

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take you are recommended immediately to seek your own financial advice from your stockbroker, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. The whole of the rest of this document should be read.

This document comprises a prospectus drawn up in accordance with the requirements of the Public Offers of Securities Regulations 1995 (the "POS Regulations") and the AIM Rules. A copy of this document has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Regulation 4(2) of the POS Regulations. This document has been issued in connection with the application for Admission to trading of the Ordinary Shares on AIM.

The Directors of Begbies Traynor Group plc, whose names appear on page 6 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the whole of the Ordinary Share capital of Begbies Traynor Group PLC to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risks tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. Further, London Stock Exchange plc has not itself examined or approved the contents of this document. The Ordinary Shares are not dealt in on any other recognised investment exchange. It is expected that admission will become effective and that dealings will commence on AIM on 1 October 2004.

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with his or her own independent financial adviser.

BEGBIES TRAYNOR GROUP PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 5120043)

PLACING OF 13,457,500 ORDINARY SHARES OF 5P EACH AT A PRICE OF 40P PER SHARE

and

ADMISSION OF THE ORDINARY SHARES TO TRADING ON AIM

Nominated Adviser and Broker

TEATHER & GREENWOOD LIMITED

<i>AUTHORISED</i>			<i>ISSUED AND FULLY PAID</i>	
Amount	Number	Ordinary Shares of 5p	Amount	Number
£5,000,000	100,000,000		£3,256,229	65,124,580

Placing Shares issued pursuant to the Placing will rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends or other distribution hereafter declared made or paid on the ordinary share capital of the Company.

Teather & Greenwood, which is authorised and regulated by the Financial Services Authority Limited, is the Company's nominated adviser and stockbroker for the purposes of the AIM Rules. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire Ordinary Shares in reliance on any part of this document. No representation or warranty, express or implied, is made by Teather & Greenwood as to any of the contents of this document. Teather & Greenwood will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document in respect of the Placing and Admission or any acquisition of Ordinary Shares. In particular, the information contained in this document has been prepared solely for the purposes of the Placing and Admission and is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them.

This document does not constitute any offer to buy or subscribe for, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular the Ordinary Shares offered by this document have not been, and will not be, registered under the United States Securities Act of 1933 as amended (the "Securities Act") or qualified for sale under the laws of any state of the United States or under the applicable laws of any of Canada, Australia, or Japan and, subject to certain exceptions, may not be offered or sold in the United States or to, or for account or the benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or any national, resident or citizen of Canada, Australia or Japan. The distribution of this document in other jurisdictions may be restricted by law and, therefore, persons into whose possession this document comes should inform themselves about and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, this document may not be distributed, directly or indirectly in or into the United States, Canada, Australia or Japan.

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays and public holidays) from the date hereof until one month after Admission from the offices of Teather & Greenwood, 8th Floor, India Buildings, Water Street, Liverpool L2 0XR and from the registered office of the Company.

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DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“Act”	the Companies Act 1985, (as amended)
“Admission”	admission of the Ordinary Shares (including the Placing Shares) to trading on AIM becoming effective
“AIM”	the Alternative Investment Market of the London Stock Exchange
“AIM Rules”	the AIM Rules of the London Stock Exchange
“Articles”	the articles of association of the Company
“Board”	the board of directors of the Company
“BTL”	Begbies Traynor Limited
“BTL Group”	BTL and its subsidiaries and associated partnerships, including the interests acquired by the Group pursuant to the Central Acquisition Agreement and the National Partnership Acquisition Agreement
“Central Acquisition Agreement”	an acquisition agreement entered into between (1) Ric Traynor and Andrew Dick and (2) BTL pursuant to which BTL acquired all of the interests in Begbies Traynor (Central) LLP and Begbies Traynor (North) LLP which were held by Ric Traynor and Andrew Dick on trust on behalf of the National Partnership, further details of which are contained in paragraph 9.3 of Part VI of this document
“Company” or “Begbies”	Begbies Traynor Group plc
“CREST”	CRESTCo Limited
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No 3755)
“Directors”	the directors of the Company at the date of this document
“FSA”	the Financial Services Authority Limited
“FSMA”	the Financial Services and Markets Act 2000, as amended including any regulations made pursuant thereto
“Group”	the Company and its subsidiaries and associated partnerships
“London Stock Exchange”	London Stock Exchange plc
“National Partnership”	a partnership in which Ric Traynor and Andrew Dick are the only partners
“National Partnership Acquisition Agreement”	an acquisition agreement entered into between (1) Ric Traynor and Andrew Dick (both as themselves or as partners of the National Partnership) and (2) Begbies, the effect of which is that Ric Traynor and Andrew Dick have sold and Begbies has purchased all of Ric Traynor's and Andrew Dick's interests (or the National Partnership's interests as applicable) in each of Red Flag Alert LLP, Begbies Traynor (Scotland) LLP and Begbies Traynor (South West) Partnership, further details of which is contained in paragraph 9.4 of Part VI of this document
“New Ordinary Shares”	the 13,457,500 new ordinary shares to be issued by the Company pursuant to the Placing
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 5p each in the capital of the Company
“Placing”	the placing by Teather & Greenwood of the Placing Shares at the Placing Price pursuant to the Placing Agreement

“Placing Agreement”	the placing agreement between the Company (1), the Directors (2), and Teather & Greenwood (3) details of which are set out in paragraph 14 of Part VI of this document
“Placing Price”	40p per Placing Share
“Placing Shares”	13,457,500 Ordinary Shares which are the subject of the Placing
“POS Regulations”	the Public Offers of Securities Regulations 1995
“Registrars”	Computershare plc of PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH
“Share Exchange Agreement”	the conditional share exchange agreement entered into between (1) Ric Traynor and others and (2) the Company on 27 September 2004, pursuant to which the Company agreed, conditionally on Admission, to acquire the entire issued share capital of BTL, further details of which are set out in paragraph 3.5 of Part VI of this document
“Share Option Scheme”	the Company’s share option scheme, details of which are set out in paragraph 10 of Part VI of this document
“Shareholder”	holder of Ordinary Shares in the Company
“Teather & Greenwood”	Teather & Greenwood Limited, the nominated adviser and broker to the Company
“UK Listing Authority”	the FSA in its capacity as the competent authority for the purposes of Part VI of FSMA

PLACING STATISTICS

Placing Price	40p
Number of New Ordinary Shares being issued pursuant to the Placing	13,457,500
Number of Ordinary Shares in issue immediately following the Placing	65,124,580
Market capitalisation following the Placing at the Placing Price	£26,049,832
Percentage of enlarged issued ordinary share capital being placed	20.7%
Estimated net proceeds of the Placing receivable by the Company	£4,883,000

EXPECTED TIMETABLE

Delivery of Ordinary Shares into CREST	1 October 2004
Dealings on AIM commence	1 October 2004
CREST Accounts Credited	1 October 2004
Despatch of definitive share certificates in respect of the Placing Shares	8 October 2004

DIRECTORS, SECRETARY AND ADVISERS

Directors	Ric Traynor (Executive Chairman) Andrew Dick (Chief Operating Officer) Graham McInnes (Chief Financial Officer) Philip Holden (Non-Executive Director) all of: Elliot House 151 Deansgate Manchester M3 3BP
Company Secretary	Mark Brandwood
Registered Office	Brook House 77 Fountain Street Manchester M2 2EE
Nominated Adviser and Broker	Teather & Greenwood Limited 8th Floor, India Buildings Water Street Liverpool L2 0XR
Auditors and Reporting Accountants	Horwath Clark Whitehill LLP Arkwright House Parsonage Gardens Manchester M3 2HP
Solicitors to the Company	Halliwells LLP St James's Court Brown Street Manchester M2 2JF
Solicitors to the Placing	Mayer, Brown, Rowe & Maw LLP 11 Pilgrim Street London EC4 6RW
Bankers	Barclays Business Banking PO Box 544, 54 Lombard Street London EC3V 9EX
Registrars	Computershare Investor Services plc P O Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH

KEY INFORMATION

THESE KEY POINTS MUST BE READ IN CONJUNCTION WITH THE WHOLE OF THIS DOCUMENT INCLUDING IN PARTICULAR THE SECTION HEADED **RISK FACTORS** IN PART II OF THIS DOCUMENT

Introduction

The Group specialises in corporate insolvency management, offering expertise in administrative, receivership and liquidation services as well as personal insolvency management including individual voluntary arrangements. It also offers services in the fields of corporate rescue and forensic investigation and is seeking to enter the field of corporate finance by acquisition. The Group has grown to its current network of 23 nationwide offices ranging from Scotland to the South West of England, with over 240 operatives. The Company intends to pursue a strategy of organic development, coupled with the acquisition of specialist knowledge of both individuals and firms, to further increase its scope and range of services.

History

The business of the Group was originally formed in 1989 by Ric Traynor and three employees, who all remain with the group in senior roles. BTL has subsequently expanded by a mixture of organic development, involving the opening of new offices and the recruitment of individuals or teams and by acquisition. Between 1993 and 2004, the Group opened six offices in Preston, Sheffield, Leeds, Bristol, Birmingham and Watford. In addition a number of satellite offices were opened.

In 1997 BTL acquired a controlling interest in a London based insolvency practitioner named Begbies. At this time the Group also developed an association with a liquidations practice in Southend. The Southend practice operates as a franchise, giving it access to the Begbies Traynor name and network.

Between 1997 and 2003 the Group also grew by acquiring a number of practices in Brighton (50 per cent.), Exeter (75 per cent.), Liverpool, Nottingham (33 per cent.) Glasgow, Edinburgh and Cardiff. In addition in 2002, the Group acquired a local business, which was incorporated into the Manchester office. The Group's strategy has been, where possible, to retain the local practitioner's knowledge to assist in the development of the branch or region.

In 2004 Begbies acquired the interests which it did not already own in its practices based in Manchester, Liverpool, Leeds and Birmingham, which were previously owned by Ric Traynor and Andrew Dick. Further details of these acquisitions are set out in paragraph 9.3 of Part VI of this document.

Also in 2004, Begbies agreed to acquire, conditional on Admission, the remaining interests in its practices that are presently owned by Ric Traynor and Andrew Dick and the entire issued share capital of BTL. Further details of these acquisitions are set out in paragraphs 3.5 and 9.4 of Part VI of this document.

The third party interests in London and Nottingham have been bought in since 30 April 2004 and the minority interests in Brighton and Exeter will be bought in due course

Following Admission, the Group will be structured with Begbies as the ultimate holding company which, together with BTL and its subsidiaries will own the Limited Liability Partnerships through which the business activities are conducted. A further description of the structure of the Group is set out in Part V of this document.

Business and Office Network

Business

The Directors believe that the Group is the UK's largest independent insolvency, corporate rescue and recovery specialist with clients ranging from major institutions to individuals with business difficulties.

The Group operates mostly in mainland Britain, where it competes with the insolvency practices of major professional firms and local specialists. The Directors believe that its strength in winning business referrals from a wide range of sources lies in its national coverage, independence and specialisation in insolvency, corporate recovery and turnaround.

The Office Network

The Group operates with 45 licensed insolvency appointment takers, some 140 fee earning staff and 55 in support and administration. In total the Group operates from some 23 locations of which 5 are regional offices, a further 8 are full offices and 10 are satellites.

Business Activities

The core business of the Group is the formal administration of insolvencies including receiverships, liquidations, administrations, company voluntary arrangements and personal insolvencies. The Group has recently extended its activities into a range of consultancy services including corporate rescue, credit management and forensic and investigation services. The Company is also planning to expand in the areas of corporate finance and volume debt recovery.

The Market

Market

Annual revenues in the UK insolvency market are informally estimated to be £650 million, with about £200 million of this relating to major national and international insolvencies available only to the "Big Four", the balance of £450 million is open to practitioners across the industry. Although insolvency activity, as measured by numbers of appointments is counter-cyclical to the general economy, the value of activity is less volatile for two reasons. Firstly, in times of economic stability or growth, the value of cases rises, with higher realisation of business assets; secondly, the forward workload of cases (which last typically for three years) allows activity patterns to be managed between time sensitive and other work.

Development Strategy

The Directors intend to continue their policy of expansion both organically and by acquisition and have set a target of doubling the Group's insolvency activity over three years. They also plan to continue to develop a Group structure operating out of five regional centres controlling smaller service and satellite sales offices. The Directors anticipate that this will improve efficiency as well as strengthening national coverage whilst providing more points of local contact.

The Directors plan to continue to attract individuals and to acquire small practices to drive growth in the core business, whilst continuing to develop compatible service offerings. Non insolvency services are not, however, expected to exceed 20 per cent. of total revenues.

Current Trading and Prospects

Key performance measurements since April 2004 indicate that trading in the early part of the current financial year remains satisfactory. The Directors continue to review opportunities for growth both organic, through the addition of new services and the cross fertilisation of existing services across the Group, and through acquisition of both individuals and firms. The Directors remain positive about prospects for the remainder of the current financial year.

Financial Information

The following table sets out the key financial information relating to the Group, which has been extracted without material adjustment from the Accountants' Report set out in Part B of Part III of this document.

	<i>Year ended 30 April</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover	14,597	19,360	21,368
Operating profit	3,352	5,200	4,312
Profit before tax	3,240	5,108	4,135

Operating profit and profit before tax are before goodwill amortisation.

Reasons for the Placing

The Placing will raise approximately £4.9 million for the Company net of expenses. The net proceeds of the Placing will initially be used for working capital, investment in people, office openings and acquisitions. It is anticipated that an amount equivalent to up to 25 per cent. of the gross proceeds will be available for the repayment of the shareholders loans of £4 million in the period to 30 April 2005, after the working capital and investment needs of the Group have been satisfied.

The Directors believe that the profile of the Group will be significantly enhanced by its position as a company whose shares are traded on AIM. It will also act as a further incentive to management and employees through the increased shareholding opportunity and the provision of a market for their shares.

PART I

The Company and its Business Activities

Introduction

The Group specialises in corporate insolvency management, offering expertise in administrative, receivership and liquidation services as well as personal insolvency management including individual voluntary arrangements. It also offers services in the fields of corporate rescue and forensic investigation and is seeking to enter the field of corporate finance by acquisition. The Group has grown to its current network of 23 nationwide offices ranging from Scotland to the South West of England, with over 240 operatives. The Company intends to pursue a strategy of organic development, coupled with the acquisition of specialist knowledge of both individuals and firms, to further increase its scope and range of services.

History

The business of the Group was originally formed in 1989 by Ric Traynor and three employees, who all remain with the group in senior roles. BTL has subsequently expanded by a mixture of organic development, involving the opening of new offices and the recruitment of individuals or teams and by acquisition. Between 1993 and 2004, the Group opened six offices in Preston, Sheffield, Leeds, Bristol, Birmingham and Watford.

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Between 1997 and 2003 the Group also grew by acquiring a number of practices in Brighton (50 per cent.), Exeter (75 per cent.), Liverpool, Nottingham (33 per cent.) Glasgow, Edinburgh and Cardiff. In addition in 2002, the Group acquired a local business, which was incorporated into the Manchester office. The Group's strategy has been, where possible, to retain the local practitioner's knowledge to assist in the development of the branch or region.

