

**We'd like to
say something
positive.**



Our business

Tenon has always looked at things differently. It's been one of the decisive factors in our success.

In simple terms, we provide a broad range of strongly branded business advice to entrepreneurs throughout the UK. We are one of only a handful of accountants and business advisers who are AIM listed. Tenon now has over 40 offices and 1800 staff with 177 directors.

As 'advisers to entrepreneurs', Tenon understands that wealth creation and preservation is at the heart of our clients' objectives. That's why we have such a strong offering, bringing together expertise from across our business services. No other firm treats wealth as a unified business objective.

This strategic imperative has never been more valuable than during the financial turmoil of the last 12 months. In these tough times, our clients have an ever-greater need for strong advice. They need to know how to protect their wealth and grasp the opportunities for growth that remain. We have been able to provide them with this and much more.

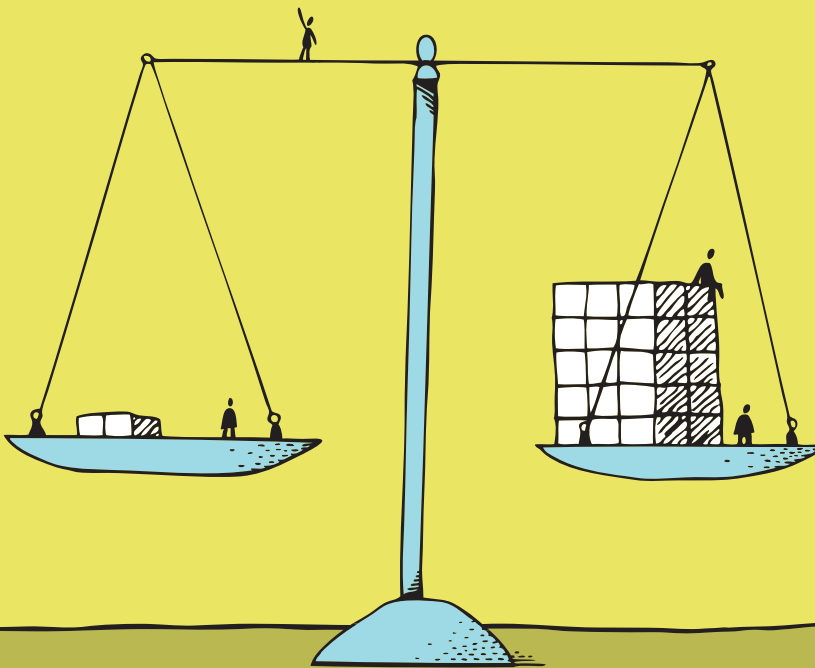
Every one of Tenon's directors knows what it takes to make a successful business – in the bad times as well as the good. They know what advice and what services are needed. They know how to make wealth and preserve it. Taking that inherent knowledge, packaging it and selling it to clients has been the catalyst for the firm's continued growth in 2009.

This narrative is persuasive. Yet, the only story that truly matters is the year-end figures. You'll find those even more compelling.

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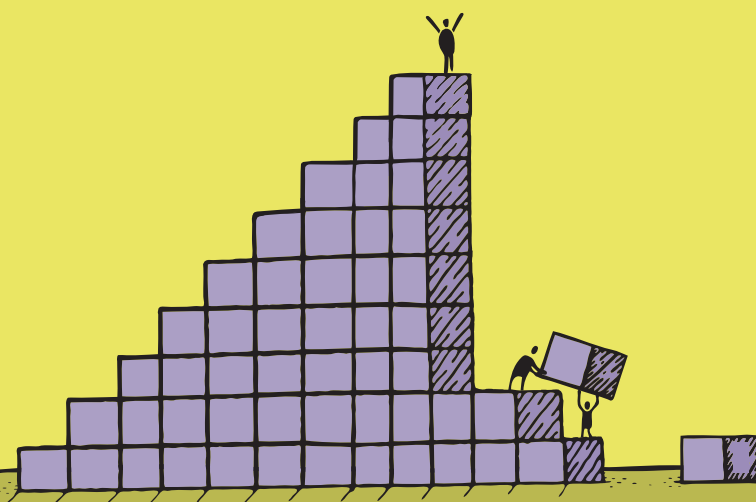
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By creating the
right balance
in our business,
**we're continuing
to thrive.**



“To deliver increased profits for the 9th consecutive year is an achievement. To have done so in 2008/09 demonstrates our business ambition and agility.”

Andy Raynor
Chief Executive



Tenon has enjoyed another 12 months of growth. With the right people, the right business model and our undoubted financial strength, we have created real success in a year when many have struggled. Tenon has grown both organically and through acquisition. Here are the highlights:

- > Underlying profits* increased for the 9th consecutive year
- > Recovery turnover up 41%
- > Underlying operating margin* increased to 12.6% from 11%
- > Underlying operating profit* – up by 8% to £19.0m
- > Over £20m of facilities headroom
- > Adjusted earnings per share* – up by 6% to 6.59p
- > Dividend per share up 7%

We will continue to focus on careful working capital management and financial benchmarking. This focus should enable us to further increase operating margins and drive growth in the years ahead, for the benefit of all our shareholders.

	2004 Unaudited (Restated) £m	2005 Unaudited (Restated) £m	2006 Unaudited (Restated) £m	2007 Audited (Restated) £m	2008 Audited (Restated) £m	2009 Audited £m
Turnover – continuing operations	80.5	100.5	122.9	136.7	160.3	150.8
Operating profit*	8.8	10.1	12.3	13.2	17.6	19.0
Operating profit	4.3	4.9	5.9	13.3	13.9	14.6
Profit before tax*	6.4	7.9	10.3	12.2	16.5	17.6
Profit before tax	2.8	2.9	4.0	12.3	12.4	12.0
Basic earnings per share*	2.92	4.03	4.31	5.14	6.23	6.59
Basic earnings per share	1.64	0.94	0.71	5.16	4.69	4.32
Net debt	(28.9)	(27.3)	(11.8)	(10.0)	(9.1)	(21.1)

* before amortisation of acquired intangibles, deferred consideration interest and exceptional items

By preparing our business in advance of recent economic changes, **we have again delivered strong growth in profits and margins.**

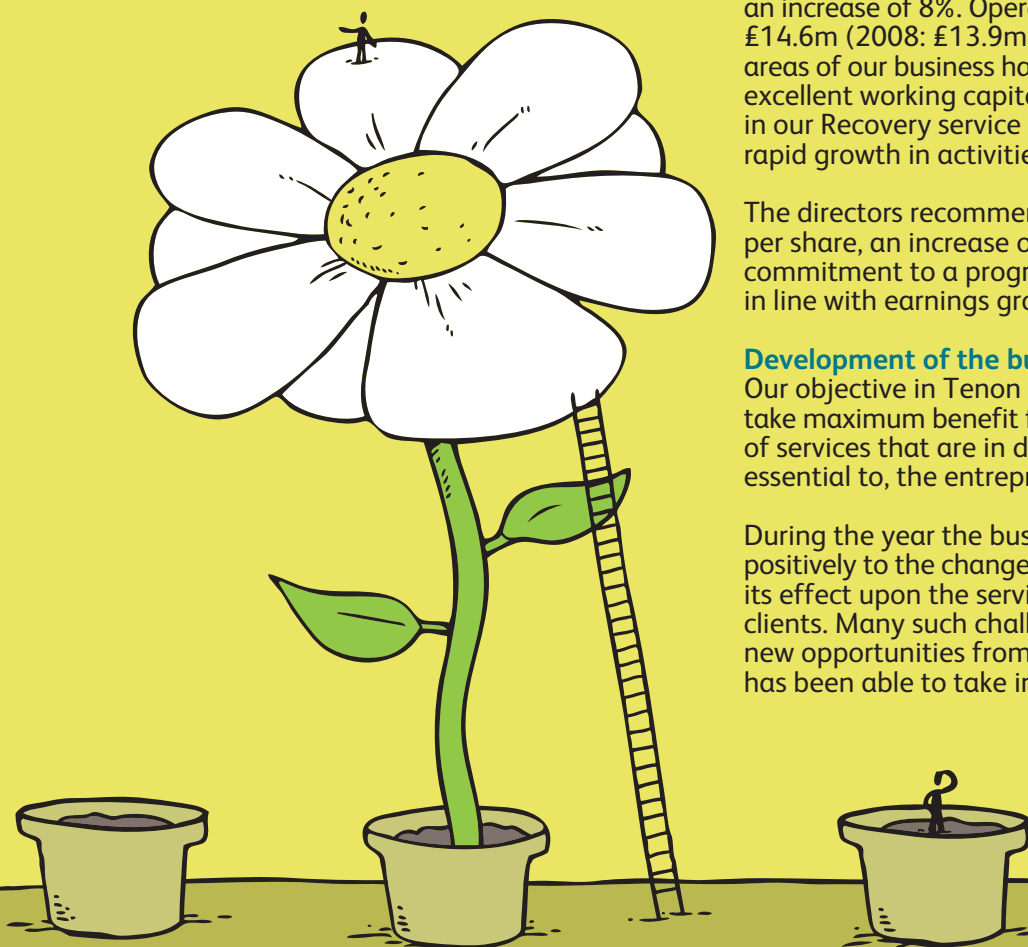
Our continuing operations delivered an underlying operating profit (before amortisation of acquired intangibles, deferred consideration interest and exceptional items) of £19.0m (2008: £17.6m), an increase of 8%. Operating profit for the year is £14.6m (2008: £13.9m), an increase of 5%. Most areas of our business have improved their already excellent working capital record, with investment in our Recovery service line rising in line with its rapid growth in activities.

The directors recommend the payment of 1.5p per share, an increase of 7%, representing our commitment to a progressive dividend policy in line with earnings growth.

Development of the business

Our objective in Tenon has always been to take maximum benefit from a balanced suite of services that are in demand from, and essential to, the entrepreneurial marketplace.

During the year the business has reacted positively to the changes in the economy and its effect upon the services required by our clients. Many such challenges have brought new opportunities from which the business has been able to take immediate benefit.



Our profit management has been an essential strength as markets change. By moving teams to such services as Recovery, which grew by 41% in the period, we have more efficiently managed our cost base.

In the second half of the year we commenced a full review of cost structures within the business, which has already resulted in overall reductions and lower fixed costs in divisions where income may be more variable.

As the result of these measures and our continuing objective to emphasise higher margin activities, the underlying operating return of the business has increased to 12.6% (2008: 11%).

Acquisitions have not been a material feature of our business during the year, as we have been careful to assess the impact of the economy on chosen targets. We now believe that the market is settling and that good businesses will seek to accelerate their growth by further consolidating within the advisory sector. We are active in seeking out such opportunities.

Organic growth, through new clients and by increasing the number of services our existing clients want to buy from us, will remain our central theme for business expansion. The importance of revenue growth has been re-emphasised both as a cultural element within the business and within the incentive structures for all our teams.

In all development activities, we constantly consider the future outlook and identify the most important issues for the entrepreneurial sector, at both local and macro levels. The effect of taxation rises in the 2009 budget therefore represents a fundamental planning opportunity for existing clients and potential clients. Tenon's range of services are positioned to give the best opportunity to continue our growth in profits.

Funding

Bank facilities at the end of the year of £44m compare with net debt of £21.1m and therefore provide significant headroom. Principal elements of the facility agreement extend to November 2012 at a current margin of 1% over LIBOR. We are therefore well able to fund further investment in our services, and in businesses with the potential to add further value to our group.

The future

During the unprecedented economic events of the year, we have consistently demonstrated the strength of our portfolio of services and the stability of our client base.

Our largely recurring client base and relationships with work providers have continued to provide a stable base from which to grow organically. Fiscal changes have created increasing demand for tax and financial management services for the coming year, and we are well prepared to take advantage of any positive signs within the economy. However, the growth in number of corporate insolvencies is forecast to continue and our market-leading Recovery services are expected to expand accordingly.

With a reduced cost base, strong recurring revenue streams, countercyclical balance and opportunities for organic and acquisitive growth, Tenon is extremely well placed and we are very ambitious for the future.



Bob Morton

3 November 2009

To deliver increased profits for the 9th consecutive year is an achievement. To have done so in 2008/09 demonstrates our business ambition and agility.

Market and economy

The end of 2008 saw changes in national and world economies that were without precedent in scale and impact. Resulting government actions, particularly in the banking and finance sector, will have long-lasting effects upon the business environment through the availability of funding, fiscal policy and levels of demand.

As we have reported over many years, our choice of the entrepreneurial client as a primary target of Tenon Group is a reflection of the robustness of this business segment, their need for recurring advisory relationships over a broad financial range of services, and the opportunity for growth in all economic climates.

We have thus created a business model within Tenon that can absorb and take opportunity from such economic changes. Our teams have been educated in the new aspects of advice that are vital in challenging circumstances, and the particular attributes within our own business that redouble in importance in such times. These include profit margin improvement and working capital management, where excellent levels of achievement have been maintained.

Our advice to clients is of enhanced value in these new circumstances, where breadth of experience is a crucial factor in identifying the rapid action necessary to protect their wealth. The recurring demand for services from our clients, coupled with the shift in their requirements within a changed world, have underpinned our profit growth in the year.

Service trends and growth

Most evident to date amongst these changes has been the growth in our Recovery services, long-planned to counterweight the possible impact of a downturn on other areas of our business. This effect has been achieved and growth in Recovery is expected to continue, supported by the substantial resources that can be transferred from the rest of the group, nationally.

Our Recovery services are not, however, dependent upon extreme movements in the economy, and have played a substantial role in the Tenon business even in periods when insolvencies were rare.

This key attribute derives from the broadest range of work providers, no single one of which

is responsible for a material proportion of Recovery turnover. This also allows our teams to be selective in the appointments they pursue, helping to protect profit margins and to manage working capital investment.

Other services have developed successfully in the period and new opportunities can be seen in all areas from the events and efforts of the year.

Our Business advisory and taxation services have shown the value of our recurring client appointments and have been little affected by economic pressure, offering essential support to entrepreneurs in changing times.

In our Financial services division, clients will require assistance to manage investment risk whilst seeking out higher levels of returns, as deposit and investment income has been decimated. Specialist and general taxation services, wherever appropriate concentrating upon higher value cases, are expected to experience increased demand as the tax burden of entrepreneurs reaches levels not seen for over 30 years. This will be a marketing and business development focus of all our businesses in the forthcoming year.

Our Outsourcing skills bring improved financial reporting to client businesses to help in the management of their profits and in their relationships with funders. Corporate finance, with reduced fixed costs and an increasing volume of demand for transactions as funding returns, will take advantage from close relationships with many of our recurring clients.

The ability to maintain a dynamic balance between these complimentary services is a key strength of the Tenon business, and the ability to provide clients a range of services improves the stability and extends the loyalty of relationships.

Financial performance and incentives

Profit management has been a core objective over the last 2 years, during which underlying operating margins have risen by 3% to 12.6%. Increasing profitability through careful selection of assignments and pricing initiatives have supported recurring cost reviews. Headcount reductions during the year have been achieved whilst maintaining capacity and motivation of our people. The improvement in margins is the tangible confirmation that these initiatives bring early and lasting benefit.

Incentive rewards are directly variable and have closely reflected trends of performance in the year – also resulting in reduced costs. To promote a further movement towards variable costs and in tune with our entrepreneurial sales culture, reward structures for client-facing directors will in future more greatly emphasise their individual and team contributions to our profitability.

People

Our top client managers are therefore amongst the most transparently rewarded teams in our industry. They know, clearly, how they are to share in exceptional performance. To help them to achieve personal career goals and to improve our overall profitability and growth, we are wholly committed to programs including the Tenon Academy, which provide a unique basis for the development of skillsets relevant to our client base.

Excellent new team members have been recruited during the year from a wide range of our competitors. Tenon is attractive to the best people as the result of our investment in their future and the clarity of their prospects in an open and autonomous management structure. The Tenon environment promotes and applauds success.

