the company financial statements

- give a true and fair view of the state of the company's affairs as at 30 April 2012,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

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

### Matters on which we are required to report by exception

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

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

### Other matter

We have reported separately on the consolidated financial statements of Begbies Traynor Group plc for the year ended 30 April 2012.



**William Smith MA ACA (Senior Statutory Auditor)**

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Manchester, United Kingdom

5 July 2012

## Company balance sheet at 30 April 2012

	Notes	2012 £'000	2011 £'000
<b>Fixed assets</b>			
Investment in subsidiaries	3	23,675	28,242
<b>Current assets</b>			
Debtors	4	36,343	32,241
<b>Creditors amounts falling due within one year</b>			
Other creditors and accruals		(50)	(2)
Borrowings	5	(132)	(262)
		(182)	(264)
<b>Net current assets</b>		<b>36,161</b>	<b>31,977</b>
<b>Total assets less current liabilities</b>		<b>59,836</b>	<b>60,219</b>
<b>Creditors amounts falling due after more than one year</b>			
Borrowings	5	(127)	(255)
<b>Net assets</b>		<b>59,709</b>	<b>59,964</b>
<b>Capital and reserves</b>			
Called up share capital	6	4,651	4,579
Share premium account	7	17,524	17,443
Merger reserve	7	17,584	17,584
Profit and loss account	7	19,950	20,358
<b>Shareholders' funds</b>	8	<b>59,709</b>	<b>59,964</b>

The financial statements of Begbies Traynor Group plc, registered number 5120043, were approved by the board of directors and authorised for issue on 5 July 2012. They were signed on its behalf by

  
Ric Traynor  
Executive chairman

  
Nick Taylor  
Group finance director

## Notes to the company financial statements for the year ended 30 April 2012

### 1. Significant accounting policies

#### Basis of accounting

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

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

#### Investments

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

#### Share-based payments

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

### 2. Profit for the year

As permitted by section 408 of the Companies Act 2006, the company has elected not to present its own profit and loss account for the year. Begbies Traynor Group plc reported a profit for the financial year ended 30 April 2012 of £1,447,000 (2011: loss of £378,000).

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

### 3. Investment in subsidiaries

	£ 000
<b>Cost</b>	
At 1 May 2011 and 30 April 2012	29,810
<b>Provision for impairment</b>	
At 1 May 2011	1,568
Impairment	4,567
<b>At 30 April 2012</b>	<b>6,135</b>
<b>Net book value</b>	
At 30 April 2012	23,675
At 30 April 2011	28,242

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

Subsidiary undertaking	Nature of business	Country of incorporation
Begbies Traynor Limited*	Holding company	England and Wales
BTG Consulting Limited*	Holding company	England and Wales
Begbies Traynor International Limited*	Holding company	England and Wales
Begbies Traynor (Central) LLP	Insolvency	England and Wales
BTG Financial Consulting LLP	Corporate finance	England and Wales
BTG Global Risk Partners Limited	Investigation agency	England and Wales
BTG Consulting LLP	Asset consulting	England and Wales

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

All shareholdings relate to ordinary shares.

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

**4 Debtors**

	2012 £'000	2011 £'000
<b>Amounts falling due within one year</b>		
Amounts owed by group undertakings	36,202	32,151
Other debtors	141	90
	<b>36,343</b>	<b>32,241</b>

**5. Borrowings**

	2012		2011	
	Due within one year £'000	Due after one year £'000	Due within one year £'000	Due after one year £'000
Bank loans	132	127	262	255

The company has the following unsecured bank loans

- (i) borrowings of £37,000 (2011 £88,000), repayable over one year. Interest on these loans is variable at 0.75% over base rate, subject to a minimum interest rate of 3%.
- (ii) borrowings of £nil (2011 £118,000). Interest on this loan was fixed at 4.83%, and
- (iii) borrowings of £222,000 (2011 £311,000), repayable over three years. Interest on this loan is fixed at 6.27%.

Bank loans fall due as follows

	2012 £'000	2011 £'000
Within 1 year	132	262
1–2 years	95	131
2–5 years	32	124
	<b>259</b>	<b>517</b>

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

## Notes to the company financial statements continued for the year ended 30 April 2012

### 6 Share capital

	2012 Thousand	2011 Thousand	2012 £'000	2011 £'000
<b>Allotted, called up and fully paid</b>				
Ordinary shares of 5 pence				
At 1 May	89,641	89,472	4,482	4,474
Staff SIP scheme	289	169	14	8
At 30 April	89,930	89,641	4,496	4,482
<b>Allotted, called up but not fully paid</b>				
A ordinary shares of 3 pence				
At 1 May	3,243	1,872	97	56
Issue of shares	1,923	1,371	58	41
At 30 April	5,166	3,243	155	97
Issued share capital	95,096	92,884	4,651	4,579

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

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

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

### 7. Reserves

	Share premium account £ 000	Merger reserve £ 000	Profit and loss account £ 000
At 1 May 2011	17,443	17,584	20,358
Profit for the year	—	—	1,447
Shares issued	81	—	—
Dividends	—	—	(1,973)
Credit to equity for equity-settled share-based payment	—	—	118
At 30 April 2012	17,524	17,584	19,950

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

**8 Reconciliation of movements in equity shareholders' funds**

	2012 £'000	2011 £'000
At 1 May	59,964	61,798
Proceeds of share issues, net of costs		
– nominal share capital	72	49
– share premium account	81	100
Profit (loss) for the year	1,447	(378)
Dividends	(1,973)	(1,701)
Credit to equity for equity-settled share-based payment	118	96
At 30 April	59,709	59,964

**9 Capital reduction**

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

## Officers and professional advisors

**Directors**

R W Traynor  
E N Taylor  
M R Fry (appointed 7 July 2011)  
R G McInnes  
G D Hill (resigned 5 July 2012)  
J M May

**Secretary**

J A Humphrey

**Company number**

5120043

**Registered office**

340 Deansgate  
Manchester  
M3 4LY

**Bankers**

HSBC Bank plc  
4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

**Yorkshire Bank**

The Chancery  
Floor 1  
Spring Gardens  
Manchester  
M2 1YB

**Solicitors**

Brabners Chaffe Street LLP  
55 King Street  
Manchester  
M2 4LQ

**Auditor**

Deloitte LLP  
Chartered accountants and statutory auditor  
Manchester

**Registrar**

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

**Corporate and financial PR advisors**

MHP Communications Limited  
60 Great Portland Street  
London  
W1W 7RT

**Nominated advisor and joint broker**

Canaccord Genuity Limited  
88 Wood Street  
London  
EC2V 7QR

**Joint broker**

Shore Capital Stockbrokers Limited  
The Corn Exchange  
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Begbies Traynor Group plc

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Offices across the UK [www.begbies-traynorgroup.com](http://www.begbies-traynorgroup.com)

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