In addition, over time, the Group has opened a number of satellite offices including Bath, Newport, Plymouth, Chester, Grantham, Croydon and Milton Keynes.

By early 2003 the Group had reached its initial targets for establishing a national network in mainland Britain. More recently the Group has tended to expand by the recruitment of well-qualified senior staff who have joined the existing branch network.

In 2004 Begbies acquired the interests which it did not already own in its practices based in Manchester, Liverpool, Leeds and Birmingham, which were previously owned by Ric Traynor and Andrew Dick. Further details of these acquisitions are set out in paragraph 9.3 of Part VI of this document.

Also in 2004, Begbies agreed to acquire, conditional on Admission, the remaining interests in its practices that are presently owned by Ric Traynor and Andrew Dick and the entire issued share capital of BTL. Further details of these acquisitions are set out in paragraphs 3.5 and 9.4 of Part VI of this document.

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The Group operates mostly in mainland Britain, where it competes with the insolvency practices of major professional firms and local specialists. The Directors believe that its strength in winning business referrals from a wide range of sources lies in its national coverage, independence and specialisation in insolvency, corporate recovery and turnaround.

The Office Network

The Group operates with 45 licensed insolvency appointment takers, some 140 fee earning staff and 55 in support and administration. In total the Group operates from some 23 locations of which 5 are regional offices, a further 8 are full offices and 10 are satellites. These are shown below:



- | | |
|--------------|------------------|
| 1 Manchester | 16 Plymouth |
| 2 Chester | 17 London |
| 3 Liverpool | 18 Watford |
| 4 Preston | 19 Brighton |
| 5 Leeds | 20 Croydon |
| 6 Sheffield | 21 Milton Keynes |
| 7 Nottingham | |
| 8 Birmingham | |
| 9 Lincoln | 22 Glasgow |
| 10 Grantham | 23 Edinburgh |

- 11 Bristol
- 12 Exeter
- 13 Cardiff
- 14 Bath
- 15 Newport

Key

Regional office Full office Satellite

Management Structure

Each main operating centre has a number of fee earning partners, managers, administrators and support staff who report to the office managing partner. He, in turn, reports to his relevant regional manager and the five regional managers report to Andrew Dick as chief operating officer and Ric Traynor as executive chairman. Ric Traynor, Andrew Dick and the five regional managers constitute the operational management of the Group.

The head office is in Manchester and the systems in use in the Manchester office form the basis for branches opened or acquired, and these have been updated to install a common accounting system across all offices. The head office function has recently been strengthened to support the activities of the branches in finance, ICT, human resource management and marketing and in total there are some 20 staff in the head office, excluding the executive board.

Business Activities

The core business of the Group is the formal administration of insolvencies including receiverships, liquidations, administrations, company voluntary arrangements and personal insolvencies. The Group has recently extended its activities into a range of consultancy services including corporate rescue, credit management and forensic and investigation services. The Company is also planning to expand in the areas of corporate finance and volume debt recovery.

Insolvency work

This work comes largely via referrals from bankers and advisors to, and the directors/proprietors of, insolvent companies or businesses. Business introduced by its top ten referral sources accounted for 11 per cent. of the estimated value of new cases in the 12 months to 30 May 2004. In most cases a number of fee earners across the Group will have contact with the most important sources of referrals. Currently the majority of revenues are earned as a result of the provision of insolvency and related services.

The table below shows the growth in the Group's number of appointments from 1998. The Group has been very active in liquidations and has achieved a No 1 ranking by number of appointments for the past three years.

Year	Liquidations			Receiverships			Administrations	
	Number	Ranking	% share	Number	Ranking	% share	Number	% share
1998	311	6	2.5	52	7	4.5	13	4.9
1999	343	4	2.7	46	9	3.8	26	7.3
2000	445	2	3.5	43	9	3.9	29	6.6
2001	507	1	4.0	74	6	5.8	43	6.1
2002	662	1	5.0	55	8	4.9	63	7.4
2003	663	1	5.4	38	12	3.5	69	7.1
2004*	467	1	6.1	20	7	4.3	79	7.7

Source: www.insolvency.com *2004 figures are for January-August period

Forensic and Investigation Services

These services are based in the London and Manchester offices and include acting in an advisory role on the claims of corporate recovery clients and working on litigation and fraud cases, primarily with lawyers and regulatory authorities. Services offered by the Group include asset tracing, provision of expert witnesses and litigation support.

Credit Management Services

The Group offers consulting services in the review of credit management, liquidity and adequacy of security, as well as offering its proprietary credit risk early warning system branded "Red Flag Alert". It is the intention that these services will be augmented with the addition of volume debt collection services offered outside insolvency cases.

Business Rescue

A recent investment has been made in business turnaround activity, with the recruitment of a team based in London offering business viability reviews and strategic advice on stabilising, restructuring and turning around businesses in crisis without resorting to formal insolvency procedures.

Corporate Finance

The Group's strategy is to assimilate the expertise in this field by the acquisition of a corporate finance operation and then to disseminate that expertise throughout the national network. The Directors envisage the Group becoming active in business development strategies, including mergers and acquisitions, raising finance and disposals. It is also a means of reciprocating with corporate lenders. The introduction of business to them is aimed at enhancing the level of their referrals to the benefit of the core business.

Market and Competition

Market

Annual revenues in the UK insolvency market are informally estimated to be £650 million, with about £200 million of this relating to major national and international insolvencies available only to the "Big Four", the balance of £450 million is open to practitioners across the industry. Although insolvency activity, as measured by numbers of appointments is counter-cyclical to the general economy, the value of activity is less volatile for two reasons. Firstly, in times of economic stability or growth, the value of cases rises, with higher realisation of business assets; secondly, the forward workload of cases (which last typically for three years) allows activity patterns to be managed between time sensitive and other work. The following table shows a stable level of corporate insolvencies during the period. The last peak in the insolvency market was during the recession of the early 1990s when the total number of corporate insolvencies reached 29,529 in 1992.

Year	Receivership Appointments	Administration Appointments	Sub Total	Liquidation appointments	Total Insolvencies
1997	1,250	215	1,465	12,220	13,685
1998	1,149	265	1,414	12,309	13,723
1999	1,223	355	1,578	12,738	14,316
2000	1,113	440	1,553	12,796	14,349
2001	1,274	701	1,975	12,976	14,951
2002	1,125	853	1,978	13,225	15,203
2003	1,091	969	2,060	12,447	14,507
2004*	461	1,028	1,489	7,664	9,153

Source: www.insolvency.com. *2004 figures are for January-August period

As a result of the Enterprise Act 2002, the number of receiverships is likely to reduce in favour of administrations. Unlike a receiver, an administrator can subsequently be appointed liquidator on the same case and will charge separately for the work carried out in each capacity.

Competition

The market consists of the major firms, second tier nationals and the regional and local specialists. The Directors believe that with the Company's insolvency revenues of circa £20 million, representing around 5 per cent. of the value of the accessible market, Begbies sits at the top end of the second tier and is poised to develop into a preferred alternative to the major firms for many insolvency and corporate turnaround cases.

Development Strategy

The Directors intend to continue their policy of expansion both organically and by acquisition and have set a target of doubling the Group's insolvency activity over three years. They also plan to continue to develop a Group structure operating out of five regional centres controlling smaller service and satellite sales offices. The Directors anticipate that this will improve efficiency as well as strengthening national coverage whilst providing more points of local contact.

The Directors plan to continue to attract individuals and to acquire small practices to drive growth in the Group's core business, whilst continuing to develop compatible service offerings. Non insolvency services are not, however, expected to exceed 20 per cent. of total revenues.

Current Trading and Prospects

Key performance measurements since April 2004 indicate that trading in the early part of the current financial year remains satisfactory. The Directors continue to review opportunities for growth both organic, through the addition of new services and the cross fertilisation of existing services across the Group, and through acquisition of both individuals and firms. The Directors remain positive about prospects for the remainder of the current financial year.

Financial Information

The following table sets out the key financial information relating to the Group, which has been extracted without material adjustment from the Accountants' Report set out in Part B of Part III of this document.

	Year ended 30 April		
	2002 £'000	2003 £'000	2004 £'000
Turnover	14,597	19,360	21,368
Operating profit	3,352	5,200	4,312
Profit before tax	3,240	5,108	4,135

Operating profit and profit before tax are before goodwill amortisation.

Turnover in the financial statements is a reflection of fees billed in each year, whereas, in the Directors' opinion, the more meaningful measurement of activity is the overall value of work done annually. On this basis the value of work done was £16.0 million, £19.4 million and £21.8 million in the three years ending 30 April 2004, representing activity growth of 21 per cent. and 12 per cent. over the last two years. Growth between 2001/02 and 2002/03 includes acquisitions made in that period.

Profits in the 2002/03 and 2003/04 period were favourably affected by the acceleration of closure and billing of appointments relating to the Manchester practice acquired by the Group in that period. Approximately £1.4 million in 2002/03 and £0.5 million in 2003/04 of such additional billings and profits should be seen as unlikely to recur, to this extent, even in the context of continuing acquisitions of similar such practices.

In the year to April 2004, the Group expended approximately £900,000 in salaries, and other direct costs, associated with the engagement of senior practitioners in advance of their contribution to billings and profits.

A consequence of continuing organic growth is an increase in the work done, but not billed, which is carried as work in progress at cost. The Directors estimate that unrecognised profit associated with those increases, in the financial statements for each of the three reported years, is approximately £1 million.

Since 1 April 2002, a company which buys goodwill has qualified for tax relief on the amortisation of that goodwill, unless that goodwill was acquired from a connected person and either the goodwill was created or acquired by the transferor prior to 1 April 2002. For this reason, the group's acquisition of goodwill since that date has always been undertaken by one of the corporate partners.

Dividends

The Directors intend to commence the payment of dividends in respect of the current financial year. The initial dividend will be a final dividend for the 12 months to 30 April 2005. Thereafter, interim dividends are expected to be announced in January and to be paid in February, whilst final dividends are anticipated to be announced in September and to be paid in October.

The Directors intend to adopt a progressive dividend policy commensurate with the need to retain profits in order to invest in the future growth of the business.

Directors Senior Management and Staff

Directors

Ric Traynor (age 44) Executive Chairman

After qualifying with Andersens, Ric specialised in insolvency. He later moved to Latham Crossley and Davis as a practitioner in the field, before leaving to set up the original Manchester office of BTL's business in 1989. He has 20 years' experience as an insolvency practitioner.

Andrew Dick (age 39) Chief Operating Officer

Andrew started his career in the insolvency sector in 1982 with a Midlands practice, before also moving to Latham Crossley and Davis. He, too, left in 1989 to form the original office of BTL's business. He has been an insolvency practitioner for 10 years, and opened the Preston office in 1993.

Graham McInnes (age 52) Chief Financial Officer

Graham McInnes qualified with Spicer & Pegler in 1976. After a period as insolvency and corporate finance partner, he left in 1990, to establish his own corporate finance boutique. From 2000 to April 2003, he was finance director of AIM-quoted Enterprise plc. Between April and November 2003, he was corporate development director at Enterprise plc.

Philip Holden (age 38) Non-Executive Director

Philip is a solicitor and a licensed insolvency practitioner and a former equity partner at DLA where he qualified in 1990. He was formerly Head of Financial Recovery at Lloyd's of London and a member of the executive team responsible for the implementation of the Reconstruction and Renewal plan for the Lloyds insurance market. He is a director of LCL Group Limited which specialises in the acquisition and management of insurance companies in run off. He is also a director of a number of manufacturing companies which are the subject of corporate restructuring and turnaround where he is acting as principal as well as adviser.

Further information on the Directors, including interests held by them in the share capital of the Company, is given in Part VI of this document.

Senior Management and Staff

Other than the Directors, the senior staff of the Group are, in order of seniority, classified as partners, directors, senior managers and managers.

There are 38 partners and 7 directors, of which 5 are involved in forensics and recovery services; the remainder work in core insolvency. 11 partners have additional responsibilities in office or regional management, professional standards and national marketing.

In addition, the Group employs some 140 direct fee earning staff, of whom approximately 50 are at manager grades. Fee earners are supported by around 35 office support staff and a further 20 in the head office functions.

Share Option Scheme

The Company has put in place a Share Option Scheme but has not at this stage granted any options. In general options granted under the Share Option Scheme will not be exercisable until publication of the report and accounts two years after the year of grant and can only be exercised if certain performance criteria are achieved. The Directors may only grant options over shares up to a maximum of 10 per cent. of the issued share capital. Further details in relation to the Share Option Scheme are set out in paragraph 10 of Part VI of this document.

Working Capital

The Directors are of the opinion having made due and careful enquiry that, taking into account the net proceeds of the Placing and the existing facilities available to the Group, the Group has sufficient working capital for its present requirements, that is at least 12 months from the date of Admission.

The Placing

In total 13,457,500 New Ordinary Shares are being placed, on behalf of the Company to raise £4.9 million net of expenses. In total, the shares being placed represent 20.7 per cent. of the enlarged issued share capital of the Company immediately following Admission.

Graham McInnes and Philip Holden, together with other members of the Group will be applying for 237,500 Ordinary Shares in the Placing.

The Directors' interests following Admission are set out in paragraph 5 of Part VI of this document. In aggregate, the Directors will be interested in 51,904,580 Ordinary Shares following Admission, representing approximately 79.7 per cent. of the Company's issued share capital at that time. The Directors have entered into the lock-in arrangements outlined below.

The Placing (other than the VCT/EIS element) is conditional, among other things, on Admission.

Reasons for the Placing

The Placing will raise approximately £4.9 million for the Company net of expenses. The net proceeds of the Placing will initially be used for working capital, investment in people, office openings and acquisitions. It is anticipated that an amount equivalent to up to 25 per cent. of the gross proceeds will be available for the repayment of the shareholders loans of £4 million in the period to 30 April 2005, after the working capital and investment needs of the Group have been satisfied.

The Directors believe that the profile of the Group will be significantly enhanced by its position as a company whose shares are traded on AIM. It will also act as a further incentive to management and employees through the increased shareholding opportunity and the provision of a market for their shares.

Lock-in Arrangements

The Directors have, pursuant to the Placing Agreement, agreed not to sell, transfer or otherwise dispose of any Ordinary Shares held by them, other than in certain specified circumstances, for a period of 12 months following Admission. These arrangements relate to 51,904,580 Ordinary Shares, representing 79.7 per cent. of the enlarged issued share capital following Admission.

They have agreed that any sale or disposal of Ordinary Shares for a period of a further 12 months, will be effected through the Company's brokers from time to time.

Corporate Governance

The Company intends to comply, as far as is appropriate, with the Principles of Good Governance and Code of Best Practice (the "Combined Code"). The Directors have adopted the AIM Model Code and have appointed an audit committee and a remuneration and nominations committee.