The Leaders' Group – our operating board – has been enhanced this year and its responsibilities further refined, with members taking increasing group-wide roles. At PLC board level, we are delighted to welcome Adrian Martin as our latest non-executive appointment. Adrian's professional services experience and track record will help to make a significant contribution to our further development.

I would also like to pay a special tribute to Alan McFetrich, a longstanding non-executive member of our board, who died very recently. Alan was an unfailingly helpful, special friend to all at Tenon and we are proud that he was part of our lives.

It has, without doubt, been a year in which the resilience, skill and loyalty of all those within our industry have been tested thoroughly, and our people have shown, again and again, that they are amongst the very best.

Acquisitions

The enhancement of our growth by mergers and acquisitions with like-minded, progressive advisory businesses remains an important part of our future.

During the year, an aggressive acquisition policy would have been inappropriate as the underlying profitability of target businesses was tested by the economy. Our only purchase in the year has therefore been in a specialist practice dealing with the medical profession, where we have a significant market position in an area sheltered from the current economic environment.

Larger businesses within our sector now have renewed objectives for the future. Often including the pursuit of their business goals with a broader business platform. Our financial strength, open culture, clear market strategy and celebration of achievement can be an attractive new home for these excellent teams.

Outlook

Increasingly the world considers a period returning to growth. Our work at Tenon is to ensure that, whenever that comes, we can continue our trend of expansion and progress. We believe that the crossover years – when levels of Recovery activity remain high even as the economy returns to increasing demand – can be particularly fruitful for clear-of-purpose business such as ours.

By leading the market in helping clients to manage increasing personal (and hence entrepreneurial) taxation burdens, we have immediate prospects for maintained growth across many of our services.

The future

We have the clients, services, funding, management capacity and track record to create growth and drive progress.

To do so we remain ambitious, cost-aware, and quick to take opportunities within our chosen market. We are looking forward with confidence.

Andy Raynor

3 November 2009

Top quality financial, taxation and business advice to help create, protect and enhance our clients' wealth.

The following table sets out the turnover and percentage of total turnover generated by each service line. Excluding planned reductions in aspects of our specialist taxation services to focus the service line on profitability rather than turnover, net turnover increased by 5% year on year:

	Year to 30 June 2009		Year to 30 June 2008	
	£m	%	£m	%
Corporate and recovery services:				
Turnaround and corporate recovery	43.7	29	30.9	19
Business taxation and advisory	34.7	23	37.4	23
Accounts and audit	18.1	12	18.4	11
Outsourcing	9.6	7	9.0	6
Corporate finance and related advice	6.1	4	11.2	7
	112.2	75	106.9	66
Financial services including personal taxation	17.1	11	16.8	11
Specialist taxation	21.5	14	36.6	23
	150.8	100	160.3	100

Turnaround and corporate recovery

- > Strategy set 3 years ago delivered 41% growth in turnover year on year
- > Organic growth accounts for 29%
- > National coverage across England and Scotland
- > Excellent reciprocal relationships with a wide range of lenders
- > Significant organic growth prospects in current economy

Tenon Recovery advises companies, lenders and individuals on the best methods of recovering distressed debt situations.

Our team, through planned and strategic acquisition and organic development, has become a rapidly growing service in the UK.

Led centrally and working as a co-ordinated team, Tenon Recovery is consolidating the advantage of its positioning within a broadly based advisory group. This provides the ability to offer comprehensive advice and reciprocal introductions, encouraging further growth from regular work sources.

Whilst predominantly dealing with corporate situations, Tenon Recovery has a profitable presence in the personal debt arena, dealing with higher value individual insolvencies.

Business taxation and advisory

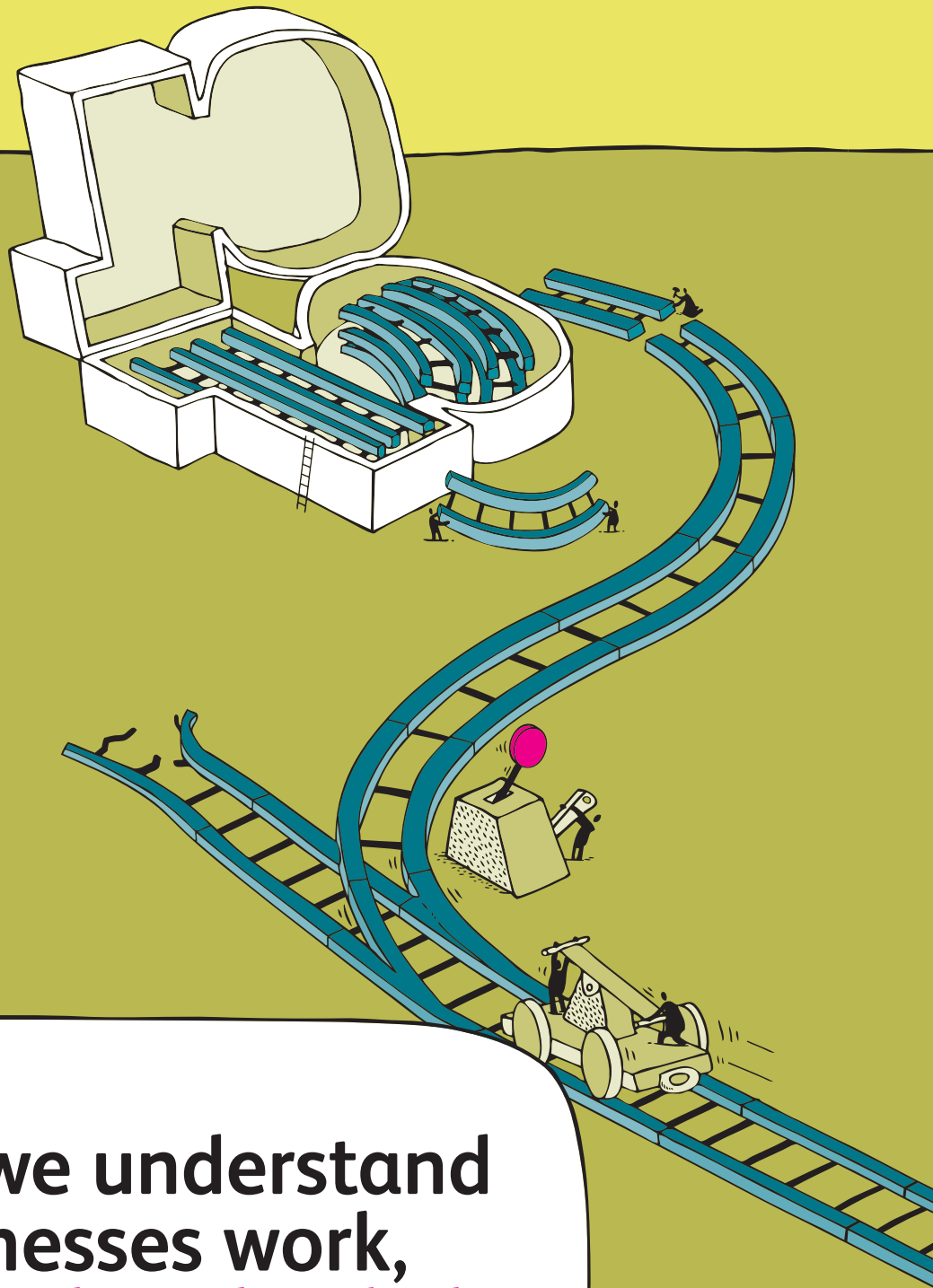
- > Core business of strong, recurring, stable client relationships
- > Long term appointments providing an ideal cross-selling platform
- > Entrepreneurial specialisms increasingly recognised by an eager market
- > Value of services increase in times of economic pressure

At the heart of Tenon is our ability to help our clients to create wealth, develop and manage their funding and optimise their tax position.

This substantially recurring service is targeted specifically for entrepreneurs and businesses that will purchase a range of advice from a majority of our service lines. A high proportion of these relationships provide referrals of new clients for all our businesses.

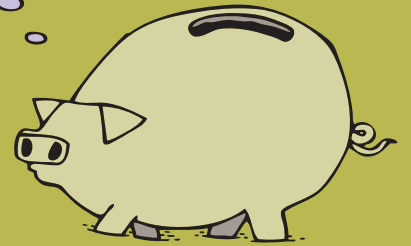
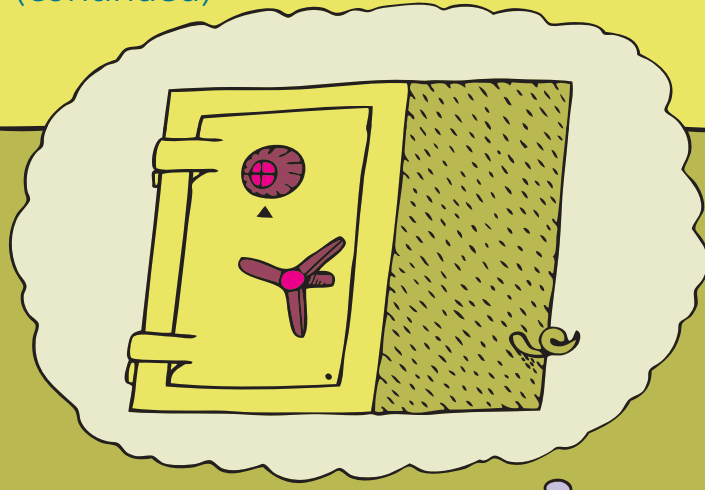
Our most valuable skill is in understanding our clients' requirements and creating a long term working partnership with them to enhance their business and personal position.

Entrepreneurial clients act rapidly to protect and improve their businesses and value our advice even more highly in times of change.



Because we understand
how businesses work,
we're well placed to help
when things get difficult.





**Helping entrepreneurs
create and protect their
wealth is at the heart
of what we do.**



Accounts and audit

- > Significant proportion of recurring clients
- > Accounts required by all UK businesses
- > High proportion of legislation driven appointments
- > Excellent forum for business understanding and advice

Tenon prepare, whilst its associated business Tenon Audit Limited audit, financial statements that are used by our clients for management and external purposes to underpin financial understanding of their businesses.

The vast majority of this work is recurring and with the increasing complexity of financial reporting and regulations we provide practical responses to specific issues.

Compliance requirements therefore are a regular opportunity to further develop a continuing dialogue with our clients and an essential, always-present service.

Robust and reliable financial reporting is key to the relationship and is essential for the success of all businesses.

Outsourcing

- > The leading mid-market financial and accounting outsourcing business
- > Essential services for the real-time measurement of financial wellbeing
- > Recognised by trading partners as having the leading UK position
- > Visibility of financial performance is key in challenging times

Tenon Outsourcing is the leading provider of financial management solutions to owner-managed firms across the UK, and also services subsidiaries of a growing number of global corporations.

Tenon Outsourcing offers a unique combination of locally delivered services, backed up by national and international expertise and experience.

Clients increasingly turn to our outsourcing services to improve their view of the performance of their businesses in times of both expansion and financial constraint.

Corporate finance and related advice

- > Recognised mid-market advisers, increasing activities in a challenging year
- > Expert commercial due diligence team
- > Range of lead advisory and support work with multiple work providers
- > Captive nature of recurring client base is a major source of transactions
- > Cost base reduced during the year
- > Key team driven by performance based incentive plans

Tenon Corporate finance advises clients on private equity, growth capital and disposal options. We also provide due diligence and transaction services to acquisitive businesses and financiers.

Financial services and Specialist taxation

- > Core services for individuals generating wealth through business success
- > Recurring income from IFA work within shared client base
- > Further expansion opportunities by growth of IFA business
- > Strategy to move to concentrate on margins ahead of volume successfully implemented within strategic taxation business
- > Agreement to work on SEI platform to improve client service and efficiencies

Taxation and financial services relationships go to the heart of our clients' reason for being in business, the direct generation and preservation of wealth. We work together to develop a financial strategy which gives our clients the best possibility of achieving their goals.

Changing tax rates present a massive opportunity to work with existing and potential clients through the Tenon Wealth Experience.

I am pleased to report another year of progress in the underlying profits and margins of the business. In exceptional economic circumstances our portfolio of services has ensured the delivery of long held market expectations and maintenance of ample headroom within our banking facilities.

Revenue and operating profit

Our continuing operations generated an underlying operating profit for the year to 30 June 2009 of £19.0m (2008: £17.6m), an increase of 8%. Underlying profit is expressed before amortisation of acquired intangibles, deferred consideration interest and exceptional costs, which predominantly relate to profit improvement initiatives for the future.

Turnover, excluding specialist taxation services has increased by £5.6m reflecting the clear countercyclical benefits of our portfolio. The strategic decision made at the outset of 2008 to move the specialist taxation service line to higher margin and value relationships was completed at the end of 2008/09.

Our Recovery services enjoyed rapid expansion with revenue growth of 41%, of which 29% was organic. Our wide range of work referrers has allowed for careful choice of appointments to enhance margins and control absorption of working capital.

Corporate finance activity levels reduced by 46% as a result of the downturn in the economy but, after action taken in the second half of the year, income levels covered direct costs.

Revenue across the other service lines was broadly stable given the recurring nature of our work streams, with the impact of transactional activity carefully contained.

Further progress was made in the year in the underlying operating profit margin which increased to 12.6% (2008: 11%). This has been achieved by efficient use of staff, moving between our services and geography, cost reviews, the growth in Recovery and its margins and the strategic changes in specialist taxation work.

Exceptional costs

Exceptional costs are detailed in note 7.

Operating exceptional costs during the year of £2.8m (2008: £1m) were as predicted and reflect our continued focus on increasing profitability and the impact of the economic downturn. This resulted in some changes in operations during the year and a full cost review in the second half of the year.

Costs can be analysed as follows:

	£m
Costs review	1.8
Operational changes	0.9
Aborted acquisitions	0.1
	2.8

Additionally, in accordance with IAS 39, we have provided for an impairment of quoted investments held as available-for-sale assets amounting to £0.9m (2008: £nil).

Earnings per share and dividends

The adjusted basic earnings per share on continuing activities for the year have increased by 6% to 6.59p (2008: 6.23p), excluding amortisation of acquired intangible assets, deferred consideration interest and exceptional items. Basic earnings per share have decreased by 8% to 4.32p (2008: 4.69p).

A dividend for the year ended 30 June 2008 of 1.4p per share was paid during the year. Following the continued growth in the group's profitability, the directors now recommend an increase in the proposed dividend of 7% to 1.5p per share, payable on 12 January 2010 for shares held on 4 December 2009, subject to approval by the shareholders at the Annual General Meeting.

Cash flow, funding and working capital

Strong working capital management remained a feature of the business as enhanced processes ensured that cash utilisation remained well within available facilities. Incentive structures for directors continue to reflect the requirement to deliver cash as well as profit generation.

Net debt rose in the period as a result of tightly controlled investment in growing elements of the business and a number of non-recurring payments. Significant cash outflows were as follows:

	£m
Opening net debt – 1 July 2008	(9.1)
Operating cash inflows	15.7
Recovery working capital investment – in line with growth of service line	(7.4)
Corporation tax	(3.6)
Acquisitions and deferred consideration	(3.4)
Exceptional – reduction of cost base	(3.2)
VAT payment acceleration – one-off timing change	(3.0)
Capital investment – new Practice Management System	(3.0)
Dividends	(2.7)
Net interest paid	(1.4)
Closing net debt – 30 June 2009	(21.1)

Strong operating net cash inflows were experienced in the second half of the year, generating £11.3m before exceptional costs.

Bank facilities at the end of the year remained at £44m.

Net bank interest and related costs were £1.7m (2008: £1.5m). Bank interest cover from continuing activities was approximately 13.8 times (2008: 13.4 times) before amortisation of acquired intangibles, deferred consideration interest and exceptional items.