The audit committee consists of the non-executive director, Philip Holden and on the appointment of a further non-executive director he will automatically join the audit committee. It will meet at least twice each year and is responsible for ensuring that the financial performance of the Group is properly monitored and reported on and for meeting with the auditors and reviewing reports from the auditors relating to accounts and internal control systems. It will meet with the auditors once a year without the Chairman being present.

The remuneration and nominations committee consists of the non-executive director, Philip Holden and on the appointment of a further non-executive director he will automatically be appointed to the remuneration and nominations committee. It reviews the performance of executive Directors and sets the scale and structure of their remuneration and reviews the basis of their service agreements with due regard to the interests of the shareholders. The committee also makes recommendations to the Directors concerning the allocation of share options to employees. No Director is permitted to participate in discussions or decisions concerning his own remuneration. The committee also approves nominations for new directors.

Tax Reliefs Available to Investors

Enterprise Investment Scheme

This scheme applies to individuals. Where an investment is made by a qualifying individual in eligible shares of a qualifying company then the individual is eligible for; income tax relief (at the rate of 20 per cent.) on a maximum investment of £200,000; CGT disposal relief — no CGT is chargeable on a disposal of shares which qualified for income tax relief, provided that they are held for a period of three years; CGT deferral relief a charge to capital gains tax on another disposal can be deferred by reinvesting the proceeds in shares of an EIS company within 12 months previous to and three years following the disposal (the gain becomes chargeable when the EIS shares are disposed of).

Venture Capital Trusts

The scheme also applies to individuals. Investment is made into a VCT which then invests into other qualifying companies. Individuals investing into a VCT are eligible to receive three forms of relief including income tax relief, CGT disposal relief and distribution relief.

The Inland Revenue has confirmed that shares in the Company should qualify for the EIS and as a qualifying investment for VCTs.

Further information on Taxation is set out in paragraph 12 of Part VI of this document.

Crest

CREST is a paperless settlement procedure enabling securities to be evidenced other than by certificate and transferred other than by written instrument. The Directors have applied for the Ordinary Shares to be admitted to CREST with effect from Admission and CRESTCo Limited has agreed to such admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if the relevant Shareholder so wishes. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

Dealing Arrangements

Application has been made for the Ordinary Shares to be admitted to trading on AIM and it is anticipated that Admission will become effective and that dealings will commence on 1 October 2004.

It is expected that the relevant Ordinary Shares will be delivered into CREST on 1 October 2004 and that share certificates for the Ordinary Shares to be held in certificated form will be despatched by 8 October 2004.

PART II

Risk Factors

If you are in any doubt about the action you should take, you should consult a person authorised under FSMA who specialises in advising on the acquisition of shares and other securities in the United Kingdom. The Directors consider that the following risk factors are significant to potential investors and should be considered carefully, together with all other information contained in this document, prior to investing in Ordinary Shares. The risks listed do not necessarily comprise all those associated with an investment in the Company.

- Prior to Admission, there has been no public market in the Ordinary Shares. Although the Company is applying for the admission of the Share Capital to trading on AIM, there can be no assurance that an active trading market for the Ordinary Shares will develop, or if developed, that it will be maintained. AIM is the market for emerging or smaller growing companies and may not provide the liquidity normally associated with the Official List or other exchanges.
- The future success of AIM and liquidity in the market for the Ordinary Shares cannot be guaranteed. In particular, the market for the Ordinary Shares may be, or may become, relatively illiquid (particularly given the lock-in arrangements described in Part I of this document) and therefore the Ordinary Shares may be or may become difficult to sell.
- An investment in the Company may not be suitable for all recipients of this document. Accordingly investors are strongly advised to consult an independent financial adviser authorised for the purpose of FSMA who specialises in the acquisition of shares and other securities in the UK before making any decision to invest.
- The market price of the Ordinary Shares could be subject to significant fluctuations due to a change in investor sentiment regarding the Ordinary Shares or in response to various facts and events, including variations in the Group's interim or full year operating results and business developments of the Group and/or competitors.
- The market price of the Ordinary Shares may not reflect the underlying value of the Group.
- Potential investors should be aware that the value of shares and the income from them can go down as well as up and that investment in a share, which is traded on AIM might be less realisable and might carry a higher risk than a share quoted on the Official List.
- There may be a change in government regulation or policies, which materially adversely affects the Group's activities.
- There can be no certainty that the Company will be able to implement successfully, the strategy set out in this document. Future acquisitions could prove difficult to integrate, disrupt the Group's business, dilute shareholder value and strain the Group's resources, which could prevent the Group from servicing and maintaining customer relationships properly.
- The Group's future growth is dependent on its ability to recruit, motivate and retain appropriately qualified personnel. There can be no assurance that the Group will be able to attract, motivate and retain such personnel.
- Loss of key management could have adverse consequences for the Group. While the Company has entered into service agreements with each of its executive directors, the retention of their services cannot be guaranteed.
- The net cash proceeds of the Placing may be insufficient to cover any future acquisition cost or working capital requirements of the Group, which may be incurred, associated with any future acquisitions. In such circumstances the Company might, therefore, need to raise additional funds in the future by a further issue of new Ordinary Shares to fund ongoing working capital requirements.
- Key Introducers are pivotal to the acquisition of new business and any loss of confidence from this quarter would be a significant risk.
- Fees in insolvency administration are not fixed to any scale rate and therefore price competition in the market could reduce revenue and profitability.

PART III

PART A — ACCOUNTANTS' REPORT ON BEGBIES TRAYNOR GROUP PLC



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and

The Directors
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L2 0XR

28 September 2004

Dear Sirs

Begbies Traynor Group plc — the “Company”

We report on the financial information set out in paragraphs 2 to 5 below relating to the Company, which has been prepared for inclusion in the prospectus of the Company dated 28 September 2004 (the “Prospectus”) relating to the Placing and the admission of the Company’s issued share capital to trading on the AIM Market of the London Stock Exchange.

1. Introduction

The Company was incorporated in England and Wales on 5 May 2004 with company number 5120043. On incorporation the Company had an authorised share capital of £50,000 divided into ordinary shares of £1 each, two of which were issued credited as fully paid to the subscribers of the Company’s memorandum of association.

On 24 September 2004, the authorised share capital was increased from £50,000 to £5,000,000 by the creation of an additional 4,950,000 ordinary shares of £1 each. On the same day the Company subdivided each authorised and issued share of £1 each into 20 ordinary shares of 5 pence each.

On 24 September 2004 the Company issued 5,000,000 ordinary shares of 5 pence each as consideration under the National Partnership Acquisition Agreement, the terms of which are summarised in paragraph 9.4 of Part VI of the Prospectus.

On 27 September 2004 pursuant to a share exchange agreement, the Company agreed, conditionally on Admission, to acquire the entire issued share capital of BTL. The consideration is to be satisfied by the allotment of 46,667,040 ordinary shares of 5 pence each.

1.1 Basis of preparation of financial information

The financial information set out below is based upon non statutory financial statements prepared by the directors of the Company (the “Directors”) for the purpose of this Prospectus and covers the period from incorporation on 5 May 2004 to 30 June 2004. The financial information has been prepared on the basis of the accounting policy set out in paragraph 4.

Other than the issue of share capital, the Company has not traded in the period from its incorporation to 30 June 2004 and consequently a profit and loss account and cash flow statement have not been presented.

1.2 Responsibility

The financial statements which form the basis of the financial information in this report are the responsibility of the Directors and have been approved by them.

The Directors are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the financial information set out in this report, to form an opinion on the financial information and to report our opinion to you.

1.3 Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

1.4 Opinion

In our opinion the financial information set out below gives for the purpose of the Prospectus a true and fair view of the state of affairs of the Company as at 30 June 2004.

1.5 Consent

We consent to the inclusion in the Prospectus dated 28 September 2004 of this report and accept responsibility for the report for the purposes of paragraph 45(8)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

2. Balance Sheet

		<i>30 June 2004</i>
	<i>Note</i>	<i>£</i>
Cash at bank and in hand		<u>2</u>
Net assets		<u><u>2</u></u>
Capital and reserves		
Called up share capital	5.1	<u>2</u>
Shareholders' funds		<u><u>2</u></u>

3. Cash Flow Statement

Other than the issue of subscriber shares on incorporation the Company has not carried out any cash transactions in the period between incorporation and 30 June 2004 and consequently a cash flow statement has not been presented within this report.

4. Principal Accounting Policy

Basis of accounting

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards.

5. Notes to the Financial Information

5.1 Share capital

	30 June 2004 £'000
Authorised:	
50,000 ordinary shares of £1 each	50,000
Allotted, issued and fully paid:	
2 ordinary shares of £1 each	—

On incorporation the Company had an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each. On 5 May 2004 the Company issued 2 ordinary shares of £1 at par.

5.2 Post balance sheet events

On 24 September 2004, the authorised share capital was increased from £50,000 to £5,000,000 by the creation of an additional 4,950,000 ordinary shares of £1 each. On the same day the Company subdivided each authorised and issued share of £1 each into 20 ordinary shares of 5 pence each.

On 24 September the Company entered into the National Partnership Acquisition Agreement, the terms of which are summarised in paragraph 9.4 of Part VI of the Prospectus.

On 27 September 2004, the Company agreed, conditionally on Admission, to acquire the entire issued share capital of BTL for a consideration of £18,666,816. The consideration is to be satisfied by the issue of 46,667,040 ordinary shares of 5 pence each issued at 40 pence per share.

Yours faithfully

Horwath Clark Whitehill LLP

PART III

PART B — ACCOUNTANTS' REPORT ON BTL GROUP



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and

The Directors
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L2 0XR

28 September 2004

Dear Sirs

BTL Group

1. Introduction

We report on the financial information set out in paragraphs 2 to 6 below relating to BTL together with its subsidiary companies and associated partnerships including those acquired by the Group as a consequence of the Central Acquisition Agreement and the National Partnership Acquisition Agreement, the terms of which are summarised in paragraph 9.3 and 9.4 of Part VI of the Prospectus (the "BTL Group"). This financial information has been prepared for inclusion in the prospectus of Bebbies Traynor Group plc (the "Company") dated 28 September 2004 (the "Prospectus") relating to the Placing and the admission of the Company's shares to trading on the AIM Market of the London Stock Exchange.

BTL was incorporated on 13 March 1995 as Buchler Phillips Traynor Limited with company number 3032280 and changed its name to Bebbies Traynor Limited on 13 May 1998. On incorporation the authorised share capital comprised 100 ordinary shares of £1 each, of which 2 subscriber shares were issued. On 25 March 1995 98 shares were issued at par. On 30 April 2003 the authorised share capital was increased to £51,000 by the creation of 900 ordinary shares of £1 each and 50,000 redeemable preference shares of £1 each, and on that date 900 ordinary shares were allocated and the 50,000 redeemable preference shares were issued at par but partly paid to 25 pence each.

BTL remained dormant until 30 April 2003 at which time it acquired the entire issued share capital of Bebbies Traynor (East) Limited, Bebbies Traynor (North) Limited and Bebbies Traynor (Central) Limited by means of share exchanges. As a consequence of these transactions and further transactions subsequent to that date BTL has taken an interest in the offices of the Group, most of which are constituted as Limited Liability Partnerships, either through these subsidiaries or others incorporated more recently.

On 31 May 2002 the BTL Group acquired a 33.33 per cent. interest in Savilles, a sole practitioner run by Richard Saville in Nottingham. On 26 May 2004 the BTL Group acquired the remaining interest in Savilles not previously owned. The financial information set out below consolidates the results of Savilles from the date of the original investment.

On 4 June 2004, the BTL Group acquired the net assets and associated goodwill of the London office of Bebbies Traynor from the equity partners operating that office.

On 24 September 2004, 480 preference shares of £1 each were converted into 120 fully paid ordinary shares of £1 each. The remaining 49,520 preference shares of £1 each were redeemed at the amount paid up thereon.

On 27 September 2004 the Company agreed, conditionally on Admission, to acquire the entire issued share capital of BTL for a consideration of £18,666,816. The consideration was satisfied by the issue of 46,667,040 ordinary shares of 5p each issued at 40 pence per share.

Further details of the Group's structure are given in Part V of the Prospectus.

Basis of preparation

The financial information set out in paragraphs 2 to 6 for the three years ended 30 April 2004 is based on a consolidation of the non statutory financial statements of the BTL Group as if that group had existed in its current structure throughout this period, after making such adjustments as we considered necessary in order to present the financial information in a format appropriate for the Prospectus.

The results of the London office and the offices attributable to the National Partnership prior to acquisition by the Group have been consolidated as if part of the BTL Group throughout the three years ending 30 April 2004. Other acquisitions have been included from the date of the BTL Group's initial investment.

Responsibility

The financial statements are the responsibility of the directors of BTL, who have approved their issue.

The directors of the Company are responsible for the contents of the Prospectus in which this report is included.

It is our responsibility to compile the financial information set out in this report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the circumstances of the BTL Group, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the BTL Group at 30 April 2002, 2003 and 2004 and of its profits, cash flows and recognised gains and losses for the years then ended.

Consent

We consent to the inclusion in the Prospectus of this report and accept responsibility for the report for the purposes of paragraph 45(8)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

2. Principal Accounting Policies

The principal accounting policies of the BTL Group, which have been consistently applied during the period covered by this report, are set out below:

(a) Basis of accounting and preparation

The financial information has been prepared under the historical cost convention and is in accordance with applicable accounting standards modified as appropriate for the circumstances of the BTL Group, and consistently applied.

The financial information has been prepared so as to comply with the disclosure requirements of the Companies Act 1985 and UK Accounting Standards in so far as they are relevant to the BTL Group.

Since the principal subsidiary undertakings are constituted as partnerships, equity partners' remuneration has been treated as an appropriation of profit and not charged in arriving at operating profit in the Financial Statements that form the basis of the financial information. The financial information, however, includes appropriate salaries for partners who were previously equity partners to reflect the contractual arrangements that will be in place following Admission.

(b) Basis of consolidation

The financial information consolidates the results and financial position of all incorporated and unincorporated entities that will be under the control of the Company following Admission.

(c) Tangible fixed assets

The cost of tangible fixed assets is their purchase price, together with any incidental costs of acquisition. Depreciation is calculated to write off the cost of tangible fixed assets, less their estimated residual values, over their expected useful lives. The principal annual rates used for this purpose are:

Computer equipment	— 33.3 per cent. straight line
Fixtures and fittings	— 15 per cent. straight line
Leasehold improvements	— over the period of the lease
Motor vehicles	— 25 per cent. reducing balance

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

(d) Intangible fixed assets

Goodwill is stated at cost less accumulated amortisation. Cost is the difference between the fair value of the consideration given on acquisition of a business and the fair value of the separable net assets acquired. Goodwill is currently being capitalised and amortised on a straight line basis over its useful economic life.

The carrying value of intangible fixed assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

(e) Work in progress

Work in progress is stated at the lower of cost and net realisable value. Cost comprises the time cost of staff, disbursements and attributable overhead costs. Net realisable value is estimated on the basis of selling price less further costs to be incurred to completion. The carrying value of work in progress for individual jobs is also reviewed to ensure compliance with FRS 5 Application Note G — Revenue Recognition.

(f) Taxation

Income tax payable on partnership profits is solely the personal liability of the individual partners and consequently is not dealt with in the financial information. The companies dealt with in the financial information are subject to corporation tax based on their profits for the financial period.

(g) Pensions

The BTL Group operates a defined contribution pension scheme and the pension charge represents the amounts payable by the BTL Group to the fund in respect of each accounting period.

(h) Finance leases and hire purchase contracts

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the BTL Group. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

(i) Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account as incurred.

(j) *Turnover*

Turnover excludes value added tax but includes disbursements invoiced to clients.

Turnover in respect of short term contracts is recognised on substantive completion of an assignment, and represents the invoiced value of services supplied.

Turnover in respect of long term insolvency assignments is recognised to the extent that it has been accepted by members creditors or by the court.

(k) *Other operating income*

Other operating income relates to licence fees received from the Southend office which is not consolidated into the financial information.

3. Consolidated Profit and Loss Accounts

	Notes	Year ended 30 April		
		2002 £'000	2003 £'000	2004 £'000
Turnover	6.1	14,597	19,360	21,368
Movement in work in progress		627	677	649
		<u>15,224</u>	<u>20,037</u>	<u>22,017</u>
Other external charges: direct expenses		(353)	(554)	(497)
		<u>14,871</u>	<u>19,483</u>	<u>21,520</u>
Staff costs and similar charges	6.4	(8,132)	(9,767)	(11,754)
Depreciation		(586)	(612)	(572)
Amortisation		(52)	(1,089)	(1,174)
Other operating charges		(2,943)	(4,090)	(5,084)
Other operating income		142	186	202
Operating profit	6.2	3,300	4,111	3,138
Interest receivable		9	16	19
Interest payable	6.5	(121)	(108)	(196)
		<u>3,188</u>	<u>4,019</u>	<u>2,961</u>
Profit on ordinary activities before taxation		3,188	4,019	2,961
Tax on profit on ordinary activities in corporate subsidiaries	6.6	(59)	(229)	(264)
		<u>3,129</u>	<u>3,790</u>	<u>2,697</u>
Profit after taxation		3,129	3,790	2,697
Distributions to Partners and LLP Members		(3,024)	(3,659)	(1,993)
		<u>105</u>	<u>131</u>	<u>704</u>
Retained profits	6.14	105	131	704

All amounts relate to continuing operations.

There were no recognised gains and losses for 2002, 2003 or 2004 other than those included in the profit and loss account.

4. Consolidated Balance Sheets

	Notes	30 April		
		2002 £'000	2003 £'000	2004 £'000
Fixed assets				
Intangible assets	6.7	220	2,019	1,272
Tangible assets	6.8	1,646	2,162	1,499
		<u>1,866</u>	<u>4,181</u>	<u>2,771</u>
Current assets				
Work in progress		3,726	4,652	5,304
Debtors	6.9	2,658	3,092	3,455
Cash at bank		281	810	677
		<u>6,665</u>	<u>8,554</u>	<u>9,436</u>
Creditors: amounts falling due within one year	6.10	<u>(7,947)</u>	<u>(11,846)</u>	<u>(5,779)</u>
Net current (liabilities)/assets		<u>(1,282)</u>	<u>(3,292)</u>	<u>3,657</u>
Total assets less current liabilities		<u>584</u>	<u>889</u>	<u>6,428</u>
Creditors: amounts falling due after more than one year	6.11	<u>(335)</u>	<u>(495)</u>	<u>(5,330)</u>
Net assets		<u>249</u>	<u>394</u>	<u>1,098</u>
Capital and reserves				
Share capital	6.14	—	14	14
Retained reserves	6.14	249	380	1,084
		<u>249</u>	<u>394</u>	<u>1,098</u>

5. Consolidated Cash Flow Statements

Notes	Year ended 30 April			
	2002 £'000	2003 £'000	2004 £'000	
Cash inflow from operating activities	6.16	2,244	5,202	3,265
Returns on investments and servicing of finance				
Bank interest received		9	16	19
Bank interest paid		(58)	(54)	(135)
Interest element of hire purchase		(63)	(54)	(61)
		(112)	(92)	(177)
Taxation				
Corporation tax paid		(18)	(59)	(229)
Capital expenditure				
Payments to acquire intangible fixed assets			(1,782)	(1,533)
Payments to acquire tangible fixed assets		(490)	(930)	(579)
Receipts from sale of fixed assets		372	390	983
		(118)	(2,322)	(1,129)
Transactions with partners and LLP Members				
Net distributions made to Partners and LLP Members		(1,971)	(1,274)	(6,414)
Cash inflow/(outflow) before financing		25	1,455	(4,684)
Financing				
Issue of share capital		—	14	—
New bank loans		—	500	5,162
Repayment of bank loans		(18)	(104)	(455)
Repayment of capital element of hire purchase		(618)	(621)	(603)
		(636)	(211)	4,104
(Decrease)/increase in cash	6.16	(611)	1,244	(580)

6. Notes to the Financial Statements

6.1 Segmental analysis

Turnover arises entirely in the UK

6.2 Operating profit

Operating profit is stated after charging:

	Year ended 30 April		
	2002	2003	2004
Operating lease rentals			
Land & buildings	462	741	680
Other	174	141	171
Depreciation of tangible fixed assets			
Owned	349	387	438
Leased	237	225	134
Profit/(Loss) on disposal of tangible fixed assets	20	(25)	58
Amortisation of goodwill	52	1,089	1,174

6.3 Partners and employees

The average monthly number of partners and employees during the period was:

	Year ended 30 April		
	2002 £'000	2003 £'000	2004 £'000
Partners and LLP Members	15	28	36
Professional staff	139	141	138
Client service, support and administrative staff	48	53	59
	<u>202</u>	<u>222</u>	<u>233</u>

6.4 Staff costs

	Year ended 30 April		
	2002 £'000	2003 £'000	2004 £'000
Partners and LLP Members	2,179	3,408	4,602
Consultant fees	39	465	605
Wages and salaries	5,306	5,267	5,804
Social security costs	522	496	604
Pension costs	86	131	139
	<u>8,132</u>	<u>9,767</u>	<u>11,754</u>

6.5 Interest payable

	Year ended 30 April		
	2002 £'000	2003 £'000	2004 £'000
Interest on bank loans and overdrafts	58	54	135
Interest on hire purchase contracts and finance leases	63	54	61
	<u>121</u>	<u>108</u>	<u>196</u>

6.6 Taxation

	Year ended 30 April		
	2002 £'000	2003 £'000	2004 £'000
Profit before taxation	3,188	4,019	2,961
LLP profits taxed under Schedule D	(3,024)	(3,410)	(1,993)
Profits chargeable to corporation tax	<u>164</u>	<u>609</u>	<u>968</u>
Tax on profit at 19 per cent.	31	116	183
Income taxed at the marginal rate	28	82	49
Expenses disallowed	—	22	32
Unutilised losses carried forward	—	9	—
Tax charge in the year	<u>59</u>	<u>229</u>	<u>264</u>

Under UK taxation legislation, taxation on partnerships is the responsibility of the individual partners and accordingly there is no tax charge payable by the Firm. The charge for taxation relates to corporation tax charged on the profits of limited company subsidiary undertakings, at 19 per cent. (2003 — 19 per cent., 2002 — 19 per cent.).

6.7 Intangible assets

	<i>Goodwill</i> <i>£'000</i>
Cost:	
At 1 May 2001	281
Additions	—
	<hr/>
At 30 April 2002	281
Additions	2,888
	<hr/>
At 30 April 2003	3,169
Additions	427
	<hr/>
At 30 April 2004	3,596
	<hr/>
Amortisation:	
At 1 May 2001	9
Provision for the year	52
	<hr/>
At 30 April 2002	61
Provision for the year	1,089
	<hr/>
At 30 April 2003	1,150
Provision for the year	1,174
	<hr/>
At 30 April 2004	2,324
	<hr/>
Net book value:	
At 30 April 2002	220
	<hr/> <hr/>
At 30 April 2003	2,019
	<hr/> <hr/>
At 30 April 2004	1,272
	<hr/> <hr/>

There is no material difference between the acquisition value and the fair value of the acquired assets.

	<i>Partnership in Liverpool £'000</i>	<i>Partnership in Scotland £'000</i>	<i>Sole- practitioner in Nottingham £'000</i>	<i>Sole- practitioner in Manchester £'000</i>	<i>Retired partner £'000</i>	<i>Total £'000</i>
Consideration	300	221	516	2,563	300	3,900
Assets acquired:						
Work in progress	2	25	—	150	—	177
Tangible assets	17	45	—	65	—	127
Goodwill acquired	<u>281</u>	<u>151</u>	<u>516</u>	<u>2,348</u>	<u>300</u>	<u>3,596</u>

6.8 Tangible fixed assets

	<i>Computer equipment £'000</i>	<i>Fixtures & fittings £'000</i>	<i>Leasehold improvements £'000</i>	<i>Motor Vehicles £'000</i>	<i>Total £'000</i>
Cost:					
At 1 May 2001	607	456	147	1,114	2,324
Additions	238	78	48	908	1,272
Disposals	(2)	—	(2)	(558)	(562)
At 30 April 2002	<u>843</u>	<u>534</u>	<u>193</u>	<u>1,464</u>	<u>3,034</u>
Additions	255	215	102	971	1,543
Disposals	(164)	(169)	—	(686)	(1,019)
At 30 April 2003	<u>934</u>	<u>580</u>	<u>295</u>	<u>1,749</u>	<u>3,558</u>
Additions	127	87	105	515	834
Disposals	—	(21)	(71)	(1,379)	(1,471)
At 30 April 2004	<u>1,061</u>	<u>646</u>	<u>329</u>	<u>885</u>	<u>2,921</u>
Depreciation:					
At 1 May 2001	393	227	40	352	1,012
Provision for the year	160	94	45	287	586
Disposals	(1)	—	(2)	(207)	(210)
At 30 April 2002	<u>552</u>	<u>321</u>	<u>83</u>	<u>432</u>	<u>1,388</u>
Provision for the year	168	63	46	335	612
Disposals	(163)	(160)	—	(281)	(604)
At 30 April 2003	<u>557</u>	<u>224</u>	<u>129</u>	<u>486</u>	<u>1,396</u>
Provision for the year	239	80	36	217	572
Disposals	—	(9)	(71)	(466)	(546)
At 30 April 2004	<u>796</u>	<u>295</u>	<u>94</u>	<u>237</u>	<u>1,422</u>
Net book value:					
At 30 April 2002	<u>291</u>	<u>213</u>	<u>110</u>	<u>1,032</u>	<u>1,646</u>
At 30 April 2003	<u>377</u>	<u>356</u>	<u>166</u>	<u>1,263</u>	<u>2,162</u>
At 30 April 2004	<u>265</u>	<u>351</u>	<u>235</u>	<u>648</u>	<u>1,499</u>

Net book value of assets held on finance leases and hire purchase contracts:

	30 April		
	2002 £'000	2003 £'000	2004 £'000
Motor vehicles	756	677	422
Leasehold improvements	—	81	73
Computers	21	21	8
Fixtures & fittings	19	16	—
	<u>796</u>	<u>795</u>	<u>503</u>

6.9 Debtors

	30 April		
	2002 £'000	2003 £'000	2004 £'000
Trade debtors	2,029	2,340	1,875
Other debtors and prepayments	629	752	1,580
	<u>2,658</u>	<u>3,092</u>	<u>3,455</u>

6.10 Creditors: amounts falling due within one year

	30 April		
	2002 £'000	2003 £'000	2004 £'000
Bank overdrafts	870	155	602
Bank loans	25	183	—
Obligations under hire purchase and finance lease contracts	408	477	184
Trade creditors	759	1,260	839
Corporation tax	59	229	264
Other taxation and social security	833	1,057	929
Deferred consideration	—	1,106	—
Salaried partners' current accounts	1,520	1,680	1,771
Amounts due to directors	3,473	5,699	1,190
	<u>7,947</u>	<u>11,846</u>	<u>5,779</u>

Included within the salaried partners' current accounts are amounts payable over more than one year that relate to the partners' personal taxation.

6.11 Creditors: amounts falling due after more than one year

	30 April		
	2002 £'000	2003 £'000	2004 £'000
Bank loans and overdrafts	35	272	5,162
Hire purchase and finance lease contracts	300	223	168
	<u>335</u>	<u>495</u>	<u>5,330</u>

The bank loan and overdraft are secured by way of fixed and floating charges over the assets of the BTL Group. The facilities agreement also incorporates personal guarantees from Ric Traynor and Andrew Dick, which terminate as a consequence of a "Funding Event", as defined in the facilities agreement. The facilities agreement is summarised in paragraph 9.5 of Part VI of the Prospectus.

The bank loan and overdraft facility is a combined facility of up to £10 million which is available until 31 August 2007. Although the overdraft and revolving money market lines are due for repayment within 12 months, as they are part of a longer term committed facility, which is available unless the financial covenants are breached, the bank debt has been classified as repayable between two and five years.

Interest is charged at 1.75 per cent. above LIBOR on the money market lines, which falls to 1.25 per cent. above LIBOR as a consequence of a Funding Event and at 1 per cent. above the Barclays Base Rate on the overdraft.

6.12 Loans

	30 April		
	2002 £'000	2003 £'000	2004 £'000
Due within one year or on demand	25	183	—
Due within one to two years	27	174	—
Due within two to five years	8	98	5,162
	<u>60</u>	<u>455</u>	<u>5,162</u>

6.13 Obligations under finance leases and hire purchase contracts

	30 April		
	2002 £'000	2003 £'000	2004 £'000
Due within one year	408	477	184
Due within one to two years	240	178	84
Due within two to five years	60	45	84
	<u>708</u>	<u>700</u>	<u>352</u>

6.14 Share capital and reserves

	Share Capital £'000	Corporate under- Takings Retained Reserves £'000	Total £'000
At 1 May 2001	—	144	144
Profit on ordinary activities after taxation	—	105	105
At 30 April 2002	—	249	249
Profit on ordinary activities after taxation	—	380	380
Issue of Share Capital	14	—	14
Dividends attributable to LLP Members	—	(249)	(249)
At 30 April 2003	14	380	394
Profit on ordinary activities after taxation	—	704	704
At 30 April 2004	14	1,084	1,098
	<u>100</u>	<u>51,000</u>	<u>51,000</u>
Authorised			
Ordinary shares of £1 each	100	1,000	1,000
50,000 Preference shares of £1 each	—	50,000	50,000
	<u>100</u>	<u>51,000</u>	<u>51,000</u>
Allotted and called up			
Ordinary shares of £1 each	100	1,000	1,000
50,000 Preference shares 25p part paid	—	12,500	12,500
	<u>100</u>	<u>13,500</u>	<u>13,500</u>

On 24 September 2004, 480 preference shares were converted into 120 fully paid ordinary shares of £1 each. The remaining 49,520 preference shares of £1 each were redeemed at the amount paid up thereon.