Balance sheet

At the year end net assets were £89.5m (2008: £85.0m).

During the year net current assets increased from £20.0m to £21.1m and continued to reflect the robust liquidity of the business. Long-term liabilities reduced by £2.7m as a result of deferred consideration payments made in the period.

The increase in trade and other receivables is due to the expansion of the Recovery business of 41% in the year. Other services saw a reduction in the level of receivables reflecting the continuing success of our debtor management procedures.

Acquisitions

Our acquisition strategy remains unchanged, with economic factors placing a greater emphasis on the strict application of our investment criteria.

As a result we have made only one acquisition (see note 29) in the year, a practice specialising in the medical profession and thus occupying a sheltered economic sector. Exceptional costs (£0.1m) were incurred in the year as a result of acquisitions that did not proceed.

Deferred cash consideration outstanding on acquisitions has been reduced to £3.8m (2008: £6.9m). The deferred consideration is discounted in accordance with IFRS 3 and is contingent upon the future profits of the businesses acquired. Of the total outstanding at 30 June 2009 £3.1m (2008: £3.7m) is due within one year. During the year £3.7m of deferred consideration was paid as acquisitions delivered on or ahead of target expectations.

Financial outlook

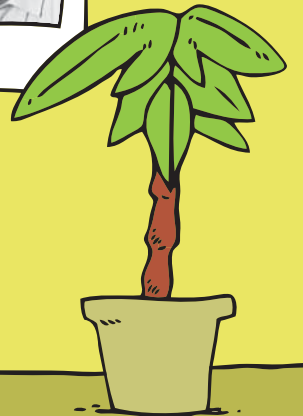
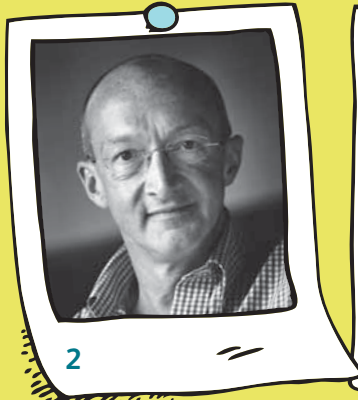
We continue to focus on careful working capital management and financial benchmarking to further increase operating margins. Investment in the sales structure during this year should provide opportunities to drive organic growth.

Our financial strength allows us to invest in the future. We will apply these financial resources to provide further progress in both organic and acquisitive growth for the benefit of all our shareholders.

Russell McBurnie

Russell McBurnie

3 November 2009



1 Bob Morton FCA (67)**Chairman**

Bob started his career as a Chartered Accountant and has for many years been a prominent mentor and investor in numerous high growth public companies, helping to create shareholder value both organically and by strategic acquisitions. He remains actively involved in the development of business interests in the UK and abroad and is widely known amongst the financial and investment community.

2 Andy Raynor BA, FCA (52)**Chief executive**

Andy joined the group on the acquisition of the independent partnership formerly known as BDO Stoy Hayward – East Midlands, where he was managing partner. In almost twenty years with that business he established the corporate finance department and held overall responsibility for business development. During his time with the practice the business grew tenfold. His period as managing partner was one of significant profit achievement.

3 Carl Jackson BSc, ACA, MABRP (49)**Operations director and head of recovery**

Carl was appointed to the board on 12 September 2007 to expand the operational capabilities. He has undertaken a number of senior roles within Tenon, including his current position of heading the recovery service line, and within the independent firm of Chartered Accountants, Brooking Knowles and Lawrence, which Tenon acquired in 2001.

4 Russell McBurnie MA, ACA (37)**Finance director**

Russell joined Tenon in March 2005. He completed his training at Deloitte and was financial controller of the London Bus Division of First Group plc before joining Tenon. He joined the board on 11 March 2008 and was previously the group financial controller.

5 Adrian Martin FCA (59)**Deputy chairman**

Adrian became a non-executive director on 2 September 2009. He is a chartered accountant and was managing partner of BDO Stoy Hayward between 1991 and 2000. Adrian subsequently became Chief Executive of Reynolds Porter Chamberlain LLP, where he remains a consultant. Currently he holds non-executive directorships with Morgan Sindall Group PLC, Safestore Holdings PLC and M&C Saatchi PLC and was a non-executive director of Carphone Warehouse PLC.

6 John Newman (61)**Non-executive director**

John became a non-executive director on 3 June 2008. John spent his career in the financial services sector, culminating as Group Sales Director at St James's Place Capital. Prior to that he held the same position at J Rothschild Assurance for nine years.

Leadership group

7 Alan Newton
Business services

8 Andrew Jupp
Taxation

9 Mark Edmond
Specialist taxation

10 Martin Kirby
North West region

11 Julian Hedley
London region

12 Tom MacLennan
Recovery, Scotland and
North East region

13 Margaret Laidlaw
Scotland and
North East region

14 Mark Lucas
Corporate finance

15 Peter O'Sullivan
Financial services

16 Alistair Wesson
Midlands region

17 Neil Gray
South region

The directors present their report and the consolidated audited financial statements for the year ended 30 June 2009.

Principal activity

The group continues to provide a wide range of professional and business services, which are described in detail in our services review.

Review of business and future developments

The results of the group for the year are set out in the consolidated income statement on page 24.

The review of the business for the year ended 30 June 2009 and the summary of future developments are included in the chairman's statement, chief executive's report and the financial review.

Business risk

Our business is dependent upon the recruitment, development and retention of high quality professional staff. By methods including career progression, investment in business education (the "Tenon Academy") and constructive reward programmes, we seek to minimise the risk of excessive staff turnover.

Our business includes services that are transactional, and clients in these areas can change from year to year. Risks associated with these activities are mitigated by the existence of a stable recurring client base in other service lines (themselves the source of non-recurring appointments), our vigorous business development activities and profit-led incentive programmes.

Where our advice is opinion-based and may be subject to challenge, for example in taxation planning, our service lines obtain appropriate corroboration of proposals predominantly from experienced legal counsel. Moreover, in many such circumstances, liability is not accepted by Tenon relating to the interpretation of legislation, nor are such fees rendered on a contingent basis.

As is normal, overriding economic circumstances may have an effect on our business. Our mix and spread of services and the nature of our clients provides a cushion to economic volatility.

Results and dividends

The profit for the year of £8,212,000 (2008: £8,723,000) will be transferred to reserves. The directors recommend a dividend of 1.5p per share (2008: 1.4p per share).

Substantial shareholdings

As at 30 September 2009, the board had been formally notified of, or was otherwise aware of, the following interests in Tenon Group PLC representing 3% or more of the company's issued share capital:

Shareholder	Number of ordinary shares	Financial instruments	Total interest	Percentage of issued share capital
Lloyds Banking Group plc	10,415,694	8,326,962	18,742,656	9.80
Southwind Limited	13,625,000	–	13,625,000	7.12
Polar Capital Forager Fund Limited	9,999,900	–	9,999,900	5.23
JPMorgan Chase & Co	9,712,839	–	9,712,839	5.08
Artemis Investment Management Limited	9,691,197	–	9,691,197	5.06
Insight Investment Management	8,695,531	–	8,695,531	4.54
Cazenove Capital Management Limited	8,045,404	–	8,045,404	4.20
Jupiter Asset Management	5,920,985	–	5,920,985	3.09

Directors

The directors who served during the year and up to the date of signing the Annual Report and Accounts were as follows:

- > Arthur Leonard Robert Morton, FCA
Chairman
- > Andrew Paul Raynor, BA, FCA
Chief executive
- > Carl Stuart Jackson, BSc, ACA, MABRP
Operations director
- > Russell Sinclair McBurnie, MA, ACA
Finance director
- > Adrian Howard Martin FCA
(appointed 2 September 2009)
Deputy chairman
- > John Anthony Newman
Non-executive director
- > Charles Alan McFetrich, MA, FCA
(deceased 6 September 2009)
Deputy chairman

Memberships of committees of the board are set out on page 21.

C S Jackson shall retire by rotation in accordance with Article 56 of the company's Articles of Association and being eligible will be proposed for re-election at the Annual General Meeting. A H Martin shall retire in accordance with Article 54 of the company's Articles of Association and being eligible will be proposed for election at the Annual General Meeting.

The company has purchased indemnity insurance on behalf of its directors.

Supplier payment policy

The company's payment policy in respect of all suppliers is to settle agreed outstanding accounts in accordance with the terms and conditions agreed with suppliers when placing orders. Trade creditors of the group at 30 June 2009 were equivalent to approximately 33 days' purchases (2008: 15 days). The company did not have any trade creditors at the year end (2008: £nil).

Directors' interests in shares

The number of ordinary shares of 10p each in the company held by the directors was as follows:

	30 June 2009 Total Unrestricted	30 June 2008 Total Unrestricted
C A McFetrich	28,508	25,391
A L R Morton	300,000	300,000
A P Raynor	1,956,451	1,953,334
R McBurnie	20,855	–
C Jackson	537,895	537,895

In the period from 1 July 2009 to 1 October 2009, A P Raynor became interested in an additional 801 ordinary shares.

All directors' interests are beneficially held, A L R Morton's adult children are interested in 21,925,000 ordinary shares.

Employee shareholdings

The directors consider that it is in the interests of the company and its shareholders that employees should have the opportunity to acquire shares in the company so that they benefit from its future progress. The company operates an executive HMRC approved and unapproved share option scheme to motivate senior employees. In October 2001 a Share Incentive Plan was established to which all eligible employees are invited to join and regular invites are made across the group. Further in March 2008 a Save as you Earn Plan was launched to which further invites to all eligible employees were issued in March and September 2009. Details of the share options in existence at the balance sheet date are included in note 23 to the financial statements.

Employees are also able to acquire shares in the company in compliance with the rules of AIM.

Employees

Tenon is an equal opportunities employer with robust policies on equal opportunity, fairness and diversity. We are committed to developing the potential of all our people. Tenon gives full and fair consideration to disabled people for all vacancies for which they are suitably qualified. Employees who become disabled during their working lives will be retained in employment wherever possible and will be given help with any necessary rehabilitation or training.

The directors recognise that a key element in the success of Tenon is the quality and commitment of our employees. Tenon places very considerable importance on the contributions and views of our employees and our policy is to communicate with and seek feedback from employees regarding all relevant information about our clients and our business using our intranet site TenonLink, specific newsletters, briefings by management and regional forums. The recruitment and training of employees seeks to develop each individual to their full potential within a supportive team and so provide outstanding service to our clients.

Our commitment to involve employees in the success of our business includes the provision of share purchase plans as detailed above. We hope that many employees will, over time, become significant shareholders through these schemes.

Environmental policy

The group recognises the importance of environmental responsibility. The nature of its activities has a minimal effect on the environment but where it does have an effect the group acts responsibly and is aware of its obligations and addresses these through the Tenon Green policy which includes, for example, recycling schemes, energy conservation actions and the use of conference facilities where possible.

Financial instruments and risk management

The group's financial instruments comprise sterling cash, bank deposits, endowment policies, loan stock, contingent consideration, bank loans and overdrafts, obligations under finance leases and annuity provisions, together with various balances such as accounts receivable and accounts payable that arise directly from its operations. There are no significant balances in foreign currencies.

The main purpose of these financial instruments is to raise finance for the group's operations. Specifically, the bank loans and loan stock were raised to partially fund the acquisition programme during 2000, 2001 and 2004. The bank overdraft is utilised as and when required as part of the group's working capital.

The group seeks to specifically manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs as and when they fall due. Liquid resources are managed to ensure cash assets are invested safely and profitably.

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

The main risk from the group's other financial instruments is interest rate risk. The directors review and agree the policies for managing this and other risks as set out on pages 34 and 35. In relation to interest rate risk, the directors aim to strike a balance between the operational needs of the business, floating rate interest risk and the expense of fixed interest rates.

The group has no significant concentrations of credit risk. The group has implemented policies that require appropriate credit checks on potential customers before sales commence.

The group is not exposed materially to equity security or commodity price risk.

Post balance sheet events

Details of events after the balance sheet date are set out in note 31 to the accounts.

Charitable and political donations

The group made charitable donations during the year of £19,235 (2008: £19,279). Donations were made to charities local to our offices and those supported by employees. There were no political donations (2008: £nil).

Statement of disclosure of information to auditors

For each of the persons who were directors at the time this report was approved, the following applies:

- > so far as the directors are aware, there is no relevant audit information (ie information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware; and
- > the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the board



Christopher Crouch
Company secretary

3 November 2009

Statement of directors' responsibilities

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

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

In preparing these financial statements, the directors are required to:

- > select suitable accounting policies and then apply them consistently;
- > make judgements and accounting estimates that are reasonable and prudent;
- > state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Each of the directors, whose names and functions are listed in the "Our Board" section of the annual report, confirm that, to the best of their knowledge:

- > the group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the group; and
- > the directors' report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties that it faces.

In accordance with Section 418 of the Companies Act 2006, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

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

By order of the board



Christopher Crouch
Company secretary

3 November 2009

This part of the report on remuneration is unaudited.

As at 30 June 2009 the remuneration committee comprised the non-executive directors, Alan McFetrich, (Chairman), Bob Morton and John Newman. Adrian Martin became Chairman on 8 September 2009 following Alan McFetrich's death on 6 September 2009. The committee usually meets at least twice a year to determine the remuneration and other benefits of the executive directors.

The purpose of the remuneration committee is to:

- > ensure that the executive directors of the group are fairly rewarded for their individual contribution to the overall performance of the group; and
- > demonstrate to shareholders that the remuneration of the executive directors of the company is set by a committee whose members have no personal interest in the outcome of their decisions and who will have due regard to the interests of the shareholders.

Procedures for fixing remuneration and other benefits

The basic salaries paid, pension contributions and other benefits applicable to the executive directors are decided by the remuneration committee.

The remuneration committee also sets the criteria for bonuses and any other performance based remuneration. The committee is then responsible for measuring the extent to which these criteria have been achieved and setting the level of bonus awarded.

The committee is authorised to obtain such outside professional advice and expertise as it considers necessary, and consults with the chairman and chief executive of the company. It is also authorised by the board to investigate any matter within its terms of reference and seek any information that it requires from any employee.

Share options

The remuneration committee supervises the share option schemes, approves the exercise price of options and the performance criteria to be satisfied before exercise is permitted, and monitors the effectiveness of the share option schemes as incentives to employees. Options are awarded in order to motivate executives and staff with a view to increasing shareholder value.

Directors' contracts

All executive directors have service contracts with twelve month notice periods. Non-executive directors are appointed subject to re-election at any annual general meeting at which, pursuant to the Articles, they are required to retire by rotation. Such re-election will take place at regular intervals of not more than every three years.

Remuneration of non-executive directors

The board sets the remuneration levels for non-executive directors. They do not receive any pension or other benefits, nor do they participate in share option schemes. Their level of remuneration is based on outside advice and a review of current practice in other companies.

This following part of the report on remuneration is audited.

Directors' emoluments

The following emoluments were paid to directors for the year ended 30 June 2009:

	Salaries and fees £000	Bonuses £000	Benefits £000	Emoluments before pensions £000	Money purchase pension contributions £000	Year ended 30 June 2009 Total £000	Year ended 30 June 2008 Total £000
A L R Morton*	60	–	–	60	–	60	60
C A McFetrich	50	–	–	50	–	50	50
J Newman*	35	–	–	35	–	35	3
A P Raynor**	515	275	2	792	–	792	817
R McBurnie	197	125	1	323	–	323	118
C S Jackson	395	250	5	650	–	650	425
L Spencer	–	–	–	–	–	–	280
Total	1,252	650	8	1,910	–	1,910	1,753

* Payments totalling £60,000 were made during the year to Hawk Consulting Limited for services rendered by A L R Morton, inclusive of all expenses. A L R Morton is the owner of Hawk Consulting Limited. Payments totalling £35,000 were made during the year to Morgan Gray Limited for services rendered by J Newman, inclusive of all expenses. J Newman is the owner of Morgan Gray Limited.

** Highest paid director

During either of the years to June 2009 or June 2008 respectively the highest paid director did not receive any shares in respect of qualifying services under a long term incentive scheme or exercise any share options.

Share options

	Date of Grant	Earliest exercise date	Expiry date	Exercise Price (pence)	Number at 1 July 2008	Granted in year	Exercised in year	Lapsed in year	Number at 30 June 2009
A P Raynor	11/3/08	12/3/11	11/3/18	54	2,000,000	–	–	–	2,000,000
R McBurnie	11/3/08 30/10/08	12/3/11 31/10/11	11/3/18 30/10/18	54 49	500,000 –	– 20,200	– –	– –	500,000 20,200
C Jackson	7/3/03 11/3/08	7/3/06 12/3/11	7/3/13 11/3/18	10 54	200,000 1,000,000	–	– –	– –	200,000 1,000,000

All options, except those marked with an asterisk, were granted at nil cost to the directors. The performance criteria for these share options was consistent with the remuneration policy. Once the award has vested the exercise of the share option is unconditional.

The options marked with an asterisk were granted as part of the company's matched share option incentive whereby senior executives are granted share options matching their own market purchase of shares.

The market price of the company's shares at the end of the financial year was 39p and the range of market prices during the year was between 37p and 61p.

On behalf of the board



Christopher Crouch
Company secretary

3 November 2009

Approach to corporate governance

The board is committed to high standards of corporate governance. The board takes into account the Combined Code for Corporate Governance issued by the Financial Reporting Council in determining the appropriate approach.

Details describing how the group addresses corporate governance issues are set out below.

Management structure

The group is controlled by the board, which meets regularly to consider all aspects of the group's activities. A formal schedule of matters reserved for the board has been developed and includes overall strategy, acquisition policy and major capital expenditure.

The directors who served during the year under review are listed on page 16. All directors have access to the advice and services of the company secretary and are able to take independent professional advice at the company's expense if necessary. All directors will submit themselves for re-election at least once every three years.

Leadership group

A leadership group includes the key service line heads and regional managing directors who are charged with the responsibility for the day to day operations of the group's business.

Committees of the board

The board has established three committees, as detailed below, all of which have written terms of reference. The minutes of the committees are circulated and reviewed by the board. Throughout the year under review and until 6 September 2009 Alan McFetrich was chairman of each committee. On 8 September 2009 Adrian Martin was appointed to each committee as its chairman.

The audit and risk committee

The audit and risk committee currently comprises Adrian Martin (Chairman), Bob Morton and John Newman. The external auditors and the executive directors also normally attend meetings. The committee meets at least half yearly to:

- > review the interim and annual financial statements and the external auditors' management letter and discuss any issues arising with the external auditors;
- > review internal control matters;
- > review internal audit reports and the scope and authority of the internal audit function; and
- > review annually the effectiveness of the external auditors.

The remuneration committee

The remuneration committee currently comprises Adrian Martin (Chairman), Bob Morton and John Newman. The remuneration committee is responsible for all elements of the remuneration of the executive directors. The committee takes all decisions in relation to the company's share option schemes. Further details of the committee are included in the report on remuneration.

The nominations committee

The nominations committee currently comprises Adrian Martin (Chairman), Bob Morton and John Newman. This committee meets, as necessary, to consider the appointment of directors to the board.

Relations with shareholders

The chairman, chief executive, finance director and operations director hold meetings with the company's institutional shareholders to discuss the company's strategy and financial performance. The group's website (www.tenongroup.com) contains copies of publicly disclosed financial information and other stock exchange disclosures together with much additional information. Attendance of shareholders at the company's Annual General Meeting is encouraged.

Internal controls

The board is responsible for the group's system of internal control which is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The board takes into account the guidance "Internal Control – Guidance for Directors on the Combined Code" ("the Turnbull Report") as far as it is appropriate to do so. The board consists of 3 non-executive and 3 executive directors.

The leadership group, office managing directors and national service line heads have specific responsibilities and authority to manage risk effectively. They are required to report on financial, operational and compliance risks. The risk advisory group, under the chairmanship of the chief executive, supports, coordinates and monitors the performance of operational managers in the execution of their risk management and internal control responsibilities.

The service lines are responsible for ensuring that they meet relevant regulatory requirements and operate to appropriate standards. To ensure compliance with these requirements a combination of dedicated compliance personnel, peer reviews and internal audit are utilised as appropriate to the activity and the risk.

The group carries professional indemnity insurance at a level which the directors believe is appropriate. Provisions are made to cover circumstances expected to give rise to a liability to the extent that they are not covered by insurance.

Advice given to clients is based on our understanding of the facts and current legislation, both of which may change. We seek to manage the risks of change through the use of engagement letters and the terms of the advice given.

All these matters are reported on to the audit and risk committee and the board and provide the basis on which internal controls are reviewed.

Going concern

The directors consider that the group and company have adequate financial resources to enable it to continue in operation for the foreseeable future. For this reason they continue to adopt the going concern basis when preparing the financial statements.

By order of the board



Christopher Crouch
Company secretary

3 November 2009

We have audited the group and parent company financial statements (the "financial statements") of Tenon Group plc, company number 3931297, for the year ended 30 June 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

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

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Sections 495 to 496 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- > the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2009 and of the group's profit and group's and parent company's cash flows for the year then ended;
- > the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- > the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- > the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

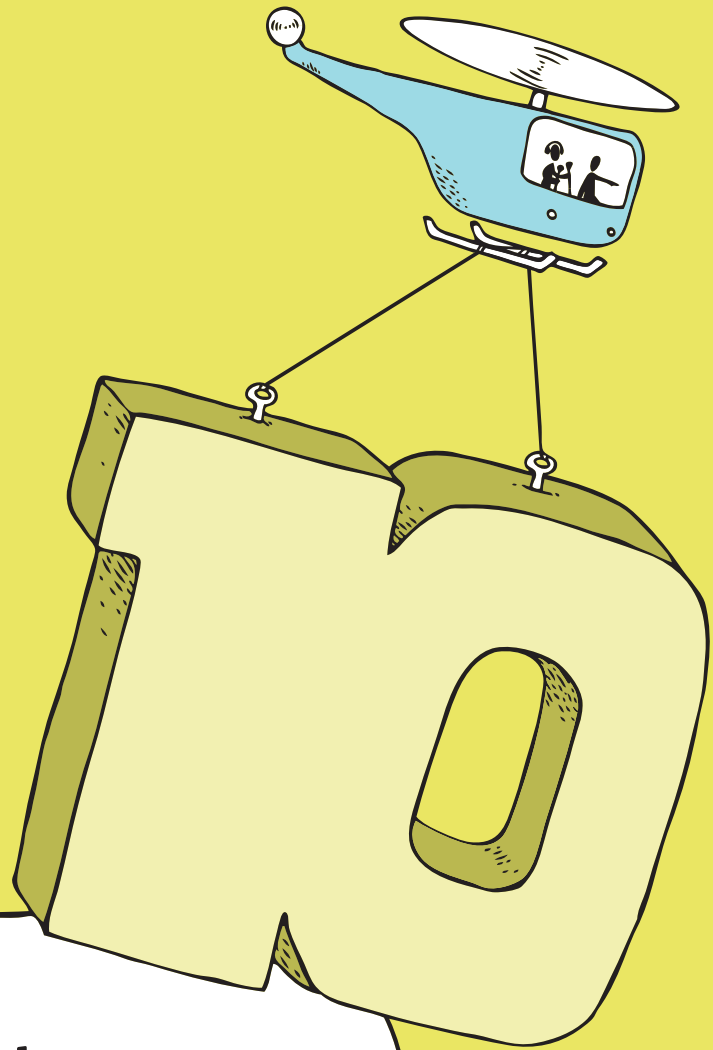
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



N W E Boden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

3 November 2009



To deliver these
figures is good.
To deliver them in
the current climate
is exceptional.



Consolidated income statement

for the year ended 30 June 2009

	Notes	Before amortisation of acquired intangible assets, deferred consideration interest and exceptional items £000	Amortisation of acquired intangible assets, deferred consideration interest and exceptional items £000	Year ended 30 June 2009 Total £000	Before amortisation of acquired intangible assets, deferred consideration interest and exceptional items £000	Amortisation of acquired intangible assets, deferred consideration interest and exceptional items £000	Year ended 30 June 2008 Total £000
Revenue – continuing operations		150,809	–	150,809	160,269	–	160,269
External charges:							
direct expenses		(8,488)	–	(8,488)	(9,404)	–	(9,404)
Employee benefit expense	4	(94,144)	(2,233)	(96,377)	(99,045)	–	(99,045)
Employee share scheme costs	4	(487)	–	(487)	(357)	–	(357)
Depreciation of tangible assets		(1,806)	–	(1,806)	(1,257)	–	(1,257)
Amortisation of intangible assets		(357)	(1,629)	(1,986)	(450)	(2,710)	(3,160)
Other operating charges		(26,519)	(566)	(27,085)	(32,120)	(979)	(33,099)
Operating profit		19,008	(4,428)	14,580	17,636	(3,689)	13,947
Finance income	6	367	–	367	851	–	851
Finance costs	6	(1,746)	(359)	(2,105)	(2,029)	(334)	(2,363)
Impairment of available- for-sale financial asset	14	–	(871)	(871)	–	–	–
Profit on ordinary activities before taxation		17,629	(5,658)	11,971	16,458	(4,023)	12,435
Tax on profit on ordinary activities	8	(5,099)	1,340	(3,759)	(4,859)	1,147	(3,712)
Profit for the financial year		12,530	(4,318)	8,212	11,599	(2,876)	8,723
Earnings per 10p share	9						
Basic		6.59	(2.27)	4.32	6.23	(1.54)	4.69
Diluted		6.42	(2.21)	4.21	5.96	(1.48)	4.48

Consolidated statement of changes in equity

for the year ended 30 June 2009

	Share capital £000	Share premium account £000	Merger reserve £000	Investment revaluation reserve £000	Shares to be issued £000	Retained earnings £000	Total £000
Group							
Balance at 1 July 2007	16,964	19,976	25,629	12	440	5,471	68,492
Cash flow hedges, net of tax	–	–	–	–	–	315	315
Actuarial gain recognised on pension schemes	–	–	–	–	–	16	16
Revaluation of available-for-sale financial assets	–	–	–	(324)	–	–	(324)
Net (loss)/income recognised directly in equity	–	–	–	(324)	–	331	7
Profit for the year	–	–	–	–	–	8,723	8,723
Total recognised (loss)/income for the year to 30 June 2008	–	–	–	(324)	–	9,054	8,730
Employee share option scheme:							
– value of employee services	–	–	–	–	–	357	357
– proceeds from shares issued	206	14	–	–	–	–	220
– deferred tax on share option scheme	–	–	–	–	–	(228)	(228)
Proceeds from share placement	819	3,985	–	–	–	–	4,804
Acquisitions	873	3,217	1,250	–	(440)	–	4,900
Dividends relating to June 2007 paid in December 2007	–	–	–	–	–	(2,248)	(2,248)
	1,898	7,216	1,250	–	(440)	(2,119)	7,805
Balance at 30 June 2008	18,862	27,192	26,879	(312)	–	12,406	85,027
Cash flow hedges, net of tax	–	–	–	–	–	(1,752)	(1,752)
Actuarial gain recognised on pension schemes	–	–	–	–	–	65	65
Reversal of revaluation of available-for-sale financial assets	–	–	–	316	–	–	316
Net income/(loss) recognised directly in equity	–	–	–	316	–	(1,687)	(1,371)
Profit for the year	–	–	–	–	–	8,212	8,212
Total recognised income for the year to 30 June 2009	–	–	–	316	–	6,525	6,841
Employee share option scheme:							
– value of employee services	–	–	–	–	–	487	487
– proceeds from shares issued	212	12	–	–	–	–	224
– deferred tax on share option scheme	–	–	–	–	–	(430)	(430)
Dividends relating to June 2008 paid in December 2008	–	–	–	–	–	(2,658)	(2,658)
	212	12	–	–	–	(2,601)	(2,377)
Balance at 30 June 2009	19,074	27,204	26,879	4	–	16,330	89,491

Company statement of changes in equity

for the year ended 30 June 2009

	Share capital £000	Share premium account £000	Merger reserve £000	Investment revaluation reserve £000	Shares to be issued £000	Share based payment reserve £000	Retained earnings £000	Total £000
Company								
Balance at 1 July 2007	16,964	19,976	–	–	440	1,613	3,419	42,412
Cash flow hedges, net of tax	–	–	–	–	–	–	315	315
Revaluation of available-for-sale financial assets	–	–	–	(316)	–	–	–	(316)
Net (loss)/income recognised directly in equity	–	–	–	(316)	–	–	315	(1)
Profit for the year	–	–	–	–	–	–	75	75
Total recognised (loss)/income for the year to 30 June 2008	–	–	–	(316)	–	–	390	74
Employee share option scheme:								
– value of employee services	–	–	–	–	–	266	91	357
– proceeds from shares issued	206	14	–	–	–	–	–	220
– deferred tax on share option scheme	–	–	–	–	–	–	78	78
Proceeds from share placement	819	3,985	–	–	–	–	–	4,804
Acquisitions	873	3,217	1,250	–	(440)	–	–	4,900
Dividends relating to June 2007 paid in December 2007	–	–	–	–	–	–	(2,248)	(2,248)
	1,898	7,216	1,250	–	(440)	266	(2,079)	8,111
Balance at 30 June 2008	18,862	27,192	1,250	(316)	–	1,879	1,730	50,597
Cash flow hedges, net of tax	–	–	–	–	–	–	(1,752)	(1,752)
Reversal of revaluation of available-for-sale financial assets	–	–	–	316	–	–	–	316
Net income/(loss) recognised directly in equity	–	–	–	316	–	–	(1,752)	(1,436)
Loss for the year	–	–	–	–	–	–	(1,167)	(1,167)
Total recognised income/(loss) for the year to 30 June 2009	–	–	–	316	–	–	(2,919)	(2,603)
Employee share option scheme:								
– value of employee services	–	–	–	–	–	339	148	487
– proceeds from shares issued	212	12	–	–	–	–	–	224
– deferred tax on share option scheme	–	–	–	–	–	–	(19)	(19)
Dividends received	–	–	–	–	–	–	7,000	7,000
Dividends relating to June 2008 paid in December 2008	–	–	–	–	–	–	(2,658)	(2,658)
	212	12	–	–	–	339	4,471	5,034
Balance at 30 June 2009	19,074	27,204	1,250	–	–	2,218	3,282	53,028

Consolidated and company balance sheets

at 30 June 2009

	Notes	30 June 2009 Group £000	30 June 2008 Group £000	30 June 2009 Company £000	30 June 2008 Company £000
Assets					
Non-current assets					
Goodwill	11	79,086	77,752	–	–
Other intangible assets	11	8,343	8,754	–	–
Intangible assets		87,429	86,506	–	–
Property, plant and equipment	12	5,213	4,091	16	46
Investments in subsidiaries	13	–	–	67,484	63,516
Other available-for-sale financial assets	14	1,486	1,926	1,369	1,824
Deferred income tax assets	17	4,117	5,024	222	197
		98,245	97,547	69,091	65,583
Current assets					
Trade and other receivables due within one year	16	51,519	48,731	23,156	16,918
Cash	18	14,094	20,081	–	16
Total current assets		65,613	68,812	23,156	16,934
Total assets		163,858	166,359	92,247	82,517
Liabilities					
Non-current liabilities					
Borrowings	19	25,757	24,938	25,757	24,938
Deferred income tax liabilities	17	1,935	1,952	869	534
Provisions for liabilities and charges	21	2,127	5,655	204	618
Total non-current liabilities		29,819	32,545	26,830	26,090
Current liabilities					
Trade and other payables	22	28,048	36,842	2,013	803
Corporation tax liabilities		2,721	2,719	–	5
Borrowings	19	9,396	4,290	9,401	4,272
Provisions for liabilities and charges	21	4,383	4,936	975	750
Total current liabilities		44,548	48,787	12,389	5,830
Total liabilities		74,367	81,332	39,219	31,920
Equity					
Ordinary shares	23	19,074	18,862	19,074	18,862
Share premium	23	27,204	27,192	27,204	27,192
Merger reserve	24	26,879	26,879	1,250	1,250
Investment revaluation reserve	24	4	(312)	–	(316)
Share based payment reserve	25	–	–	2,218	1,879
Retained earnings	25	16,330	12,406	3,282	1,730
Total equity		89,491	85,027	53,028	50,597
Total liabilities and equity		163,858	166,359	92,247	82,517