6.15 Financial commitments

The BTL Group has annual financial commitments under non-cancellable operating leases, expiring as follows:

	Year ended 30 April		
	2002 £'000	2003 £'000	2004 £'000
Land and buildings:			
Within one year	—	53	16
Between one and two years	20	16	163
Between two and five years	53	266	375
In over five years	507	305	39
	<u>580</u>	<u>640</u>	<u>593</u>
Other:			
Within one year	—	—	33
Between one and two years	—	—	123
Between two and five years	—	—	50
	<u>—</u>	<u>—</u>	<u>206</u>
	<u>580</u>	<u>640</u>	<u>799</u>

6.16 Notes to the cash flow statement

	Year ended 30 April		
	2002 £'000	2003 £'000	2004 £'000
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit	3,300	4,111	3,138
Amortisation	52	1,089	1,174
Depreciation	586	612	572
(Profit)/loss on disposal of fixed assets	(20)	25	(58)
Increase in work in progress	(627)	(926)	(649)
Increase in debtors	(1,353)	(434)	(363)
(Increase)/Decrease in creditors	306	725	(549)
	<u>2,244</u>	<u>5,202</u>	<u>3,265</u>

Reconciliation of net cash flow to movement in net debt

	Year ended 30 April		
	2002 £'000	2003 £'000	2004 £'000
(Decrease)/increase in cash in the period	(611)	1,244	(580)
Cash inflow from increase in bank loans	—	(500)	(5,162)
Cash outflow from repayment of bank loans	18	104	455
Cash inflow from new hire purchase contracts	(782)	(612)	(255)
Cash outflow in from repayment of hire purchase	618	620	603
Change in net debt	<u>(757)</u>	<u>856</u>	<u>(4,939)</u>
Net debt at the start of the year	(599)	(1,356)	(500)
Net debt at the end of the year	<u>(1,356)</u>	<u>(500)</u>	<u>(5,439)</u>

	30 April 2001 £'000	Cash flows £'000	30 April 2002 £'000	Cash flows £'000	30 April 2003 £'000	Cash flows £'000	30 April 2004 £'000
<i>Analysis of changes in net debt</i>							
Net cash:							
Cash at bank and in hand	368	(87)	281	529	810	(133)	677
Overdrafts	(346)	(524)	(870)	715	(155)	(447)	(602)
	22	(611)	(589)	1,244	655	(580)	75
Debt:							
Bank loans	(77)	18	(59)	(396)	(455)	(4,707)	(5,162)
Hire purchase contracts	(544)	(164)	(708)	8	(700)	348	(352)
	(621)	(146)	(767)	(388)	(1,155)	(4,359)	(5,514)
Net cash/(debt)	(599)	(757)	(1,356)	856	(500)	(4,939)	(5,439)

6.17 Related party transactions

- i. Lease of Unit 1, Winckley Court, Preston by Ric Traynor for £25,000 per annum under a 14 year lease which commenced on 10 September 1996 and terminates on 4 September 2010.
- ii. Lease of Unit 4, Winckley Court, Preston by Ric Traynor's pension fund for £14,000 per annum under a 14 year lease which commenced on 10 September 1996 and terminates on 4 September 2010.
- iii. Lease of 30 Park Cross Street, Leeds by a partnership including Ric Traynor and Andrew Dick for a rent of £35,000 per annum under a 15 year lease which commenced on 18 May 2000 and terminates 5 May 2015.
- iv. Leases of Chiltern House, 24-30 King Street, Watford by Chiltern LLP, of whom Ric Traynor and Andrew Dick are members, for a rent of £69,000 per annum under a 10 year lease which commenced on 24 December 2003 and terminates on 24 December 2013.
- v. Agreement to lease part of 32 Cornhill, London by Cornhill Property Partnership LLP of which Ric Traynor, Andrew Dick and Philip Holden are members, for a rent of £189,819 per annum for a period of 10 years.

6.18 Post balance sheet events

On 26 May 2004 the BTL Group acquired the remaining interest of the Nottingham practice not previously owned for a consideration of £750,000, which was paid in cash. On 4 June 2004 the BTL Group acquired the net assets and associated goodwill of the London office of Begbies Traynor from the equity partners operating that office with £600,000 payable on completion, £2,082,500 paying within 12 months of completion, and the balance payable beyond 12 months of completion.

On 24 September 2004, 480 preference shares of £1 each were converted into 120 ordinary shares of £1 each. The remaining 49,520 preference shares of £1 each were redeemed at the amount paid up thereon.

On 24 September 2004, pursuant to the Central Acquisition Agreement, BTL acquired all of the interests held by Ric Traynor and Andrew Dick, which they held on behalf of the National Partnership, in Begbies Traynor (Central) LLP and Begbies Traynor (North) LLP. The consideration was £4,000,000. The Central Acquisition Agreement is summarised in paragraph 9.3 of Part VI of this Prospectus.

On 27 September 2004 the Company agreed, conditionally on Admission, to acquire the entire issued share capital of BTL for a consideration of £18,666,816. The consideration will be satisfied by the issue of 46,667,040 ordinary shares of 5p each issued at 40 pence per share.

Yours faithfully

Horwath Clark Whitehill LLP

PART IV

Unaudited Pro forma Statement of Net Assets of the Group

Set out below is an unaudited pro forma statement of the net assets of the Enlarged Group following the acquisition by Begbies Traynor Group plc of the whole of the issued share capital of Begbies Traynor Limited, completion of the Central Acquisition Agreement and the National Partnership Acquisition Agreement, the acquisition of Nottingham and London and the Placing. The pro forma statement of combined net assets has been prepared on the basis of the notes set out below.

This pro forma statement is provided for illustrative purposes and because of its nature cannot give a complete picture of the position of the Group.

	<i>Note 1 Begbies Traynor plc</i>	<i>Note 2 Begbies Traynor Ltd</i>	<i>Adjustments</i>		<i>Note 5 Placing</i>	<i>Adjusted pro forma net assets</i>
			<i>Note 3 Consolidation of Begbies Traynor Ltd</i>	<i>Note 4 Acquisition of minority interests</i>		
	<i>30 June 2004 £'000</i>	<i>30 April 2004 £'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Fixed assets						
Intangible	—	1,272	17,569	9,687	—	28,528
Tangible	—	1,499	—	—	—	1,499
	—	2,771	17,569	9,687	—	30,027
Current assets						
Work in progress	—	5,304	—	—	—	5,304
Debtors	—	3,455	—	(187)	—	3,268
Cash at bank	—	677	—	—	—	677
	—	9,436	—	—	—	9,249
Creditors: amounts falling due within one year						
Bank loans and overdrafts	—	(602)	—	(288)	—	(890)
Amounts due to directors	—	(1,190)	—	(1,337)	—	(2,527)
Other creditors	—	(3,987)	—	(458)	—	(4,445)
	—	(5,779)	—	(2,083)	—	(7,862)
Net current assets/(liabilities)	—	3,657	—	(2,270)	—	1,387
Total assets less current/ (liabilities)	—	6,428	17,569	7,417	—	31,414
Creditors: amounts falling due after more than one year						
Bank loans and overdrafts	—	(5,162)	—	(1,350)	4,883	(1,629)
Shareholders Loans	—	—	—	(4,000)	—	(4,000)
Other creditors	—	(168)	—	(567)	—	(735)
Net assets	—	1,098	17,569	1,500	4,883	25,050

Notes:

1. The net assets of Begbies Traynor Group plc at 30 June 2004 have been extracted without material adjustment from the balance sheet as at 30 June 2004 shown in the Accountants' Report set out in Part A of Part III of this Prospectus.
2. The net assets of BTL Group at 30 April 2004 have been extracted without material adjustment from the balance sheet as at 30 April 2004 shown in the Accountants' Report set out in Part B of Part III of this Prospectus.
3. Goodwill arising on the acquisition of Begbies Traynor Limited has been calculated as follows:

	£'000
Consideration at 40 pence per share	18,667
Net assets	(1,098)
	<hr/>
Goodwill arising	<u>17,569</u>

4. Adjustments have been made to show the effect of the acquisition of the minority interests as follows:

- (i) The consideration of £4 million payable for the acquisition of Nottingham and London, which represents the goodwill arising on the acquisitions, has been recorded as an increase in creditors, reflecting the utilisation of the Group's bank facility for the initial consideration payable (£1,350,000) and recognition of the deferred consideration payable in respect of the London acquisition (£2,650,000), of which £567,500 is payable in more than 12 months. The consideration was made up as follows:

	£'000
Nottingham	750
London	3,250
	<hr/>
Total consideration	<u>4,000</u>

- (ii) The consideration of £5.5 million payable for the acquisition of the partnership interests being acquired from the National Partnership in accordance with the Central Acquisition Agreement and the National Partnership Acquisition Agreement, net of the £1.5 million satisfied by the issue of shares by Begbies Traynor Group plc, has been recorded as shareholders loans payable after 12 months. The consideration payable has been treated as goodwill for the purposes of this pro forma statement of net assets. Directors loans totalling £288,000 were repaid in advance of the completion of the National Partnership Acquisition Agreement whilst intellectual property of £187,000 was recognised as a consequence of the acquisition of Red Flag Alert LLP

5. The pro forma statement of net assets assumes the following proceeds from the Placing:

	£'000
Gross proceeds	5,383
Costs	(500)
	<hr/>
Net proceeds	<u>4,883</u>

6. No adjustments have been made to reflect the trading results of Begbies Traynor Group plc or BTL Group since the date to which their respective Accountants' Reports have been made up.



The Directors
Begbies Traynor Group plc
Brook House
77 Fountain Street
Manchester
M2 2EE

and

The Directors
Teather & Greenwood Limited
8th Floor, India Buildings
Water Street
Liverpool
L2 0XR

28 September 2004

Dear Sirs

Begbies Traynor Group plc (the "Company")
Pro forma statement of net assets

We report on the pro forma statement of net assets set out in Part IV of the Prospectus dated 28 September 2004 which has been prepared, for illustrative purposes only, to provide information about how the acquisition of BTL, the acquisitions of London and Nottingham, the acquisitions pursuant to the Central Acquisition Agreement and the National Partnership Acquisition Agreement, and the placing might affect the financial information presented.

Responsibilities

It is the responsibility solely of the directors of Begbies Traynor Group plc ("Directors") to prepare the pro forma statement of net assets.

It is our responsibility to form an opinion on the pro forma statement of net assets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma statement of net assets beyond that owed to those to whom we addressed those reports at the date of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 Reporting on pro forma financial information pursuant to the Listing Rules issued by the Auditing Practices Board.

Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma statement of net assets with the Directors.

Opinion

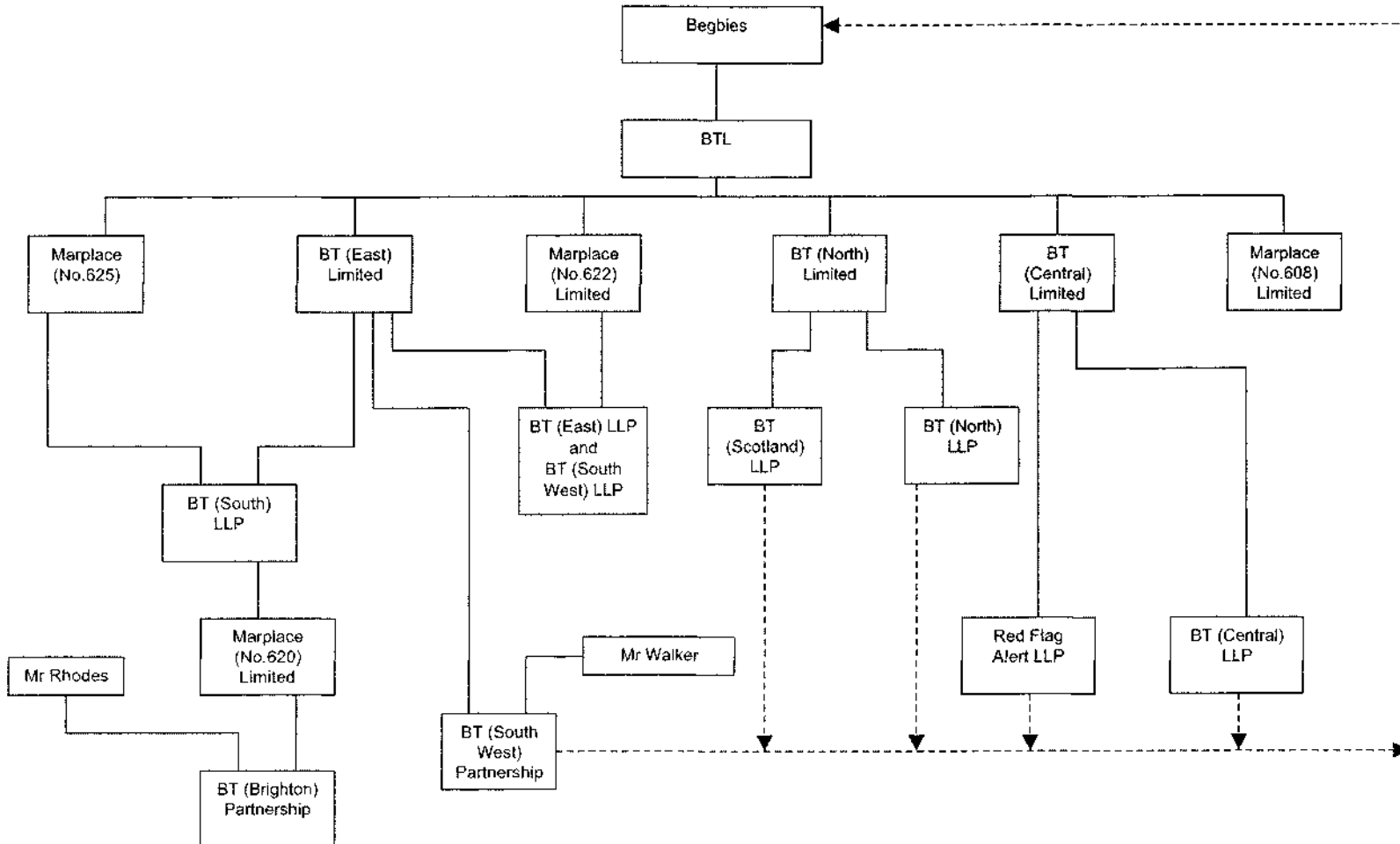
In our opinion:

- (a) the pro forma statement of net assets has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company;
- (c) the adjustments are appropriate for the purposes of the pro forma statement of net assets.

Yours faithfully

Horwath Clark Whitehill LLP

Group Structure Following Admission



Description of Group Structure

PART V

* This Group Structure diagram is for illustrative purposes only and represents the position following completion of the National Partnership Acquisition Agreement and the Share Exchange Agreement.
 ** The "dotted arrows" denote the acquisitions by Begbies pursuant to the Central Acquisition Agreement and the National Partnership Acquisition Agreement.
 *** In relation to the name of the above companies/partnerships/LLP's, "BT" means "Begbies Traynor" and "No." means "Number".