The financial statements on pages 24 to 54 were approved by the board of directors on 3 November 2009 and were signed on its behalf by:



A P Raynor
Chief executive



A L R Morton
Chairman

Consolidated and company cash flow statements

for the year ended 30 June 2009

	Notes	30 June 2009 Group £000	30 June 2008 Group £000	30 June 2009 Company £000	30 June 2008 Company £000
Cash flows from operating activities					
Profit/(loss) before taxation		11,971	12,435	(1,298)	320
Exceptional items		2,799	979	(78)	–
Net Finance Costs		1,738	1,512	–	5
Employee share scheme costs		487	357	147	91
Depreciation of tangible fixed assets		1,806	1,257	30	78
Loss/(profit) on disposal of fixed assets		39	9	–	(2)
Amortisation of intangible assets		1,986	3,160	251	126
Impairment of available-for-sale financial asset		871	–	871	–
(Increase)/decrease in trade and other receivables		(2,784)	(1,286)	848	(2,194)
(Decrease)/increase in trade and other payables		(12,950)	4,883	154	(720)
(Decrease)/increase in provisions		(783)	457	–	–
Cash flow from trading, before exceptional items		5,180	23,763	925	(2,296)
Cash flow from exceptional items		(3,246)	(131)	(288)	–
Cash flows from operating activities		1,934	23,632	637	(2,296)
Interest paid		(1,687)	(2,022)	(1,984)	(2,022)
Income tax paid		(3,562)	(3,336)	–	–
Net cash flows from operating activities		(3,315)	18,274	(1,347)	(4,318)
Cash flows from investing activities					
Acquisition of subsidiary undertakings and businesses		(1,605)	(17,074)	(1,638)	(3,170)
Net cash acquired with subsidiary undertakings and businesses		33	296	–	288
Deferred consideration on purchase of subsidiary undertakings and businesses		(3,732)	(63)	(750)	(10)
Net consideration on disposal of group businesses		1,842	617	–	–
Purchase of property, plant and equipment		(2,957)	(1,669)	–	–
Purchase of software		–	(862)	–	–
Proceeds from sale of property, plant and equipment		–	10	–	2
Purchase of available-for-sale financial assets		–	(2,145)	–	(2,140)
Proceeds from sale of financial assets		–	162	–	–
Interest received		367	751	338	751
Interest paid on finance leases		(40)	(8)	(39)	(8)
Cash flows from investing activities		(6,092)	(19,985)	(2,089)	(4,287)
Cash flows from financing activities					
Dividends paid to shareholders		(2,658)	(2,248)	(2,658)	(2,248)
Issue of ordinary share capital for cash		224	5,024	224	5,024
Loan received		5,000	8,661	5,000	8,661
Repayment of loans		–	(3,128)	–	(3,128)
Capital element of finance lease repayments		(820)	(354)	(820)	(310)
New finance lease on existing assets		1,674	403	1,674	403
Cash flows from financing activities – gross		3,420	8,358	3,420	8,402
(Decrease)/increase in cash in the period	26	(5,987)	6,647	(16)	(203)
Cash at start of year		20,081	13,434	16	219
Cash at end of year	26	14,094	20,081	–	16

1 Principal accounting policies

Basis of preparation

These financial statements have been prepared in accordance with the EU endorsed International Financial Reporting Standards ("IFRS"), IFRIC interpretation and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss. The group is domiciled and incorporated in the United Kingdom.

The directors consider that the group and company have adequate financial resources to enable it to continue in operation for the foreseeable future. For this reason they continue to adopt the going concern basis when preparing the financial statements.

The group has elected to take advantage of provisions within IFRS1 "First-time adoption of International Financial Reporting Standards" which offers certain exemptions from applying IFRS to the opening balance sheet prepared at 1 July 2006:

IFRS3 "Business combinations" has not been applied retrospectively to business combinations that occurred prior to 1 July 2006. The carrying amount of goodwill in the opening IFRS balance sheet at 1 July 2006 is therefore its carrying amount at that date under UK GAAP.

Basis of consolidation

Subsidiaries are entities that are directly or indirectly controlled by the group. Control exists where the group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

Intra-group revenue, profits and balances are eliminated on consolidation. On acquisition of a subsidiary its assets and liabilities are recorded at their fair values as at the date of acquisition. Accounting policies are consistent throughout the group.

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings using the acquisition method. The group has adopted the use of merger relief to account for acquisitions involving the issue of shares at a premium as provided by Section 612 of the Companies Act 2006.

The company has not presented its own income statement as permitted by section 408 of the Companies Act 2006.

Changes in accounting policies

The group's accounting policies have not changed during the year:

As the financial report contains both the group consolidated and parent company financial statements prepared under IFRS, the company will not be required to present segment information.

New standards and interpretations not applied

Standards and interpretations issued by the IASB and IFRIC which have an effective date after the date of these financial statements have been reviewed and those which in the opinion of the directors may have an impact are:

IFRS 3 Business combinations

A revised IFRS 3 Business Combinations was issued in January 2008 and becomes effective for accounting periods beginning on or after 1 July 2009. Among the revisions, those changes that are most likely to affect the way in which the group accounts for acquisitions from the effective date are as follows:

- > Costs the acquirer incurs in connection with the business combination must be accounted for separately from the business combination, which usually means that they are recognised as expenses (rather than included in goodwill);
- > Consideration transferred by the acquirer, including contingent consideration, must be measured at fair value at the acquisition date, with subsequent changes in fair value generally reflected in profit and loss account rather than goodwill.

IFRS 8 Operating segments

This standard is mandatory for accounting periods commencing on or after 1 January 2009 and will replace IAS 14. The standard bases the provision of segmental information on information that management uses to make decisions about operating matters. The measure reported for each operating segment will be the measure reported to the chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance.

IAS 1 Presentation of financial statements

A revised IAS1 Presentation of financial statements is mandatory for accounting periods commencing on or after 1 January 2009. Upon adoption the income statement and statement of changes in equity will be replaced by a statement of comprehensive income and other principal statements will be renamed. Information is also required to be given about the group's objectives, processes and policies for managing capital.

It is expected that there will be no significant impact on the group or company financial statements in the period of initial application.

New standards not expected to have any impact include: IAS 39/IFRS 7 *Financial instruments*, IFRS 2 *Share based payments*, revised IAS 23 *Borrowing costs*, revised IAS 27 *Consolidated and separate financial statements*.

Business combinations and goodwill

Subsequent to transition to IFRS business combinations are accounted for using the purchase method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Goodwill is initially measured at cost, being the excess of the fair value of payments made, assets transferred and future payments, over the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The results of the acquired entity are included in the group's results from the date when control of the company passes to Tenon Group Plc.

Goodwill recognised under UK GAAP prior to the date of transition to IFRS (1 July 2006) is recognised at its net book value as at the transition date as allowed under IFRS1 and then tested annually for impairment.

1 Principal accounting policies (continued)**Significant accounting judgements, estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- > **Impairment of Goodwill**
The group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.
- > **Deferred Tax Assets**
Deferred tax assets are recognised for all unused tax losses to the extent that it is more likely than not that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.
- > **Share Based Payment**
The estimation of the fair value of share options and other equity instruments at the date of their grant requires management to make estimates concerning the expected volatility of and dividends payable on the underlying shares and the time at which employees are likely to exercise vested options.
- > **Professional Indemnity Claims**
Estimates are required to judge the level of exposure on existing claims and estimate the incidence and outcome of future claims.
- > **Debtors**
Debts are recognised to the extent that they are judged recoverable. Management reviews are performed to estimate the level of reserves required for irrecoverable debt. Provisions are made specifically against invoices where recoverability is uncertain.
- > **Amounts recoverable on contracts**
Management assess the percentage completion and cost to complete on a contract by contract basis.
- > **Contingent consideration**
Estimates are required to judge the level of consideration payable and this is discounted to present value using judgements regarding the weighted average cost of capital for the business.

Revenue

Revenue is recognised:

- > in respect of continuing engagements, when Tenon is entitled to consideration having performed its obligations and where there is reasonable certainty as to the recoverability;
- > in respect of certain insolvency assignments, to the extent the revenues for work performed have been accepted by members, creditors or the court;
- > in respect of contracts where there is reasonable certainty of the outcome and therefore revenue earned;
- > in respect of contingent assignments, on completion of a transaction; and
- > in respect of financial services commission income, when the policy is written, subject to an appropriate indemnity commission provision based on past business experience or at the minimum regulatory rate where higher.

On a bi-annual basis management carry out a detailed review of the estimates made in relation to revenue recognition in accordance with IAS18.

Payments on account of assignments are deducted from amounts recoverable on contracts to which they relate and, if greater, the excess is included in creditors.

To the extent that the obligation in respect of amounts invoiced have not been fulfilled at the balance sheet date revenue is deferred to match the anticipated future costs.

Revenue excludes Value Added Tax but includes disbursements incurred on behalf of clients.

Revenue is stated gross of amounts payable to third parties to the extent that the group bears the risks and rewards of these contracts.

Amounts recoverable on contracts

Amounts recoverable on contracts are recorded at their recoverable amount on a percentage completion basis, less any payments on account, where there is reasonable certainty of the outcome, making provision for any expected losses. Where the outcome is uncertain amounts recoverable on contracts are stated at the lower of cost and recoverable amount.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. The cost of property, plant and equipment is their purchase price, together with any directly attributable costs of acquisition. Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual values, on a straight-line basis over their expected useful economic lives to the relevant residual value. The principal annual rates used for this purpose are:

Leasehold improvements	Over the remaining period of the lease
Motor vehicles	25%
Furniture and fixtures	20%-25%
Office equipment	25%
Computer equipment and software	20%-33%

The residual values and useful economic lives of fixed assets are reviewed by management on an annual basis and revised to the extent required.

For assets acquired on the purchase of a business and included at fair value, the fair value is depreciated over the remaining estimated life.

Intangible assets – goodwill

In respect of business acquisitions that have occurred since 1 July 2006, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Prior to that date goodwill represents the difference between the cost of the acquisition and the fair value of the tangible assets acquired.

Cost of acquisition represents the fair value of all consideration given in return for the assets acquired.

Intangible assets – other

For acquisitions after 1 July 2006 the fair value of customer contractual relationships, brands and non-compete agreements was determined by the net present value of the future cash flow benefits anticipated to arise from the intangible assets less accumulated amortisation and impairment losses.

Computer software is included at cost less accumulated amortisation.

Amortisation of other intangibles

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are tested systematically for impairment at each annual balance sheet date. Other intangible assets are amortised from the date that they are available for use. The estimated useful lives are as follows:

> Customer contracts	The period over which the attributable fees are billed
> Client relationships	10 years
> Referrer relationships	5 years
> Recurring income	10 years
> Trail income	5 years

Impairment of non-financial assets

The entity assesses at each reporting date whether an asset may be impaired. If any such indicator exists the entity tests for impairment by estimating the recoverable amount. If the recoverable amount is less than the carrying value of an asset an impairment loss is recognised in the income statement.

For goodwill, the recoverable amount is estimated at 30 June each year. Goodwill will be reviewed for impairment at 30 June 2010.

Impairment

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount of assets is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

Financial assets

The group classifies its financial assets in the following categories: at fair value through the income statement, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through the income statement are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets and recognised at amortised cost. Loans and receivables are classified as 'trade and other receivables' in the balance sheet.

Available-for-sale financial assets are non derivatives that are either designated in this category or not classified in any other categories. They are included in non current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

1 Principal accounting policies (continued)

Available-for-sale financial assets include quoted investments. Quoted investments are stated at market value, unless the security is deemed to be impaired (see above). Unquoted investments are stated at cost less any provision for permanent diminution in value. Endowment policies are stated at the cost of the instalments paid plus attributable income to date. Changes in the value of available-for-sale financial assets are credited or charged to the investment revaluation reserve in equity. Income is calculated by spreading the expected total return of the policy on maturity so as to achieve a constant periodic rate of return.

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. On disposal of available-for-sale financial assets gains or cumulative losses are recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in note 16.

Investments in subsidiary companies are shown at cost less any provision for impairment.

Trade receivables

Trade receivables are stated at fair value and subsequently valued at amortised cost using the effective interest rate method, less any provisions for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within "direct expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "direct expenses" in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are disclosed within "Borrowings" in current liabilities.

Financial liabilities

Financial liabilities held for trading are held at fair value in the balance sheet with fluctuations in value taken to the income statement.

All other financial liabilities are held at amortised cost and fluctuations in value are taken to the income statement.

Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Derivative financial instruments and hedging activities

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

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity until the hedged item impacts the income statement at which point the relevant hedge gain or loss is recycled from equity to income statement. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Share capital

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

Trade payables

Trade payables are recognised initially at fair value and subsequently valued at amortised cost using the effective interest method.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost: any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any expected reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Pension contributions

The group includes the liabilities of the former partner annuity schemes in the financial statements at a value determined by an assessment made by a qualified independent actuary. Movements in the provision during the year are charged in accordance with IAS19, with actuarial gains and losses taken directly to the statement of changes in equity and other movements to the interest line in the income statement.

The liability recognised in the balance sheet is the present value of the defined benefit obligation calculated using the projected unit credit method. Contributions to the occupational money purchase schemes and personal pension plans of employees are charged to the income statement as incurred. The liability is included within provisions on the balance sheet.

Finance and operating leases

Leasing agreements, which transfer to the group substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are capitalised in fixed assets and depreciated over the shorter of the lease term and the useful economic lives of equivalent owned assets. The capital element of the leasing commitment is shown as an obligation under finances leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligation and the interest element is charged to the income statement in proportion to the reducing capital element.

Costs in respect of operating leases are charged to income statement on a straight-line basis over the lease term.

Income tax

Corporation tax is provided on taxable profits at the current rate of taxation using laws that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting prepared and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profits other than in business combinations and differences relating to investment in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be sufficient taxable profits to utilise carried forward tax losses and against which the reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Discounting

In accordance with IFRS 3, the fair value of assets or liabilities where cashflows arise in future periods is obtained by discounting to present value the amounts expected to be receivable or payable in the future using a weighted average cost of capital adjusted as appropriate for the specific asset being valued.

Employee benefits

The costs of short-term employee benefits are recognised when an employee has rendered service in exchange for those benefits.

- > Share-based payments
The fair value of employee services received in exchange for the grant of options is recognised as an expense over the vesting period in accordance with IFRS 2. Options are valued using the Black-Scholes option-pricing model. No performance conditions were included in the fair value calculations.
- > Equity-settled transactions
The cost of equity-settled transactions with employees, for awards granted after 7 November 2002 that have vested or will vest after 1 July 2006, is measured by reference to the fair value at the date on which they are granted. The fair value is determined using the Black-Scholes option-pricing model. No performance conditions were included in the fair value calculations.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/ or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

1 Principal accounting policies (continued)**Exceptional items**

The group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance. Material items are those considered significant in relation to profit before taxation.

Discontinued activities

The results of business lines that can be clearly distinguished, operationally and for financial reporting purposes, and have been disposed of in a period are reported separately on the face of the income statement.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in producing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders.

Interest income

Interest income is recognised on a time-apportionment basis using the effective interest method.

Borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2 Financial risk management**Financial risk factors**

The group's activities expose it to a variety of financial risks: market risk (including fair value cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Risk management is carried out by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity.

Market risk*Fair value and cash flow interest rate risk*

The group's only significant interest-bearing asset is the cash balances held. The group's income and operating cash flows are substantially independent of changes in market interest rates.

The group's interest rate risk arises from long-term borrowings and cash balances. Borrowings and deposits are made at variable rates and expose the group to cash flow interest rate risk. During 2009 and 2008 the group's borrowings at variable rate were denominated in the UK pound.

In addition to the natural hedge between borrowings and deposits the group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the group borrowed at fixed rates directly. Under the interest rate swaps, the group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional amounts. The interest rate swap is accounted for at fair value. The value of borrowings hedged using the interest rate swap at 30 June 2009 was £19,333,000 (2008: £20,000,000). This represented 55% of borrowings at year end (2008: 70%).

Price risk

The group is exposed to equity securities price risk because of investments held by the group and classified on the consolidated balance sheet as available-for-sale. Movements in the value of equity securities will impact the value of equity on the balance sheet and may potentially impact the income statement. The group is not exposed to commodity price risk.

Credit risk

Credit risk is the risk that the group will suffer financial loss as a result of counterparties defaulting on their contractual obligations. Exposure to credit risk is monitored on an ongoing basis. The group does not require security in respect of financial assets. Cash deposits are placed with banks which carry a minimum credit rating of AA. At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

For trade and other receivables, an assessment of credit quality of the customer is made where appropriate using a combination of external rating agencies, past experience and other factors. Group policy is not to apply individual credit limits, although exposure and payment performance are monitored closely both at individual project and client level, with a series of escalating debt recovery actions taken where necessary. The group's customer base is broad and dispersed; there are no concentrations of credit risk that would cause concern.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, group treasury aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the group's liquidity reserve (comprises undrawn borrowing facility and cash) on the basis of expected cash flow.

A maturity analysis of financial liabilities is included in note 19.

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 30 June 2009 and 2008 were as follows:

	Year to 30 June 2009 £000	Year to 30 June 2008 £000
Total borrowings (note 19)	35,153	29,228
Less: Cash	(14,094)	(20,081)
Net debt	21,059	9,147
Total equity	89,491	85,027
Total capital	110,550	94,174
Gearing ratio	19.0%	9.7%

The above table does not include contingent consideration of £3,766,000 (2008: £6,911,000) which is included in provisions.

The increase in the gearing ratio during 2009 resulted primarily from restructuring activities to protect margins and increase productivity, investment in recovery working capital and the business acquisition detailed in note 29.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Notes to the financial statements

for the year ended 30 June 2009 (continued)

3 Segmental analysis

For management purposes, the group is organised into five separate service lines and it is on these primary segments that the group is providing disclosure.

The group's activities are undertaken substantially in the United Kingdom and therefore segmental analysis is disclosed for the primary segment only.

The segment results for the year ended 30 June 2009 are as follows:

	Business services £000	Corporate finance £000	Subtotal £000	Corporate recovery £000	Corporate and recovery services £000	Personal financial advice and taxation £000	Central and regional services £000	Group total £000
Turnover	62,334	6,062	68,396	43,745	112,141	38,668	–	150,809
Direct Cost	(38,542)	(5,410)	(43,952)	(24,616)	(68,568)	(23,281)	–	(91,849)
Gross Profit	23,792	652	24,444	19,129	43,573	15,387	–	58,960
Allocated Costs	(12,830)	(1,686)	(14,515)	(9,727)	(24,242)	(4,610)	–	(28,852)
Unallocated Costs	–	–	–	–	–	–	(15,528)	(15,528)
Underlying operating profit/(loss)	10,962	(1,034)	9,929	9,402	19,331	10,777	(15,528)	14,580
Operating profit								14,580
Finance income								367
Finance costs								(2,105)
Impairment of available-for-sale financial asset								(871)
Profit on ordinary activities before income tax								11,971
Tax on profit on ordinary activities								(3,759)
Profit for the financial year								8,212

The segment results for the year ended 30 June 2008 are as follows:

	Business services £000	Corporate finance £000	Subtotal £000	Corporate recovery £000	Corporate and recovery services £000	Personal financial advice and taxation £000	Central and regional services £000	Group total £000
Turnover	64,809	11,203	76,012	30,888	106,900	53,369	–	160,269
Direct Cost	(42,365)	(6,129)	(48,494)	(18,022)	(66,516)	(36,017)	–	(102,532)
Gross Profit	22,445	5,074	27,519	12,866	40,385	17,353	–	57,737
Allocated Costs	(12,573)	(1,623)	(14,197)	(7,507)	(21,704)	(4,224)	–	(29,552)
Unallocated Costs	–	–	–	–	–	–	(17,862)	(14,238)
Underlying operating profit	9,871	3,451	13,322	5,359	18,681	13,128	(17,862)	13,947
Operating profit								13,947
Finance income								851
Finance costs								(2,363)
Profit on ordinary activities before income tax								12,435
Tax on profit on ordinary activities								(3,712)
Profit for the financial year								8,723

The segment assets and liabilities at 30 June 2009 for the year then ended are as follows:

	Business services £000	Corporate finance £000	Subtotal £000	Turnaround and corporate recovery £000	Corporate and recovery services £000	Personal financial advice and taxation £000	Group total £000
Assets:							
Intangible assets	2,593	–	2,593	4,536	7,129	6,673	13,802
Trade receivables	13,770	671	14,441	7,865	22,306	3,334	25,640
Amounts recoverable on contracts	3,597	190	3,787	13,285	17,072	–	17,072
Accrued income	253	–	253	66	319	36	355
	20,213	861	21,074	25,752	46,826	10,043	56,869
Liabilities:							
Deferred income	1,123	–	1,123	744	1,867	1,035	2,902
Accruals	594	5	599	588	1,187	4,297	5,484
	1,717	5	1,722	1,332	3,054	5,332	8,386

Segment assets and liabilities are reconciled to entity assets and liabilities as follows:

	Assets £000	Liabilities £000
Segmental assets/liabilities:	56,869	8,386
Unallocated:		
Intangible assets	73,627	–
Property, plant and equipment	5,213	–
Other available-for-sale financial assets	1,486	–
Prepayments and other receivables	8,452	–
Deferred income tax	4,117	1,935
Corporation tax	–	2,721
Cash	14,094	–
Borrowings	–	35,153
Provisions	–	6,510
Trade and other payables	–	19,662
Total	163,858	74,367

The above unallocated assets/liabilities consist of items that cannot be readily allocated to segments. In particular where acquired businesses operate in a number of segments it is not practicable to apportion intangible assets by segment. Treasury management is performed on a group wide basis and therefore it is not practicable to apportion cash or borrowings by segment.

The segment assets and liabilities at 30 June 2008 for the year then ended are as follows:

	Business services £000	Corporate finance £000	Subtotal £000	Turnaround and corporate recovery £000	Corporate and recovery services £000	Personal financial advice and taxation £000	Group total £000
Assets:							
Intangible assets	–	–	–	4,484	4,484	6,652	11,136
Trade receivables	16,782	1,195	17,977	5,569	23,546	3,722	27,268
Amounts recoverable on contracts	3,569	141	3,710	7,983	11,693	–	11,693
Accrued income	207	–	207	42	249	24	273
	20,558	1,336	21,894	18,078	39,972	10,398	50,370
Liabilities:							
Deferred income	797	–	797	–	797	2,885	3,682
Accruals	1,287	375	1,662	422	2,084	8,438	10,522
	2,084	375	2,459	422	2,881	11,323	14,204

Segment assets and liabilities are reconciled to entity assets and liabilities as follows:

	Assets £000	Liabilities £000
Segmental assets/liabilities:	50,370	14,204
Unallocated:		
Intangible assets	75,370	–
Property, plant and equipment	4,091	–
Other available-for-sale financial assets	1,926	–
Prepayments and other receivables	9,497	–
Deferred income tax	5,024	1,952
Corporation tax	–	2,719
Cash	20,081	–
Borrowings	–	29,228
Provisions	–	10,591
Trade and other payables	–	22,638
Total	166,359	81,332

Notes to the financial statements

for the year ended 30 June 2009 (continued)

4 Employees

The average number of persons (including executive directors) employed during the year was as follows:

	Year ended 30 June 2009 Group	Year ended 30 June 2008 Group	Year ended 30 June 2009 Company	Year ended 30 June 2008 Company
Management and professional staff	1,531	1,474	8	7
Support and administrative staff	389	347	3	3
	1,920	1,821	11	10

Employee numbers at 30 June 2009 were 1,875 (2008: 1,920).

The aggregate payroll costs of these persons was as follows:

	Year ended 30 June 2009 Group	Year ended 30 June 2008 Group	Year ended 30 June 2009 Company	Year ended 30 June 2008 Company
Wages and salaries	84,547	87,417	1,646	1,673
Social security costs	8,535	8,713	176	179
Pension costs	3,295	2,915	18	62
Employee share scheme costs	487	357	147	91
	96,864	99,402	1,987	2,005

5 Profit before tax

	Year ended 30 June 2009 £000	Year ended 30 June 2008 £000
Profit before tax is stated after charging:		
Depreciation of owned assets	1,371	936
Depreciation of assets held under finance leases	435	321
Amortisation of intangible assets	1,986	3,160
Other operating lease rentals	3,425	4,049
Hire of plant and machinery	44	109
Loss on disposal of fixed assets	39	9

During the year the group obtained the following services from the company's auditor and its associates:

	Year ended 30 June 2009 £000	Year ended 30 June 2008 £000
Fees payable to the company's auditor for the audit of parent company and consolidated financial statements	40	38
Fees payable to the company's auditor and its associates for:		
– the audit of the company's subsidiaries	119	115
– other services pursuant to legislation	61	92
	220	245

6 Finance income and costs

	Year ended 30 June 2009 £000	Year ended 30 June 2008 £000
Interest on investments	3	–
Dividend income	62	–
Interest on interest rate hedge	13	18
Deposit interest	228	272
Bank interest	61	561
Total finance income	367	851

	Year ended 30 June 2009 £000	Year ended 30 June 2008 £000
Interest on deferred consideration	359	334
Interest on interest rate hedge	433	–
Bank interest	1,206	1,934
Interest on finance leases	40	19
Interest on pension schemes' liabilities	29	39
Other interest and charges	38	37
Total finance costs	2,105	2,363

7 Exceptional items

Exceptional costs in the year of £3.7m (2008: £1.0m) resulted from some consolidation of operations during the year and a full cost review and the impairment of an asset held for sale. Costs can be analysed as follows:

	Year to 30 June 2009 £000	Year to 30 June 2008 £000
Costs review	1,826	–
Operational changes	890	979
Aborted acquisitions	83	–
Operating exceptional costs	2,799	979
Impairment of available-for-sale financial asset (note 14)	871	–
	3,670	979

In accordance with IAS 39 we have provided £0.9m in relation to the impairment in value of quoted investments held as available-for-sale financial assets. Included within this charge is £0.3m previously charged to reserves in the year to 2008. We consider that this value reflects the impact of temporary movements of share prices in a volatile market, rather than the true underlying value of the business. IAS 39 does not allow for consideration to be given to either the volatile nature of prevailing markets or, in the case of an investment to be held for the longer term, such as this, management's best estimate of long term carrying value. Further, IAS 39 requires any subsequent increase in the market value to be credited back through reserves rather than the income statement. IAS 39 is currently under review.

8 Income tax expense

	Year ended 30 June 2009 £000	Year ended 30 June 2008 £000
UK corporation tax:		
Current tax charge on profit for the year	3,888	3,959
Prior year overprovision	(148)	–
	3,740	3,959
Deferred taxation		
Deferred tax charge/(credit) on profit for the year	19	(240)
Prior year overprovision	–	(7)
	19	(247)
	3,759	3,712

Notes to the financial statements

for the year ended 30 June 2009 (continued)

8 Income tax expense (continued)

The tax on the group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 30 June 2009 £000	Year ended 30 June 2008 £000
Profit on ordinary activities before tax	11,971	12,435
Profit on ordinary activities at standard rate of UK corporation tax at 28% (2008: 29.5%)	3,352	3,668
Effects of:		
Prior year corporation tax (overprovision)	(148)	–
Goodwill amortisation	230	(200)
Expenses not deductible for tax purposes	586	554
Adjustment in respect of overseas tax rates	(291)	–
Capital allowances less than/(in excess of) depreciation	9	(47)
Schedule 23 cost/(benefit)	21	(270)
Short-term timing differences	–	7
	3,759	3,712

The UK corporation tax rate decreased from 30% to 28% from 1 April 2008.

Deferred tax on share option costs amounting to £430,000 (2008: £228,000) was charged directly to equity.

9 Earnings per share

	Earnings £000	Weighted average number of shares '000	Year ended 30 June 2009 earnings per share p	Earnings £000	Weighted average number of shares '000	Year ended 30 June 2008 earnings per share p
Basic earnings per share	8,212	189,993	4.32	8,723	186,039	4.69
Dilutive share options	–	5,208	(0.11)	–	8,692	(0.21)
Diluted earnings per share	8,212	195,201	4.21	8,723	194,731	4.48
Basic earnings per share	8,212	189,993	4.32	8,723	186,039	4.69
Amortisation of intangibles, deferred consideration interest and other exceptional items net of tax effect	4,318	–	2.27	2,876	–	1.54
Adjusted earnings per share	12,530	189,993	6.59	11,599	186,039	6.23
Dilutive share options	–	5,208	(0.17)	–	8,692	(0.27)
Adjusted diluted earnings per share	12,530	195,201	6.42	11,599	194,731	5.96

Earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. The weighted average number of shares in issue during the year to 30 June 2009 are 189,993,000 (2008: 186,039,000).

There are 6,824,000 share options and warrants that give rise to a dilution during the year to 30 June 2009 (2008: 16,914,000). There are 18,955,000 options and warrants in issue that do not give rise to dilution during the year to 30 June 2009 (2008: 7,892,000).

The adjusted earnings per share are calculated and shown in order to demonstrate earnings per share before amortisation of acquired intangibles, interest charged on deferred consideration and exceptional items, as the directors believe this figure more accurately reflects the performance of the group.

The company has no recognised gains and losses for both the periods other than those included in the group income statement, and therefore no separate statement earnings per share has been presented.

10 Dividends per share

The dividend paid in December 2007 and December 2008 were £2,248,000 (1.2 pence per share) and £2,658,000 (1.4 pence per share) respectively.

A dividend in respect of the year ended 30 June 2009 of 1.5 pence per share, amounting to a total expected dividend of £2,861,000 is to be proposed at the Annual General Meeting on 15 December 2009. These financial statements do not reflect this dividend payable.

11 Intangible assets

Group	Goodwill £000	Customer contracts £000	Client relationships £000	Recurring income £000	Computer software £000	Total £000
Cost						
At 1 July 2007	156,066	–	–	1,016	450	157,532
Additions	24	–	–	–	1,786	1,810
Acquisitions	15,196	3,038	2,775	2,857	–	23,866
At 30 June 2008	171,286	3,038	2,775	3,873	2,236	183,208
Acquisitions	1,342	–	–	1,575	–	2,917
Disposals	(8)	–	–	–	–	(8)
At 30 June 2009	172,620	3,038	2,775	5,448	2,236	186,117
Amortisation						
At 1 July 2007	93,534	–	–	8	–	93,542
Amortisation charge	–	2,126	265	319	450	3,160
At 30 June 2008	93,534	2,126	265	327	450	96,702
Amortisation charge	–	912	277	440	357	1,986
At 30 June 2009	93,534	3,038	542	767	807	98,688
Net book amount						
At 1 July 2007	62,532	–	–	1,008	450	63,990
At 30 June 2008	77,752	912	2,510	3,546	1,786	86,506
At 30 June 2009	79,086	–	2,233	4,681	1,429	87,429

Goodwill is tested for impairment in accordance with IAS 36, *Impairment of assets* at least annually.