Constitutional Summary

Following Admission, Begbies will be the holding company of BTL, its wholly owned subsidiary. BTL, in turn, is the holding company of a number of subsidiary companies registered in England and Wales which, in turn hold, directly or indirectly, interests in certain companies, LLPs and partnerships. The details are as follows:

<i>Company/LLP</i>	<i>Corporate Status</i>	<i>Date of Incorporation or establishment</i>	<i>Company/ Partnership Number</i>
Begbies Traynor Limited	Company	13 March 1995	3032280
Begbies Traynor (North) Limited	Company	23 May 2002	4445901
Begbies Traynor (Central) Limited	Company	23 May 2002	4445908
Begbies Traynor (East) Limited	Company	30 November 2001	4332406
Marplace (Number 620) Limited	Company	10 March 2004	5068888
Marplace (Number 608) Limited	Company	29 August 2004	4881833
Marplace (Number 622) Limited	Company	9 March 2004	5068299
Marplace (Number 625)	Company	25 March 2004	5684251
Begbies Traynor (Scotland) LLP	LLP	10 July 2002	SO300120
Begbies Traynor (South) LLP	LLP	9 December 2003	OC306265
Begbies Traynor (North) LLP	LLP	16 January 2004	OC306539
Begbies Traynor (Central) LLP	LLP	16 January 2004	OC306540
Begbies Traynor (East) LLP	LLP	13 May 2004	OC307989
Begbies Traynor (South West) LLP	LLP	20 August 2004	OC309058
Begbies Traynor (South West) Partnership	Partnership	6 April 2000	N/A
Begbies Traynor (Brighton) Partnership	Partnership	24 November 1998	N/A
Red Flag Alert LLP	LLP	29 November 2003	OC305915

Immediately following Admission, the Group will comprise Begbies and the companies, LLPs and partnerships listed in the above table.

1. Group Companies

- 1.1 Each of the Group companies, except Marplace (Number 620) Limited, is a wholly-owned subsidiary of Begbies in that its entire issued share capital is beneficially owned either by Begbies, BTL or wholly-owned subsidiaries of BTL.
- 1.2 The entire issued share capital of Marplace (Number 620) Limited is beneficially owned by Begbies Traynor (South) LLP.
- 1.3 Marplace (Number 625) is an unlimited company.
- 1.4 In relation to each of the Group companies, except Begbies, and Marplace (Number 608) Limited, whilst Ric Traynor is a director of that company and is not incapacitated, he is entitled to be its Chairman and, as such, has effective Board and management control.

2. Group LLPs

- 2.1 The designated members of the Group LLPs (the "Designated Members") comprise the following Group companies:

<i>LLP</i>	<i>Designated Members</i>
Begbies Traynor (North) LLP	Begbies Begbies Traynor (North) Limited
Begbies Traynor (South) LLP	Marplace (Number 625) Begbies Traynor (East) Limited
Begbies Traynor (East) LLP	Begbies Traynor (East) Limited Marplace (Number 622) Limited
Begbies Traynor (Central) LLP	Begbies Begbies Traynor (Central) Limited
Begbies Traynor (Scotland) LLP	Begbies Begbies Traynor (North) Limited
Red Flag Alert LLP	Begbies Begbies Traynor (Central) Limited
Begbies Traynor (South West) LLP	Marplace (Number 622) Limited and Begbies Traynor (East) Limited

- 2.2 Each Group LLP is subject to the overall voting and managerial control of its Designated Members.
- 2.3 The respective Designated Members of each Group LLP exclusively share the benefit and burden of its income and capital profits, gains, losses and liabilities save that Richard Traynor and Andrew Dick are entitled to certain profit shares from Begbies Traynor (Central) LLP and Begbies Traynor (North) LLP respectively, as described in paragraphs 8.1 and 8.2 respectively of Part VI of this document, certain working ordinary members of the LLPs are entitled to fixed income payments or fixed profit shares from certain LLPs and, in most cases, are able to participate in profit-sharing arrangements relating to the individual LLP for which they work.
- 2.4 The assets of each Group LLP are owned by it except that in some cases all or part of the goodwill of a Group LLP is owned by Group companies.
- 2.5 The net capital of each Group LLP, comprising the balance sheet excess of the assets of that LLP over its liabilities, is shared exclusively by its Designated Members save that certain working ordinary members of the LLPs have limited shares of capital, not exceeding £20,000 in the case of any individual.

3. Begbies Traynor (South West) Partnership (“the “SW Partnership”)

- 3.1 Subject as set out in paragraph 3.3.1 below, the equity partners in the SW Partnership are Begbies, Begbies Traynor (East) Limited and Ian Walker.
- 3.2 The SW Partnership is subject to the overall voting and managerial control of Begbies.
 - 3.3.1 Unless otherwise agreed, the partnership profits of an income nature are apportioned as to the profits up to the “basic amount” (namely £80,000 or such other amount as may be determined from time to time) to Mr. Walker and as to any balance to Mr. Walker (25 per cent.), Begbies (25 per cent.) and Begbies Traynor (East) Limited (50 per cent.). Unless otherwise agreed, profits or gains of a capital nature and losses and liabilities of an income or capital nature are shared in the same proportions as if they had been profits. There are profit sharing arrangements under which certain other partners are able to participate in the partnership profits. These other partners also maintain limited amounts of partnership capital (not exceeding £20,000 in the case of any individual).
 - 3.3.2 All assets of the SW Partnership (including goodwill) are owned by the SW Partnership.
 - 3.3.3 Any equity partner may be required to contribute his or its proportionate share of additional partnership capital and the total level of capital is increased or reduced to such amount as may be decided, in effect, by Begbies.
- 3.3 Begbies Traynor (South West) LLP has been created and it is proposed that the business of the SW Partnership will be transferred to it.

4. Begbies Traynor (Brighton) Partners (the “Brighton Partnership”)

The equity partners in the Brighton Partnership are Marplace (Number 620) Limited and Geoffrey Rhodes. The profits of the Brighton Partnership up to £75,000 are allocated to Mr. Rhodes; the profits over and above £75,000 but not exceeding £325,000 are allocated as to 50 per cent. to Mr. Rhodes and 50 per cent. to Marplace (Number 620) Limited; and any balance of the profits is allocated as to 40 per cent. to Marplace (Number 620) Limited and 60 per cent. to Mr. Rhodes. The division of profit is subject to annual review. Losses and liabilities of an income nature and profits, losses or liabilities of a capital nature are allocated in similar proportions. Mr. Rhodes is responsible for the day to day management and control of the Partnership. Save in specified cases, voting rights are allocated as to 50 per cent. to Marplace (Number 620) Limited and 50 per cent. to Mr. Rhodes and partnership capital is contributed in the same proportions.

5. Other Relationships

In addition to the above, the Group has certain relationships, associations and franchise relationships which relate, *inter alia*, to commissions, name and know-how usage, marketing and cross-referrals with Taylor Gotham & Fry (Southend and Sidcup), Kennic LH Lui & Co. (Hong Kong) and Maximus Business Turnaround (Proprietary) Limited (South Africa).

PART VI

Additional Information

1. The Company

- 1.1 The Company was incorporated and registered in England and Wales on 5 May 2004 under the Companies Act 1985 as a public company limited by shares with the name Begbies Traynor Group plc and with registration number 5120043. The liability of members is limited.
- 1.2 The principal legislation under which the Company operates is the Act and the regulations made thereunder.
- 1.3 The Company's registered office is Brook House, 77 Fountain Street, Manchester M2 2EE and its principal place of business is at Elliot House, 151 Deansgate, Manchester M3 3BP.

2. Group Structure

The structure of the Group immediately following Admission is set out in Part V of this document.

3. Share Capital

- 3.1 On incorporation, the authorised share capital of the Company was £50,000 divided into 50,000 shares of £1 each, two of which were issued credited as fully paid to the subscribers to the Company's memorandum of association.
- 3.2 On 24 September 2004 the authorised share capital of the Company was increased from £50,000 to £5,000,000 by the creation of an additional 4,950,000 ordinary shares of £1 each.
- 3.3 On 24 September 2004 each ordinary share of £1 was sub-divided into 20 ordinary shares of 5p each.
- 3.4 On 24 September 2004 the Company issued 5,000,000 Ordinary Shares, as to 3,250,000 Ordinary Shares to Ric Traynor and 1,750,000 Ordinary Shares to Andrew Dick as consideration under the National Partnership Acquisition Agreement.
- 3.5 On 27 September 2004 pursuant to a share exchange agreement made between (1) Ric Traynor and others and (2) the Company, the Company agreed, conditionally on Admission, to acquire the entire issued share capital of BTL. The consideration of £18,666,816 was satisfied by the allotment of 46,667,040 Ordinary Shares.
- 3.6 On 24 September 2004 by or pursuant to resolutions of the Company passed on that date:
 - 3.6.1 For the purposes of and pursuant to section 80(1) of the Act, the directors of the Company were generally and unconditionally authorised and empowered to exercise all the powers of the Company to allot the relevant securities (as detailed in section 80(2) of the Act) up to an aggregate nominal amount of £5,000,000 to such persons at such times and upon such terms and conditions as they may determine (subject always to the articles of association of the company) provided this authority and power shall, unless renewed, varied or revoked, expires at the conclusion of the next annual general meeting or 15 months from the date of the passing of this resolution (whichever is the earlier) and provided further that the Company may before the expiry of such period make any offer, agreement or arrangement which would or might require relevant securities to be allotted after the expiry of such period and the Directors may then allot relevant securities pursuant to any such offer, agreement or arrangement as if the authority or power hereby conferred had not expired; and
 - 3.6.2 For the purposes of and pursuant to section 95(1) of the Act, the directors of the Company were authorised and empowered to allot equity securities (within the meaning of section 94 of the Act) pursuant to the general authority and power conferred by the resolution referred to in 3.6.1 above as if section 89(1) of the Act did not apply to any such allotment provided that this power shall expire at the same time as the authority referred to in 3.6.1 above of the Company save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors of the Company may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired, save that the power was limited to:
 - (a) the allotment of equity securities pursuant to the Placing;

- (b) the allotment of equity securities pursuant to a rights issue or similar offer to shareholders of the Company where the interests of all shareholders of the Company were proportionate or as nearly as practical to the numbers of Ordinary Shares held by them; and
- (c) the allotment (otherwise than pursuant to paragraph 3.6.2 (a) and (b) above) for cash of equity securities up to an aggregate nominal amount equal to 10 per cent. of the issued share capital of the Company immediately following Admission.

3.7 The Company's authorised and issued ordinary share capital, at the date of this document is, and immediately following the Placing (assuming full subscription thereunder) will be, as follows:

	<i>At date of this document</i>		<i>Following Admission</i>	
	<i>Amount £</i>	<i>Ordinary Shares</i>	<i>Amount £</i>	<i>Number of Ordinary Shares</i>
Authorised	5,000,000	100,000,000	5,000,000	100,000,000
Issued and fully paid	50,000	1,000,000	3,256,229	65,124,580

3.8 Save as disclosed in the foregoing sub-paragraphs of this paragraph other than in respect of the Placing, and options granted:

3.8.1 no shares or loan capital of the Company or any of its subsidiaries has within the 3 years immediately preceding the date of this document been issued or agreed to be issued or is now proposed to be issued fully or partly paid, for cash or any other consideration or has been purchased by the Company or any of its subsidiaries;

3.8.2 no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries in connection with the issue or sale of any share capital; and

3.8.3 no share or loan capital of the Company, or of any other company within the Group, is under option or has been agreed conditionally or unconditionally, to be put under option.

3.9 The provisions of section 89(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 743 of the Act) will apply to the authorised but unissued share capital of the Company to the extent not disapplied as described in paragraph 3.6.2 above.

4. Memorandum and Articles of Association

4.1 Memorandum of Association

The objects of the Company are set out in full in clause 4 of its Memorandum of Association and include the carrying on of business as a general commercial company.

4.2 Articles of Association

The Articles of Association of the Company (the "Articles") which were adopted pursuant to a resolution of the Company passed on 24 September 2004 contain provisions, *inter alia*, to the following effect:

4.2.1 Voting Rights

Subject to any rights or restrictions attached to the shares (including as a result of unpaid calls) and/or as mentioned below, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative and is entitled to have a vote shall have one vote on a poll of every member who is present in person or by proxy and entitled to vote shall have one vote for every share of which he is the holder. Where, in respect of any shares, any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under section 212 of the Act, then not earlier than 14 days after service of such notice the shares in question may be disenfranchised.

4.2.2 Variation of Rights

Subject to the Act and every other statute for the time being in force concerning companies and affecting the Company (the "Statutes"), if at any time the capital of the Company is divided into different classes of shares, all or any of the rights and privileges attached to any class of share

may be varied or abrogated either (i) in such a manner (if any) as may be provided by the rights attaching to such class or (ii) in the absence of any such provision, with the consent in writing of the holders of at least 75 per cent. of the nominal amount of the issued shares of the relevant class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of the relevant class. At any such separate meeting the holders present in person or by proxy of one third of the issued shares of the class in question shall be a quorum. Unless otherwise provided by the rights attaching to any shares, these rights shall be deemed to be varied by the creation or issue of further shares ranking in any respect in priority thereto.

4.2.3 Alteration of Capital

The Company may from time to time by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount, sub-divide all or any of its shares into shares of a smaller amount and cancel any shares not taken or agreed to be taken by any person.

The Company may subject to the Statutes, by special resolution reduce its share capital, any capital redemption reserve and any share premium account. Subject to and in accordance with the provisions of the Statutes, the Company may purchase its own shares (including redeemable shares).

4.2.4 Transfer of Shares

The Ordinary Shares are in registered form and may be in certificated or uncertificated form. Shares in uncertificated form may be transferred otherwise than by written instrument in accordance with the Statutes and relevant subordinate legislation. Transfers of shares in certificated form may be effected by instrument in writing in any usual or common form or in any other form acceptable to the Directors. Any instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the Register of Members.

The Directors may refuse to register the transfer of a share which is in respect of a share which is not fully paid, or which is in favour of more than four transferees or which is in respect of more than one class of shares or which has not been presented for registration duly stamped accompanied by the share certificates for the shares to which the transfer relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

Where in respect of any shares any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under section 212 of the Act, then the company may prohibit transfers of such shares otherwise than following a sale shown to the satisfaction of the Directors to be of the full legal and beneficial ownership of such shares at arm's length. The registration of transfers may be suspended by the Directors for any period not exceeding 30 days in a year.