Goodwill is allocated to the group's cash-generating units (CGUs). The recoverable amount of goodwill for each CGU has been based on value in use as represented by the net present value of future cash flows. Cash flows are projected forward for five years based on approved budgets and plans, beyond which they are inflated by a GDP-based growth factor. They are then discounted using a discount rate based on the group's pre-tax discount rate based on nominal weighted average cost of capital. The pre-tax discount rate used was 6% per annum.

The key assumptions used for each CGU are as follows:

- > 5-year growth rate for revenue and costs 0%-3% (2008: 0%-3%)
- > Post-5-year growth rate 3% (2008: 3%)

The goodwill acquisitions included £705,000 of net asset adjustments relating to prior year acquisitions.

As at 30 June 2009, based on these internal valuations, the recoverable value of goodwill required no impairment.

Notes to the financial statements

for the year ended 30 June 2009 (continued)

12 Property, plant and equipment

Group	Leasehold improvements £000	Motor vehicles £000	Furniture, fixtures and equipment £000	Computer equipment £000	Total £000
Cost					
At 1 July 2007	2,267	78	2,612	8,092	13,049
Additions	449	–	174	1,063	1,686
Acquisitions	–	–	127	178	305
Disposals	(14)	–	(18)	(47)	(79)
At 30 June 2008	2,702	78	2,895	9,286	14,961
Additions	411	–	568	1,978	2,957
Acquisitions	–	–	–	10	10
Disposals	(75)	–	(51)	(20)	(146)
At 30 June 2009	3,038	78	3,412	11,254	17,782
Depreciation					
At 1 July 2007	1,161	64	1,907	6,541	9,673
Disposals	(4)	–	(17)	(39)	(60)
Depreciation charge	315	6	236	700	1,257
At 30 June 2008	1,472	70	2,126	7,202	10,870
Disposals	(53)	–	(37)	(17)	(107)
Depreciation charge	382	4	305	1,115	1,806
At 30 June 2009	1,801	74	2,394	8,300	12,569
Net book amount					
At 1 July 2007	1,106	14	705	1,551	3,376
At 30 June 2008	1,230	8	769	2,084	4,091
At 30 June 2009	1,237	4	1,018	2,954	5,213

The net book value of tangible fixed assets includes an amount of £1,651,000 (2008: £859,000) in respect of assets held under finance leases and a related depreciation charge for the year of £435,000 (2008: £321,000). The cost of these assets at 30 June 2009 is £2,265,000 (2008: £3,156,000).

Company

	Furniture, fixtures and equipment £000	Computer equipment £000	Total £000
Cost			
At 1 July 2007	70	4,201	4,271
Disposals	–	(12)	(12)
At 30 June 2008	70	4,189	4,259
Disposals	–	–	–
At 30 June 2009	70	4,189	4,259
Depreciation			
At 1 July 2007	49	4,098	4,147
Disposals	–	(12)	(12)
Depreciation charge	12	66	78
At 30 June 2008	61	4,152	4,213
Depreciation charge	9	21	30
At 30 June 2009	70	4,173	4,243
Net book amount			
At 1 July 2007	21	103	124
At 30 June 2008	9	37	46
At 30 June 2009	–	16	16

The net book value of tangible fixed assets does not include any assets held under finance leases (2008: £nil) or any related depreciation charge (2008: £16,000).

13 Investments in subsidiaries

	30 June 2009 Company £000	30 June 2008 Company £000
Shares in subsidiary undertakings	41,234	38,856
Loans to subsidiary undertakings	26,250	24,660
	67,484	63,516
	Company shares in subsidiary undertakings £000	Company loans to subsidiary undertakings £000
At 1 July 2008	38,856	24,660
Additions	2,378	1,590
At 30 June 2009	41,234	26,250

The principal subsidiary undertakings are as follows:

Name	Principal activity	% of nominal share capital and voting rights held
Tenon Limited	Business advisory services	100%
Tenon Corporate Finance PLC	Corporate finance	100%
Tenon Financial Services Limited	Financial services	100%
Tenon (Isle of Man) Limited	Trustee services	100%
Tenon Pension Trustees Limited*	Pensions advisory services	100%
Premier Strategies Limited	Strategic tax advisory services	100%

All of the above subsidiaries are registered in England and Wales, except Tenon (Isle of Man) Limited which is registered in the Isle of Man.

* A subsidiary of Tenon Financial Services Limited.

All subsidiaries are included in the consolidated financial statements and have accounting reference dates of 30 June.

The directors believe that the individual value of investments in subsidiary undertakings is not less than the amount at which they are stated in the financial statements.

The company also has a number of other dormant subsidiaries not detailed in the above listing.

14 Available-for-sale financial assets

	30 June 2009 Group £000	30 June 2008 Group £000	30 June 2009 Company £000	30 June 2008 Company £000
Endowment policies	94	69	–	–
Other investments	1,392	1,857	1,369	1,824
	1,486	1,926	1,369	1,824
		Group endowment policies £000	Group other investments £000	Company other investments £000
At 1 July 2008		69	1,857	1,824
Additions		5	100	100
Revaluation		20	(565)	(555)
At 30 June 2009		94	1,392	1,369
			Year ended 30 June 2009 £000	Year ended 30 June 2008 £000
Beginning of year			1,926	324
Additions			105	2,145
Matured policies			–	(162)
Net gains/(losses) transferred to equity			10	(324)
Reversal of prior year revaluation previously transferred to equity			316	–
Income statement charge – impairment			(871)	–
Income statement charge – other			–	(57)
End of year			1,486	1,926
Non-current portion			1,486	1,926
Current portion			–	–

The impairment of £871,000 (2008: £nil) has been included as an exceptional item in note 7.

Notes to the financial statements

for the year ended 30 June 2009 (continued)

14 Available-for-sale financial assets (continued)

Available-for-sale financial assets include the following:

	Year ended 30 June 2009 £000	Year ended 30 June 2008 £000
Listed securities:		
Equity securities – UK	1,369	1,824

All available-for-sale financial assets are denominated in UK sterling.

The equity securities held represent less than 3% holdings in the companies involved.

15 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Group	30 June 2009 £000	30 June 2008 £000
30 June 2009		
Assets as per balance sheet		
Endowment policies	94	69
Other available-for-sale financial assets	1,392	1,857
Trade and other receivables	25,640	27,268
Cash and cash equivalents	14,094	20,081
Total	41,220	49,275
Liabilities as per the balance sheet		
Bank borrowings	33,706	28,635
Obligations under finance leases	1,447	593
Trade payables	3,348	997
Provisions	6,510	10,591
Total	45,011	40,816
Company		
	30 June 2009 £000	30 June 2008 £000
30 June 2009		
Assets as per balance sheet		
Available-for-sale financial assets	1,369	1,824
Cash and cash equivalents	–	16
Total	1,369	1,840
Liabilities as per the balance sheet		
Bank borrowings	33,711	28,635
Obligations under finance leases	1,447	575
Provisions	1,179	1,368
Total	36,337	30,578

The exposure to credit risk of the other financial assets of the group (comprising cash and cash equivalents, available-for-sale financial investments, and certain derivative instruments) arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.

The group's only derivative financial instrument is an interest rate swap with a fair value cost of £1,384,000 (2008: £366,000 asset).

16 Trade and other receivables due within one year

	30 June 2009 Group £000	30 June 2008 Group £000	30 June 2009 Company £000	30 June 2008 Company £000
Trade receivables	29,863	31,348	–	–
Less: Provision for impairment of trade receivables	(4,223)	(4,080)	–	–
Trade receivables – net	25,640	27,268	–	–
Prepayments	5,785	3,715	–	442
Amounts receivable on contracts	17,072	11,693	–	–
Other receivables	3,022	6,055	–	–
Inter-company receivables	–	–	23,156	16,476
Total	51,519	48,731	23,156	16,918

At 30 June 2009 no trade or other receivables are due after more than one year (2008: £nil)

The above represents the fair value of trade and other receivables.

Client invoices are due for payment on issue, however trade receivables that are less than three months old are not considered past due in view of normal client payment patterns. As of 30 June 2009 £25,640,000 (2008: £27,268,000) were past due but not impaired following management review of the receivables. The ageing of these trade receivables from invoice date is as follows:

	Year ended 30 June 2009 £000	Year ended 30 June 2008 £000
Up to 3 months	17,998	19,716
3 to 6 months	3,670	4,212
Over 6 months	3,972	3,340
Total	25,640	27,268

The group trades only with recognised, credit-worthy third parties. Receivable balances are monitored on an ongoing basis with the aim of minimising the group's exposure to bad debts or being unable to realise amounts recoverable on contracts. The maximum exposure is the carrying amount above. There are no significant concentrations of credit risk within the group.

The group has reviewed in detail all items comprising the above past due but not impaired trade receivables to ensure that no impairment exists.

As at 30 June 2009, trade receivables of £4,223,000 (2008: £4,080,000) were impaired and provided for of which £1,142,000 (2008: £166,000) were aged between three and six months and £3,081,000 (2008: £3,914,000) were aged over six months.

Materially all of the group's trade and other receivables are denominated in UK Sterling.

Movements on the group provision for impairment of trade receivables are as follows:

	£000
At 1 July 2008	4,080
New provision for receivables impairment	2,299
Receivables written off during the year as uncollectable	(2,156)
At 30 June 2009	4,223

The creation and release of provision for impaired receivables have been included in "other costs" in the income statement.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The group does not hold any collateral as security.

17 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

The offset amounts are as follows:

	Year ended 30 June 2009 Group £000	Year ended 30 June 2008 Group £000	Year ended 30 June 2009 Company £000	Year ended 30 June 2008 Company £000
Deferred tax assets recoverable after more than 12 months				
– Depreciation in excess of capital allowances	436	378	157	190
– Pensions and other provisions	262	202	32	–
– Share options	473	1,023	33	7
– Business combinations	2,946	3,421	–	–
	4,117	5,024	222	197
Deferred tax liabilities payable after more than 12 months				
– Business combinations	1,935	1,952	869	534
	1,935	1,952	869	534
Deferred tax net assets/(liabilities)	2,182	3,072	(647)	(337)

The gross movement on the deferred income tax account is as follows:

	Group £000	Company £000
At 30 June 2008	3,072	(337)
Acquisition of subsidiaries	(441)	(441)
Income statement (charge)/credit	(19)	131
Tax charged directly to equity in relation to share options	(430)	–
At 30 June 2009	2,182	(647)

Unrecognised deferred tax assets of £244,000 (2008: £nil) exist in relation to the capital loss created on the impairment of available-for-sale financial assets. This asset has not been recognised as management cannot confidently predict the timing of any capital gain creation.

18 Cash

	30 June 2009 Group £000	30 June 2008 Group £000	30 June 2009 Company £000	30 June 2008 Company £000
Cash at bank and on hand	14,094	20,081	–	16

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the group, and earn interest at the respective short term deposit rates.

19 Borrowings

	30 June 2009 Group £000	30 June 2008 Group £000	30 June 2009 Company £000	30 June 2008 Company £000
Non-current:				
Bank borrowings	24,803	24,719	24,803	24,719
Finance leases	954	219	954	219
	25,757	24,938	25,757	24,938
Current:				
Bank borrowings	8,903	3,916	8,908	3,916
Finance leases	493	374	493	356
	9,396	4,290	9,401	4,272
Total borrowings	35,153	29,228	35,158	29,210

The maturity profile of the borrowings is as follows:

	30 June 2009 Group £000	30 June 2008 Group £000	30 June 2009 Company £000	30 June 2008 Company £000
Within one year or on demand	9,396	4,290	9,401	4,272
Between one and two years	4,984	4,649	4,984	4,649
Between two and five years	20,773	20,289	20,773	20,289
	35,153	29,228	35,158	29,210

Bank borrowings are variable rate and mature until 2012. The effective rate of interest for the year was 4.5% (2008: 5.9%) after taking account of the interest rate swap used as a cash flow hedge.

All borrowings are denominated in GBP.

Total borrowings include secured liabilities of £33,706,000 (2008: £28,635,000). These borrowings are secured by a fixed and floating charge over the assets and undertakings of Tenon Group Plc, Tenon Limited, Tenon Corporate Finance Plc and Premier Strategies Limited.

Obligations under finance leases are secured on the assets to which they relate.

The carrying amounts of current and non-current borrowings are not materially different to their fair values.

The group has the following undrawn committed borrowing facilities:

	30 June 2009 £000	30 June 2008 £000
Floating rate		
– expiring within one year	–	–
– expiring beyond one year	10,000	15,000

Notes to the financial statements

for the year ended 30 June 2009 (continued)

20 (a) Defined contribution pension schemes

The group contributes to the personal pension plans of certain of its staff. During the year to 30 June 2009 contributions amounted to £3,295,000 (2008: £2,915,000). At 30 June 2009 outstanding pension contributions amounted to £333,000 (2008: £228,000).

20 (b) Defined benefit schemes

The group operates certain defined benefit arrangements in the UK. These are closed and have no active members. The defined benefit arrangements are unfunded and unapproved and hence no actuarial valuation is required. An internal assessment of the pension cost and provision was carried out at 30 June 2008 and 30 June 2009.

	30 June 2009	30 June 2008	30 June 2007	30 June 2006	30 June 2005
Discount rate	4.75%	6.20%	5.75%	4.75%	4.75%
Rate of increase of pensions in payment	0.00%-1.20%	0.00%-2.00%	0.00%-2.33%	0.00%-1.80%	0.00%-1.80%
Inflation	1.80%	3.00%	3.50%	2.70%	2.70%
Mortality table	92/2001	92/2001	92/2001	92/2001	92/2001

The arrangements are unfunded and hence there are no assets.

	30 June 2009 £000	30 June 2008 £000	30 June 2007 £000	30 June 2006 £000	30 June 2005 £000
Present value of schemes' liabilities and net pension deficit	509	641	732	798	818
Analysis of amount charged to finance costs					
Interest on pension schemes' liabilities	(29)	(39)	(40)	(36)	(43)
Total amount charged	(29)	(39)	(40)	(36)	(43)

Analysis of amounts that have been recognised in the statement of changes in equity

Experience gains/(losses) arising on the schemes' liabilities	65	32	(17)	(63)	(33)
Changes in assumptions underlying the present value of schemes' liabilities	–	(16)	–	–	(33)
Actuarial gains/(losses) in equity	65	16	(17)	(63)	(66)

	30 June 2009 £000	30 June 2008 £000	30 June 2007 £000	30 June 2006 £000	30 June 2005 £000
Movement in deficit during the year					
Deficit in the schemes at the beginning of the year	(641)	(732)	(798)	(818)	(814)
Employer contributions	96	114	89	119	105
Charged to the profit and loss account – other finance costs	(29)	(39)	(40)	(36)	(43)
Disposals	–	–	34	–	–
Actuarial gains/(losses)	65	16	(17)	(63)	(66)
Deficit in the schemes at the end of the year	(509)	(641)	(732)	(798)	(818)

History of experience gains and losses

	30 June 2009 £000	30 June 2008 £000	30 June 2007 £000	30 June 2006 £000	30 June 2005 £000
Experience gains and (losses) on scheme liabilities					
Amount	65	32	(17)	(63)	(33)
Percentage of the present value of the schemes' liabilities	(13%)	(5%)	2%	8%	4%
Total amount recognised in equity					
Amount	65	16	(17)	(63)	(66)
Percentage of the present value of the schemes' liabilities	(13%)	(2%)	2%	8%	8%

Employer contributions for the forthcoming year are expected to be of a similar magnitude to prior years.