4.2.5 Dividends and other distributions

Subject to the provisions of the Statutes, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but not exceeding the amount recommended by the Directors. The Directors may pay interim dividends if it appears to them that they are justified by the profits of the Company. Except as otherwise provided by the Articles or the rights attached to any shares issued by the Company, the holders of shares are entitled *pari passu* amongst themselves to share in the whole of the profits of the Company paid out as dividends and the whole of any surplus in the event of liquidation of the Company. A liquidator may, with the sanction of an extraordinary resolution, divide the assets among the members *in specie*. The Directors may, with the sanction of an ordinary resolution, offer the shareholders or any class of them (other than those not entitled to the relevant dividend or dividends) the right to elect to receive Ordinary Shares, credited as fully paid, instead of cash in respect of the whole or part of any dividend or dividends which are the subject of the ordinary resolution.

Where, in respect of any shares, any registered holder or any other person appearing to be interested in shares of the Company fails to comply with any notice given by the Company under section 212 of the Companies Act, then, provided that the shares concerned represent at least

0.25 per cent, in nominal amount of the issued shares of the relevant class, the Company may withhold dividends on such shares.

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. Any dividend which is unclaimed for a period of 12 years from the date on which the dividend became due for payment shall be forfeited and cease to remain owing by the Company.

4.2.6 Return of Capital

On a winding-up, subject to any special rights attaching to shares (of which there are none at present), the assets available for distribution shall be divided among the members in proportion to the amounts of capital paid up on the shares held by them respectively. If the Company is wound up (whether the liquidation is voluntary, under the supervision or by the court) the liquidator may, with the authority of an extraordinary resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the same authority, vest any part of the assets in trustees on trusts for the benefit of the members as he with same authority thinks fit, but no member shall be compelled to accept any shares or other securities on which there is a liability.

4.2.7 Allotment, Redemption and Pre-emption

Subject to the provisions of the Act the power of the Company to allot any new shares shall be exercised by the Board. The current unissued share capital of the Company may be issued in accordance with the provisions summarised at paragraph 3.6 of this Part VI.

The Company may by special resolution create and sanction the issue which are, or at the option of the Company or the holder are to be liable, to be redeemed, subject to and in accordance with the provisions of any relevant legislation. There are no pre-emption rights on transfer attaching to the shares in the capital of the Company

5. Directors Interests

- 5.1 The interests of the Directors (all of which are beneficial) in the issued share capital of the Company as at the date of this document and following the Placing (assuming full subscription thereunder) such interests being those which are required to be notified by each Director to the Company under the provisions of section 324 and 328 of the Act or which are required to be entered in the register of interests required to be maintained pursuant to section 325 of the Act or which are interests of persons connected with the Director within the meaning of section 346 of the Act, the existence of which is known or which could, with reasonable diligence, be ascertained by a Director, are as follows:

<i>Director</i>	<i>At the date of this document</i>		<i>Immediately following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Issued Ordinary Share Capital</i>	<i>Number of Ordinary Shares¹</i>	<i>Percentage of Issued Ordinary Share Capital</i>
Ric Traynor	3,250,040	65%	48,458,735	74.4
Andrew Dick	1,750,000	35%	40,708,645	62.5
Graham McInnes	Nil	—	37,550,299 ²	57.7
Philip Holden	Nil	—	62,500 ³	0.1

¹The above holdings include 38,869,701 Ordinary Shares held by CS Secretaries Limited of which Ric Traynor, Andrew Dick and Graham McInnes are beneficiaries and 129,999 Ordinary Shares held jointly by Andrew Dick and Ric Traynor.

²This includes 175,000 Ordinary Shares subscribed for by Graham McInnes as part of the Placing.

³This includes 62,500 Ordinary Shares subscribed for by Philip Holden as part of the Placing.

6 Substantial Shareholders

- 6.1 Save as disclosed in paragraph 5 above and in so far as the Company has the information, the Directors are not aware of any person or persons who either alone or, if connected jointly following the completion of the Placing is interested (within the meaning of the Act) directly or indirectly in 3 per cent. or more of the issued share capital of the Company.
- 6.2 Save as disclosed in paragraph 5 and in so far as the Company has the information, the Directors are not aware of any person or persons who following the completion of the Placing will jointly or severally, directly or indirectly exercise or could exercise control of the Company.

7 Additional Information on the Directors

- 7.1 Other than directorships of Group companies, the Directors have held the following directorships or been partners in the following partnerships within the five years prior to the date of this document:

<i>Director</i>	<i>Current</i>	<i>Past</i>
Andrew David Dick	A.D. Dick and A. J. Duckworth Racing Partnership Aurora Film Partnership Chiltern Property LLP Cornhill Property Management Limited Cornhill Property Partnership LLP Insolvency Advice Limited Invicta Film Partnership No. 17 Marplace (Number 621) Limited Winckley Court Management Limited W3 Debt Solutions LLP	Begbies Traynor (Yorkshire) Limited
Richard William Traynor	Chiltern Property Partnership LLP Cornhill Property Management Limited Cornhill Property Partnership LLP First Northern Film Partnership Insoivency Advice Limited Leeds Property Partnership Lexus Consulting Limited Marplace (Number 621) Limited Pressroad Limited W3 Debt Solutions LLP	Begbies Traynor (Yorkshire) Limited
Philip Holden	Axelford Limited Bestpark International Limited Bestpark Limited Bestpark Management Services Limited Claims Control Limited Cornhill Property Management Limited Cornhill Property Partnership LLP Drummond Parkland of England Limited Farway Limited LCL Acquisitions Limited LCL Collections Limited LCL Commercial Services Limited LCL Consulting Limited LCL Group Limited LCL Insurance Services Limited LCL Law Limited LCL Loss Adjusting Limited LCL Services Limited Litigation & Credit Control Limited Litigation Control Limited Marylebone Limited Metrowise Limited NSN Business Solutions Limited Oak Tree Developments Limited Richbridge Limited Specialist Risk Underwriters Limited	Amorphous Sugar Limited SHM Smith Hodgkinson (London) Limited

<i>Director</i>	<i>Current</i>	<i>Past</i>
Graham McInnes	Alan Dick Engineering Limited Delta Design & Engineering Limited Gravity Metals Research Limited Newton Technology Group Plc Newton Technical Services Limited S G Controls Limited TMG Technology	A.R.M. Cable Limited ARM Group Limited Birmingham Limited Careers Enterprise Limited Enterprises Limited Enterprise Managed Services Limited Enterprise Plc Enterprise Properties Limited Enterprise Public Services Limited Enterprise Utility Services (TBC) Limited Enterprise Ventures Limited First Claims Response Limited First Claims Response (Manchester)Limited Globe TMC Limited Hazels Development Company Limited Ice Developments (Berwick Hills) Limited Ice Developments Limited Ice Investments Limited Ice Property Investment Company Limited Lancashire Enterprises (Europe) Limited Newhall Refurbishments Limited Prism Research Limited Redcliffe Wharf Company Limited Rhoburt Street Lighting Limited Skemtech Limited The Equity Mortgage Company Limited TMG Central Services Limited TMG Corporate Finance TMG Human Resources 66/70 South Lambert Road Management Company Limited

7.2 Save as disclosed in this document, none of the Directors has:

7.2.1 any unspent convictions in relation to indictable offences;

7.2.2 had any bankruptcy order made against him or entered into any individual voluntary arrangements;

7.2.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors, voluntary liquidation, administration, company voluntary arrangements or been subject to any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company or within the 12 months after he had ceased to be a director of that company;

7.2.4 been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement, whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

7.2.5 the owner of any asset which has been placed in receivership or a partner in any partnership where any asset has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

7.2.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or

7.2.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

7.3 Save as disclosed in this document, no Director has or has had any interest in any transaction which is or was significant in relation to the business of the Group and which was effected during the current or

immediately preceding financial period or which was effected during an earlier financial period and remains outstanding or unperformed.

8 Directors' Service Contracts and Remuneration

- 8.1 On 28 September 2004, Ric Traynor entered into a letter of appointment with the Company in respect of the provision of his services as an executive director of the Company. The agreement may be terminated by 12 months' written notice by the Company or by Ric, or by the Company forthwith in certain circumstances or in a situation where Ric is not re-elected as a director at any general meeting. An annual fee of £15,000 is payable to Ric. No benefits are provided to Ric under the agreement. In addition, pursuant to an agreement entered into between Begbies Traynor (Central) LLP and Ric Traynor, Ric will receive a base profit share of £185,000 together with a profit share. The profit share will be a percentage (to be determined by the remuneration committee) of an amount which will be calculated on the basis of the Group's annual growth. The aggregate maximum amount payable to the Directors pursuant to such profit share arrangement is calculated as up to 75 per cent. of the aggregate fixed payments paid to the executive directors (presently amounting to £352,500). In addition, Ric is entitled to the benefit of two company cars, private health and medical insurance.
- 8.2 On 28 September 2004, Andrew Dick entered into a letter of appointment with the Company in respect of the provision of his services as an executive director of the Company. The agreement may be terminated by 12 months' written notice by the Company or by Andrew, or by the Company forthwith in certain circumstances or in a situation where Andrew is not re-elected as a director at any general meeting. An annual fee of £15,000 is payable to Andrew. No benefits are provided to Andrew under the agreement. In addition, pursuant to an agreement entered into between Begbies Traynor (North) LLP and Andrew Dick, Andrew will receive a base profit share of £135,000 together with a profit share. The profit share will be a percentage (to be determined by the remuneration committee) of an amount which will be calculated on the basis of the Group's annual growth. The aggregate maximum amount payable to the Directors pursuant to such profit share arrangement is calculated as up to 75 per cent. of the aggregate fixed payments paid to the executive directors (presently amounting to £352,500). In addition, Andrew is entitled to the benefit of two company cars, private health and medical insurance.
- 8.3 On 28 September 2004, Graham McInnes entered into a letter of appointment with the Company in respect of the provision of his services as an executive director of the Company. The agreement may be terminated by 12 months' written notice by the Company or by Graham, or by the Company forthwith in certain circumstances or in a situation where Graham is not re-elected as a director at any general meeting. An annual fee of £15,000 is payable to Graham. No benefits are provided to Graham under the agreement. In addition, pursuant to a consultancy agreement entered into between the Company and Graham McInnes, Graham will receive a consultancy fee of £105,000. In addition, Graham will be paid an additional consultancy fee based on a percentage (to be determined by the remuneration committee) of an amount calculated on the basis of the Group's annual growth. The aggregate maximum amount payable to the Directors pursuant to such profit share arrangement is calculated as up to 75 per cent. of the aggregate fixed payments paid to the executive directors (presently amounting to £352,500).
- 8.4 On 28 September 2004, Philip Holden entered into a letter of appointment with the Company. This letter of appointment may be terminated by 12 months' written notice by Philip or the Company. The basic fee payable to Philip is £25,000.
- 8.5 Save as disclosed in this paragraph 8 there are no existing or proposed service or consultancy agreements between any Director and the Group.
- 8.6 In the 12 month period ended 30 April 2004 the total aggregate remuneration paid and benefits-in-kind granted to the Directors was £2,607,000 (of which £1,993,000 represents monies paid to Ric Traynor and Andrew Dick by way of profit distribution). The amounts payable to the Directors by the Group under the arrangements in force at the date of this document in respect of the year ending 30 April 2005 are estimated to be £550,000 (excluding any discretionary payments which may be made under these arrangements).
- 8.7 There is no arrangement under which any Director has waived or agreed to waive future emoluments.

9 Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group within the two years immediately preceding the date of this document and are, or may be, material:

- 9.1 the Placing Agreement (see paragraph 14 of this Part VI);
- 9.2 the Share Exchange Agreement (see paragraph 3.5 of this part VI);
- 9.3 pursuant to the Central Acquisition Agreement BTL acquired all of the interests held by Ric Traynor and Andrew Dick, which they held on behalf of the National Partnership, in Begbies Traynor (Central) and Begbies Traynor (North) LLP. The consideration for the acquisition was £4,000,000 was satisfied by the creation of loans between BTL and each of Andrew Dick and Ric Traynor in the amounts of £1,400,000 and £2,600,000 respectively, of which £700,000 and £1,300,000 respectively is repayable on demand, with the balance, in each case, being repayable on 3 months' notice save that such loans will not be repaid within the first 12 months of Admission;
- 9.4 pursuant to the National Partnership Acquisition Agreement Begbies acquired all of the interests held by Ric Traynor and Andrew Dick (whether held by themselves or on trust for the National Partnership) in each of Begbies Traynor (South West) Partnership, Begbies Traynor (Scotland) LLP, Red Flag Alert LLP. The consideration for the acquisition was £1,500,000 and was satisfied by the issue of 5,000,000 fully paid Ordinary Shares, at 30 pence per share, being a premium of 25 pence per share, as to 1,750,000 to Andrew Dick and 3,250,000 to Ric Traynor;
- 9.5 a facilities agreement entered into between BTL and Barclays Bank plc (the "Bank") pursuant to which the Bank will make available to BTL a maximum principal sum of £10,000,000, by way of:
 - (a) a committed money market facility of up to £10,000,000 (the "CMM Facility"); or
 - (b) an overdraft facility of up to £5,000,000 (the "Overdraft Facility") with the remainder under the CMM Facility.

Interest on the Overdraft Facility is payable at the rate of 1 per cent. over the bank's base rate as this may vary from time to time. Interest upon any advance drawn under the CMM Facility is payable at the rate of LIBOR plus a margin of 1.75 per cent. (plus the associated costs rate of the Bank), however following a flotation on AIM which raises proceeds equal to or in excess of £5,000,000 (the "Funding Event") the margin falls from 1.75 per cent. to 1.25 per cent. The period for which LIBOR is linked is 1, 2 or 3 months (each an "Interest Period") and is, unless repaid, rolled over at the end of a given Interest Period. Upon the occurrence of the Funding Event all advances outstanding under the CMM Facility fall due for immediate repayment but are then capable of immediate re-drawing. As interest payable on each advance under the CMM Facility is linked to LIBOR and is therefore linked to a given Interest Period, upon the Funding Event BTL will be liable to any break costs associated with repaying the outstanding advances early on the Funding Event and thus breaking the Interest Period.

- 9.6 a put option agreement dated 28 September 2004 between (1) Graham McInnes and (2) the Company pursuant to which the Company is required to purchase, at the request of Graham McInnes at any time following Admission, up to 16 ordinary shares of £1 each in the capital of BTL in consideration of the issue of 41,667 Ordinary Shares in respect of each such share in BTL. If this option is exercised in full, Graham McInnes will be issued 666,672 Ordinary Shares.

10 Summary of Principal Features of the Company's Share Option Scheme

At a board meeting held on 27 September 2004, the shareholders of the Company resolved to adopt the Begbies Traynor Group plc Share Option Scheme (the "Scheme").

A summary of the rules of the Scheme is as follows:

- (i) Grant of Options

Options can be granted at the discretion of the directors to employees and members of any of the partnerships of which the Company is a member (a "Relevant Partnership"). No options can be granted after the tenth anniversary of the date of adoption of the Scheme.

(ii) Performance Conditions

It is intended for the exercise of options to be subject to the achievement of certain performance conditions. These performance conditions may be changed by the directors for options to be granted in the future to another objective criterion.

(iii) Subscription Price

The subscription price payable on the exercise of options shall be determined by the board of directors of the Company or its remuneration committee but it is not intended that it should be less than the greater of market value of the ordinary shares on the date of grant or the nominal value of the share. The market value is the price shown in the *Financial Times* on the date of grant or such other value as may be agreed with the Inland Revenue Shares Valuation Division.

(iv) Exercise of Options

Upon the grant of options, a date or dates will be specified, before which options cannot normally be exercised. Options may, however, be exercised earlier, subject to any performance conditions having been satisfied, if the option holder ceases to be an employee or member of a Relevant Partnership by reasons of injury, ill-health, disability, retirement on or after the expected retirement date, or death, whereupon the option holder or his personal representatives generally have a period of not more than 12 months in the case of death and two months in other cases following such event to exercise the option. If it is not so exercised, the option will lapse. If the option holder ceases to be an employee or a member of a Relevant Partnership for any other reason, then the option shall lapse, at the discretion of the directors. In any event, all options shall lapse on the tenth anniversary of the date of grant.

The rules also provide for the early exercise of options, again provided that any performance conditions have been satisfied, in the event of a change of control of the Company or where a resolution for the voluntary winding up of the Company is passed. The rules also contain provision for the roll over of options in the event of a change of control with the agreement of the acquiring company.

(v) Adjustment of Options

In the event of any variation in the share capital of the Company by way of capitalisation, rights issue, consolidation, sub-division, reduction or otherwise, the Company can adjust the number of ordinary shares which are subject to options, and the subscription price for such options.

(vi) Scheme Amendment

The Scheme will be administered by the board of directors of the Company, who have the power to alter its rules.

11 Working Capital

The Directors are of the opinion having made due and careful enquiry that, taking into account the net proceeds of the Placing and the existing facilities available to the Group, the Group has sufficient working capital for its present requirements, that is at least 12 months from the date of Admission.

12 Taxation

12.1 Introduction

The information in this section is based on the Directors' understanding of current tax law and Inland Revenue practice. The following should be regarded as a summary and should not be construed as constituting advice. Prospective shareholders are strongly advised to take their own independent tax advice but certain potential tax benefits are summarised below in respect of an individual resident in the UK for tax purposes.

On issue, the Ordinary Shares will not be treated as either "listed" or "quoted" securities for tax purposes. Provided that the Company remains one which does not have any of its shares quoted on a recognised stock exchange (which for these purposes does not include AIM) and assuming that the Company remains a trading company or the holding company of a trading group for UK tax purposes, the Ordinary Shares should continue to be treated as unquoted securities qualifying for certain reliefs from UK taxation.

The following information is based upon the laws and practice currently in force in the UK and may not apply to persons who do not hold their Ordinary Shares as investments.

12.2 Capital Gains Tax ("CGT")

12.2.1 Disposals

Changes were made to the rules relating to the holdings of shares from 6 April 1998 so that the "pooling" of shares (i.e. treating them as one asset) no longer applies. Therefore, any disposal of shares is treated on a last in, first out basis for the purposes of calculating gains which are chargeable to tax.

12.2.2 Taper Relief

On 5 April 1998, "taper relief" was introduced which applies to individual investors and trustees (but not to corporate investors). Taper relief reduces the chargeable gain assessable to CGT in relation to the period the investment is held and the scales of relief depend upon whether the investment is a "business" or "non-business" asset. The scale of relief is enhanced for those assets which qualify as "business" assets. Business assets include shares in qualifying unquoted trading companies. For these purposes, companies admitted to trading on AIM are regarded as unquoted.

The Company is a holding company of a trading group and may satisfy the relevant criteria to qualify as a business asset, so that shares in the Company will be deemed to be business assets with the associated accelerated scales of taper relief applicable. It will be necessary to ensure that the qualifying criteria for both the Company and the investor are met to obtain business asset taper relief for the whole period of an investor's or trustee's ownership. If this is not the case, the taper relief would be calculated by apportioning any gain assessed on shares in the Company between the non-business and business periods with each part of the gain then attracting taper relief at the appropriate rate, for the whole of the qualifying holding period.

12.2.3 CGT Gift Relief

If shares in an AIM company which is a trading company or the holding company of a trading group, are transferred by an individual or the trustees of a settlement, other than at arm's length, the deemed capital gain can be "held over", i.e. the CGT liability is postponed until a subsequent arm's length disposal by the transferee, who effectively inherits the transferor's base cost. The relief must be claimed jointly by both the transferor and the transferee within five years and ten months of the end of the relevant tax year in which the gift was made and the transferee must be resident or ordinarily resident in the UK and remain so for six years. If CGT gift relief is claimed, the effect of the gift is that the ownership for taper relief purposes starts again, with no taper relief in respect of the previous period of ownership being applicable. Where the shares have not qualified throughout the period of ownership as business assets, then the amount of the gain that can be held over will be restricted. In addition, Clause 111 of the 2004 Finance Bill, currently before Parliament, provides for the restriction of relief for gifts to settlor interested trusts.

12.3 Inheritance Tax ("IHT")

Shares in qualifying trading companies or holding companies of a trading group can attract 100 per cent. business property relief from IHT provided that the shares are held for at least two years before a chargeable transfer for IHT purposes. To the extent that the value of a shareholding is attributable to assets owned by the company, but not used for the purpose of the company's trade, the value qualifying for Business Property Relief will be restricted.

12.4 Income Tax

12.4.1 Taxation of Dividends

The statements that follow assume that no dividends paid by the Company will be treated as foreign income dividends pursuant to the provisions of the Finance Act 1997 and that the Company will not elect to pay any foreign income dividends under the provisions contained in the Finance Act 1994. The Directors have no present intention of paying any dividends which are, or may be treated as, foreign income dividends.

12.4.1.1 Under current UK tax legislation, no tax is now withheld from dividends paid by the Company. Advance Corporation Tax ("ACT") has been abolished since 6 April 1999.

- 12.4.1.2 UK resident individual shareholders are treated as having received income of an amount equal to the sum of the dividend and its associated tax credit, the tax credit for dividends paid from 6 April 1999 being 10 per cent. of the combined amount of the dividend and the tax credit (i.e. the tax credit will be one ninth of the dividend). The tax credit will effectively satisfy a UK resident individual shareholder's lower and basic rate (but not higher rate) income tax liability in respect of the dividend. UK resident individual shareholders subject to tax at the higher rate (currently 40 per cent.) will have to account for additional tax. The special rate of tax set for higher rate taxpayers who receive dividends is 32.5 per cent. After taking account of the 10 per cent. tax credit, such a taxpayer would have to account for additional tax of 22.5 per cent. In determining what tax rates apply to a UK resident individual shareholder, dividend income is treated as his top slice of income.
- 12.4.1.3 Prior to 6 April 1999, in appropriate cases, individuals and charities were able to reclaim all or part of the tax credit attaching to a dividend in cash from the Inland Revenue. From 6 April 1999 they are no longer able to do so although over a transitional period to 2003/04, charities (but not individuals) were able to claim a compensatory payment calculated as a percentage payment of their dividend income.
- 12.4.1.4 A UK resident (for tax purposes) corporate shareholder will generally not be liable to UK corporation tax on any dividend received and will be entitled for tax purposes to treat any such dividend and the related tax credit as franked investment income.
- 12.4.1.5 A UK pension fund, as defined in section 231A Income and Corporation Taxes 1988, is restricted from claiming a repayment of the tax credit.
- 12.4.1.6 Shareholders not resident in the UK, are generally not taxed in the UK on dividends received by them (unless, exceptionally, the investment is managed by a UK investment manager acting, broadly, on arm's length terms). By virtue of double taxation agreements between the UK and other countries, some overseas shareholders are able to claim payment of all or part of the tax credits carried by the dividends they receive from UK companies. Persons who are not resident in the UK should consult their own tax advisers on the possible applicability of such provisions, the procedure for claiming repayment and what relief or credit may be claimed in respect of such tax credit in the jurisdiction in which they are resident.

12.4.2 Loss Relief

If a loss arises on the disposal of shares in a trading company, such shares being originally acquired on a subscription for new shares, the loss may be relieved against income of that year or the previous year (with priority for relief in the current year where income of both years is utilised). Any loss remaining after claiming relief against income may be available for relief against capital gains in either the current or subsequent years.

12.4.3 Qualifying Investment Relief

A gift to a charity of a "qualifying investment" will qualify for income tax relief under section 587B of the Income and Corporation Taxes Act 1988 ("ICTA"). Shares in an AIM company are currently treated as "qualifying investments". Therefore, if an individual disposes of shares in a company on AIM to a charity (of which an individual may be the settlor or a trustee), the gift qualifies for income tax relief. The amount of relief is calculated based on the market value of the "qualifying investment" at the date of the gift and the incidental costs of making the disposal. The gift will also be exempt from capital gains tax.

12.5 Stamp duty and stamp duty reserve tax

Transfers or sales of Ordinary Shares will be subject to *ad valorem* stamp duty (payable by the purchaser and generally at the rate of 0.5 per cent. of the value or amount of the consideration paid, rounded up to the next multiple of £5) and an unconditional agreement to transfer such shares, if not completed by a duly stamped stock transfer form within two months of the day on which such agreement is made or becomes unconditional, will be subject to SDRT (payable by the purchaser at a rate of 0.5 per cent. of the consideration paid rather than stamp duty). However, if within 6 years of the date of the agreement an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to SDRT will be cancelled or repaid.

12.6 *Enterprise Investment Scheme, Venture Capital Trusts*

12.6.1 Enterprise Investment Scheme

This scheme applies to individual investors (not companies). Where an investment is made by a qualifying individual in eligible shares of a qualifying company then the following three forms of relief are available:

12.6.1.1 Income Tax relief

Relief from income tax at the rate of 20 per cent. of the investment, limited to income tax due for the year. Maximum investment £200,000 from 6 April 2004.

12.6.1.2 CGT disposal relief

No CGT is chargeable on a disposal of shares which qualified for income tax relief, provided that they are held for a period of three years.

12.6.1.3 CGT deferral relief

A charge to capital gains tax on another disposal can be deferred by reinvesting the proceeds in shares of an EIS company within 12 months previous to and three years following that disposal. The gain becomes chargeable when the EIS shares are disposed of.

The Inland Revenue have confirmed that shares in the company should qualify for EIS reliefs.

12.6.2 Venture Capital Trusts

This scheme also applies to individual investors (not companies). Investment is made in a VCT company (a quoted company approved as a VCT by the Inland Revenue) which then invests into other qualifying companies. With effect from 6 April 2004 there are three forms of relief applying to investment in a VCT.

12.6.2.1 Income Tax relief

Relief from income tax at the rate of 40 per cent. of the investment for shares issued in 2004/05 and 2005/06, limited to income tax due for the year. Maximum investment £200,000 from 6 April 2004.

12.6.2.2 CGT disposal relief

No CGT is chargeable on a disposal of shares which qualified for income tax relief, provided that they remain in a VCT at the time of disposal.

12.6.2.3 Distribution relief

Exemption from income tax on dividends in respect of ordinary shares in a VCT to the extent that the shares acquired each year do not exceed the income tax relief limits.

The Inland Revenue have confirmed that shares in the company should qualify as VCT investments.

Each of these schemes has very detailed qualification requirements which must be satisfied over an extended period of time. Potential investors are advised to seek advice from their own tax advisors as to whether such reliefs are available to them and as to the conditions to be satisfied.

13 **Litigation**

There are no and have been no legal or arbitration proceedings in which any Group company is involved which may have or have had in the twelve months preceding the date of this document a significant effect on the Group's financial position, nor are any such proceedings pending or threatened.

14 **Arrangements relating to the Placing**

14.1 Pursuant to the Placing Agreement, Teather & Greenwood Limited has agreed, as agent for the Company, to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. Under the Placing Agreement:

- 14.1.1 the Company has agreed to pay Teather & Greenwood Limited a corporate advisory fee of £80,000 plus £100,000 commission;
- 14.1.2 the Company has agreed to pay all other costs and expenses of the Placing and related arrangements together with Value Added Tax on all such costs and expenses;
- 14.1.3 the Company and the Directors have given certain warranties and the Company has given an indemnity to Teather & Greenwood Limited as to the accuracy of information in this document and as to other matters in relation to the Company and its business.
- 14.2 It is expected that an initial placing to VCT/EIS investors will become effective on the day before Admission and the balance of the Placing will become effective on Admission.
- 14.3 The Placing is not underwritten.
- 14.4 The Placing Agreement may be terminated by Teather & Greenwood Limited before completion of the Placing in certain circumstances, including for material breach of the warranties referred to above.

15 General

- 15.1 The total proceeds of the Placing are expected to be £5.38 million. The estimated amount of the expenses of the Placing which are all payable by the Company, is approximately £500,000 (excluding VAT). The net proceeds of the Placing will be approximately £4.88 million.
- 15.2 Horwath Clark Whitehill LLP of Arkwright House, Parsonage Gardens, Manchester M3 2HP, have given and have not withdrawn their written consent to the inclusion in this document of references to their name in the form and context in which it appears and their reports in Part III and Part IV of this document and accept responsibility for these reports for the purposes of paragraphs 10(2) and 45(8)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.
- 15.3 Teather & Greenwood Limited, whose registered office is at 16 Old Bailey, London EC4M 7EG, has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.
- 15.4 The financial information contained in this document does not constitute full statutory accounts as referred to in section 240 of the Act.
- 15.5 Save as disclosed in this document there has been no significant change in the financial or trading position of the Group since 30 April 2004.
- 15.6 The minimum amount which, in the opinion of the Directors, must be raised is approximately £500,000 which will be applied towards the expenses of Admission and the Placing.
- 15.7 The accounting reference date of the Company is 30 April.
- 15.8 The Ordinary Shares are in registered form. No temporary documents of title will be issued.
- 15.9 Save as disclosed in this document, no person (other than a professional adviser referred to in this document or trade suppliers dealing with members of the Group) has:
- 15.9.1 received, directly or indirectly, from any member of the Group, within the twelve months preceding the Company's application for Admission; or
- 15.9.2 entered into any contractual arrangement (not otherwise disclosed in this document) to receive, directly or indirectly, from any member of the Group on or after Admission, any of the following:
- (a) fees totalling £10,000 or more;
- (b) securities in the Company with a value of £10,000 or more at the date of Admission; or
- (c) any other benefits with a value of £10,000 or more at the date of Admission.
- 15.10 Save as set out in this document, there are no patents or intellectual property rights, licences or particular contracts which are of fundamental importance to the Group's business.
- 15.11 The Placing Price represents a premium of 35p over the nominal value of 5p per Ordinary Share. The premium arising on the Placing amounts to £4,710,125 in aggregate before expenses, or approximately £4.2 million after expenses.

16 Publication of this document

Copies of this document will be available free of charge to the public at the offices of Teather & Greenwood Limited at 8th Floor, India Buildings, Water Street, Liverpool L2 0XR from the date of this document until one month from admission to trading on AIM and at the Company's registered office Brook House, 77 Fountain Street, Manchester M2 2EE.

Dated 28 September 2004