21 Provisions for liabilities and charges

Group	Contingent consideration £000	Onerous leases £000	Indemnity commission £000	Leasehold dilapidation £000	Pensions (note 20) £000	Professional indemnity £000	Total £000
At 1 July 2008	6,911	1,219	148	234	641	1,438	10,591
Due on acquisitions	228	–	–	–	–	250	478
Re-classified from accruals	–	151	–	–	–	–	151
Utilised in year	(3,732)	(611)	–	–	–	(420)	(4,763)
Charged/(credited) to the income statement	359	60	–	7	29	(241)	214
Recognised in the statement of changes in equity	–	–	–	–	(65)	–	(65)
Employer contributions	–	–	–	–	(96)	–	(96)
At 30 June 2009	3,766	819	148	241	509	1,027	6,510
2008							
– non-current	3,237	666	99	174	541	938	5,655
– current	3,674	553	49	60	100	500	4,936
	6,911	1,219	148	234	641	1,438	10,591
2009							
– non-current	651	100	99	241	409	627	2,127
– current	3,115	719	49	–	100	400	4,383
	3,766	819	148	241	509	1,027	6,510

Company	Contingent consideration £000
At 1 July 2008	1,368
Due on acquisitions in the year	448
Utilised in year	(750)
Charged to the income statement	113
At 30 June 2009	1,179
2008	
– non-current	618
– current	750
	1,368
2009	
– non-current	204
– current	975
	1,179

Contingent consideration is discounted at the group's weighted average cost of capital and are expected to be fully utilised during the period to February 2011. Other provisions are not discounted and have uncertain utilisation periods.

22 Trade and other payables

	30 June 2009 Group £000	30 June 2008 Group £000	30 June 2009 Company £000	30 June 2008 Company £000
Trade payables	3,348	997	–	–
Social security and other taxes	5,822	7,775	–	–
Accrued expenses	18,878	28,070	2,013	803
Total	28,048	36,842	2,013	803

Trade and other payables are stated at cost.

The directors consider that the carrying value of the group's trade and other payables approximates to their fair value.

Notes to the financial statements

for the year ended 30 June 2009 (continued)

23 Share capital and premium

Group and company	Number of shares 000	Ordinary shares £000	Share premium £000	Total £000
At 30 June 2008	188,620	18,862	27,192	46,054
Employee share option scheme: – proceeds from shares issued	2,123	212	12	224
At 30 June 2009	190,743	19,074	27,204	46,278

2,122,857 10p ordinary shares were issued at 44.0-57.5p per share on seven option exercise dates during the year to 30 June 2009.

The total authorised number of ordinary shares is 300,000,000 shares (2008: 300,000,000) with a par value of 10p per share (2008: 10p per share).

All issued shares are fully paid.

The company operates an Executive Share Option Plan (ESOP) under which the remuneration committee can grant options over shares in the company to employees of the group. The contractual life of an option is normally 10 years. Awards under the ESOP are generally reserved for employees at senior management level and above and 161 employees are currently participating. There are no reload features. Vesting of an option is subject to continued employment. Options were valued using the Black-Scholes option-pricing model. No performance conditions were included in the fair value calculations.

Grant date	07.03.03	22.04.03	22.01.04	21.10.04	25.07.06	24.10.06	04.12.06	04.12.06	11.03.08	31.03.08
Share price at grant date	8.0	18.50	30.5	32.0	25.0	39.0	43.5	43.5	53.8	53.5
Exercise price (pence)	10.0	18.25	30.5	10.0	10.0	10.0	10.0	25.0	54.0	54.0
Number of employees	74	56	2	95	1	1	1	1	11	1
Share options granted ('000)	11,175	1,867	152	7,065	200	125	245	40	7,500	86
HMRC approved scheme	No	Yes	No	No	No	No	No	No	No	No
Shares remaining under option ('000)	2,165	584	50	2,665	200	125	245	40	7,500	86
Vesting period (years)	3	3	3	3	3	3	2	2	3	3
Expected volatility	60%	60%	50%	35%	40%	40%	40%	40%	16%	16%
Expected life (years)	3	3	3	3.5	3	3	2	2	4	4
Expiry date	07.03.13	23.04.13	23.01.14	21.10.14	24.10.16	24.10.16	04.12.16	04.12.16	11.03.18	31.03.18
Risk free rate	3.37%	3.76%	4.43%	4.51%	4.75%	5.25%	5.25%	5.25%	5.02%	5.02%
Dividend yield	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Fair value per option (pence)	3.0	8.0	11.6	23.3	17.5	30.5	34.5	22.0	12.5	11.40
Grant date	02.04.08	15.04.08	16.04.08	17.04.08	18.04.08	21.04.08	25.04.08	29.04.08	09.05.08	16.05.08
Share price at grant date	52.8	51.5	51.8	51.8	51.5	51.8	53.5	56.5	56.8	57.1
Exercise price (pence)	52.7	51.6	54.7	51.8	51.6	52.1	55.2	56.5	56.8	57.1
Number of employees	1	1	1	1	1	1	2	1	1	1
Share options granted ('000)	79	10	48	77	10	38	45	54	26	17
HMRC approved scheme	No	No	No	No	No	No	No	No	No	No
Shares remaining under option ('000)	79	10	48	77	10	38	45	54	26	17
Vesting period (years)	3	3	3	3	3	3	3	3	3	3
Expected volatility	16%	16%	16%	16%	16%	16%	16%	16%	16%	16%
Expected life (years)	4	4	4	4	4	4	4	4	4	4
Expiry date	02.04.18	15.04.18	16.04.18	17.04.18	18.04.18	21.04.18	25.04.18	29.04.18	09.05.18	16.05.18
Risk free rate	5.02%	5.02%	5.02%	5.02%	5.02%	5.02%	5.02%	5.02%	5.02%	5.02%
Dividend yield	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Fair value per option (pence)	11.6	12.0	11.8	11.9	12.1	11.7	13.7	13.0	13.1	13.2
Grant date	12.09.08	16.09.08	19.09.08	30.09.08	30.10.08	01.11.08	05.11.08	13.11.08	27.11.08	
Share price at grant date	58.4	57.0	60.3	57.3	48.9	50.0	53.0	54.0	46.5	
Exercise price (pence)	58.4	57.0	60.3	57.3	48.9	50.0	53.0	54.0	46.5	
Number of employees	1	1	1	2	1	1	1	1	1	
Share options granted ('000)	12	174	49	1,000	20	10	40	20	11	
HMRC approved scheme	No	No	No	No	No	No	No	No	No	
Shares remaining under option ('000)	12	174	49	1,000	20	10	40	20	11	
Vesting period (years)	3	3	3	3	3	3	3	3	3	
Expected volatility	16%	16%	16%	16%	16%	16%	16%	16%	16%	
Expected life (years)	4	4	4	4	4	4	4	4	4	
Expiry date	12.09.18	16.09.18	19.09.18	30.09.18	30.10.18	01.11.18	05.11.18	13.11.18	27.11.18	
Risk free rate	5.02%	5.02%	5.02%	5.02%	5.02%	5.02%	5.02%	5.02%	5.02%	
Dividend yield	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Fair value per option (pence)	13.5	13.1	13.9	13.2	11.30	11.5	12.2	12.5	10.7	

The expected volatility is based on historical volatility over the last three years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life. A reconciliation of option movements over the year to 30 June 2009 is shown below:

In addition the company operates a HMRC approved employee share scheme. 1,475,000 options were granted on 1 July 2008 at an exercise price of 51.75p. The vesting period of 3 years is the expected life and they expire on 1 January 2012. Expected volatility is 16%, dividend yield is 0% and the risk free rate is 5.02%. These assumptions generate a fair value per option of 9.8 pence. At 30 June 2009 247 employees had an interest in 1,330,000 shares under option.

The weighted average fair value of options granted in the year was £318,332 (2008: £1,030,792).

	Year ended 30 June 2009		Year ended 30 June 2008	
	Number 000	Weighted average exercise price	Number 000	Weighted average exercise price
Outstanding at 1 July	16,599	31.36	10,558	10.85
Granted	2,909	54.55	8,093	52.63
Forfeited	(655)	18.38	–	–
Exercised	(2,123)	10.56	(2,052)	10.63
Outstanding at 30 June	16,730	38.70	16,599	31.36
Exercisable at 30 June	5,464	11.07	8,096	10.87

Range of exercise prices	Year ended 30 June 2009				Year ended 30 June 2008			
	Number 000	Weighted average exercise price	Weighted average remaining life:		Number 000	Weighted average exercise price	Weighted average remaining life:	
			Expected	Contractual			Expected	Contractual
£0.00-£0.15	5,400	10.00	0.2	4.9	7,886	10.00	0.1	5.9
£0.16-£0.35	674	19.56	0.0	4.1	821	19.32	0.1	5.1
£0.36-£0.55	10,656	54.08	2.7	8.0	7,892	53.96	3.7	9.7

The weighted average share price during the period for options exercised over the year was £0.53 (2008: £0.58). The total charge for the year relating to employee share based payment plans was £0.5m (2008: £0.4m), all of which related to equity-settled share based payment transactions. After deferred tax, the total charge was £1.0m (2008: £0.7m) of which £0.4m was charged (2008: £0.2m) directly to reserves.

In addition to the above share options Lloyds TSB Bank plc hold a share warrant over 4% of the fully diluted ordinary share capital. These warrants are exercisable at the bank's discretion until 29 April 2011 at a price of 50p per share. No value was attached to the warrant at the date of grant on the grounds of materiality.

24 Other reserves

Group	Merger reserve £000	Investment revaluation reserve £000
At 1 July 2008	26,879	(312)
Revaluation of available-for-sale financial assets	–	316
At 30 June 2009	26,879	4

Company	Merger reserve £000	Investment revaluation reserve £000
At 1 July 2008	1,250	(316)
Issue of ordinary shares	–	316
At 30 June 2009	1,250	–

None of the other reserves are distributable.

Notes to the financial statements

for the year ended 30 June 2009 (continued)

25 Retained earnings

	Retained earnings group £000	Retained earnings company £000	Share based payment reserve company £000
At 1 July 2008	12,406	1,730	1,879
Profit/(loss) for the year	8,212	(1,167)	–
Dividends paid	(2,658)	(2,658)	–
Dividends received	–	7,000	–
Employee share scheme costs	487	148	–
Deferred tax on share option scheme	(430)	(19)	–
Fair value losses on cash flow hedges	(1,752)	(1,752)	–
Actuarial gain recognised on pension schemes	65	–	–
Subsidiary undertaking employee share scheme costs	–	–	339
At 30 June 2009	16,330	3,282	2,218

Retained earnings and the share based payment reserve are fully distributable.

26 Analysis and reconciliation of movement in net debt

Group	1 July 2008 £000	Cash flow £000	Non-cash items £000	30 June 2009 £000
Cash balances				
Cash at bank and in hand	20,081	(5,987)	–	14,094
Debt				
Bank loans due within one year	(3,916)	(5,000)	13	(8,903)
Bank and other loans due after one year	(24,719)	–	(84)	(24,803)
Finance leases due within one year	(374)	(244)	125	(493)
Finance leases due after one year	(219)	(610)	(125)	(954)
	(29,228)	(5,854)	(71)	(35,153)
Net debt	(9,147)	(11,841)	(71)	(21,059)

Company	1 July 2008 £000	Cash flow £000	Non-cash items £000	30 June 2009 £000
Cash balances				
Cash at bank and in hand	16	(16)	–	–
Debt				
Bank loans due within one year	(3,916)	(5,005)	13	(8,908)
Bank and other loans due after one year	(24,719)	–	(84)	(24,803)
Finance leases due within one year	(356)	(244)	107	(493)
Finance leases due after one year	(219)	(610)	(125)	(954)
	(29,210)	(5,859)	(89)	(35,158)
Net debt	(29,194)	(5,875)	(89)	(35,158)

27 Contingencies

The group has guaranteed a £5 million overdraft facility (2008: £5 million) for Tenon Audit Limited. These arrangements are described more fully in note 32. At 30 June 2009 £2,991,000 (2008: £1,840,000) of the facility had been utilised.

28 Commitments

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	Year ended 30 June 2009 £000	Year ended 30 June 2008 £000
Property, plant and equipment	267	353
Intangible assets	595	1,191
	862	1,544

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2009			30 June 2008		
	Land and buildings £000	Other £000	Total £000	Land and buildings £000	Other £000	Total £000
Expiring within one year	3,156	135	3,291	1,782	388	2,170
Expiring between two and five years	6,172	80	6,252	5,342	318	5,660
Expiring in five or more years	4,803	74	4,877	4,431	–	4,431
	14,131	289	14,420	11,555	706	12,261

29 Business combinations

The group purchased HWSEG Limited during February 2009 for a total estimated consideration of £2,086,000. The acquisition was in the form of a purchase of a company and all voting capital was acquired. An adjustment was required to the book values of the assets and liabilities of the business acquired in order to present the net assets of the business at fair values in accordance with group accounting policies, details of which are set out below together with the resultant amount of goodwill arising. The purchase was accounted for as an acquisition. The operating assets and liabilities of the acquisition made during the year are detailed below.

Post acquisition contribution to the group's profit was £22,000 (revenue: £487,000). Annualised annual profit contribution would have been £352,000 (revenue: £1,500,000).

HWSEG Limited

	Book value at acquisition £000	Fair value adjustment £000	Provisional fair value to group £000
Intangible assets	–	1,575	1,575
Property, plant and equipment	10	–	10
Trade and other receivables	496	–	496
Cash at bank net of overdraft	33	–	33
Trade and other payables	(224)	–	(224)
Deferred tax on business combinations	–	(441)	(441)
Net assets	315	1,134	1,449
Goodwill			637
			2,086
Satisfied by			
Cash			1,548
Contingent deferred cash consideration (discounted)			448
			1,996
Costs of acquisition			90
			2,086

30 Related party transactions

The company did not sell any goods or services to subsidiaries during the year (2008: £nil). The company did not purchase any goods or services from its subsidiaries during the year (2008: £nil). Certain costs incurred by the company are re-allocated to the subsidiaries.

(a) Group and company Directors

	Year ended 30 June 2009 £000	Year ended 30 June 2008 £000
Aggregate emoluments	1,710	1,662
Aggregate gains made on the exercise of share options	–	241
Company contributions to money purchase pension schemes	–	5
	1,710	1,908

The directors comprise the key management of the group, refer to the directors' emoluments section of the remuneration report for further details of remuneration of directors employed by the company.

(b) Company year end balances with subsidiaries

	Year ended 30 June 2009 £000	Year ended 30 June 2008 £000
Balances receivable	16,156	16,476

31 Events after the balance sheet date

In the opinion of the directors there are no events after the balance sheet date which require disclosure in accordance with IAS 10.

32 Tenon Audit Limited

When acquiring a business the group does not acquire the audit practice. The audit practice is separately acquired by Tenon Audit Limited ("Tenon Audit"), an independent company and registered auditor owned by certain of the former audit partners of the acquired practices.

Tenon Audit is registered to carry on audit work by the Institute of Chartered Accountants in England and Wales. Certain undertakings as to the conduct of its business were required by the Audit Registration Committee. There are extensive and detailed arrangements in place to maintain the independence of Tenon Audit.

The company provides certain services (including the use of facilities, personnel, office services, etc) to Tenon Audit, which the directors consider to be on an arm's length basis. The amount charged to Tenon Audit for such services in the 12 months to 30 June 2009 amounted to £14,280,000 (2008: £13,466,000) and the amount due from Tenon Audit as at 30 June 2009 totalled £2,255,000 (2008: £2,979,000). No interest is charged on outstanding short term balances with Tenon Audit.

In addition the company has guaranteed the bank overdraft facility of Tenon Audit, which amounted to £2,991,000 as at 30 June 2009 (2008: £1,840,000). The company charged Tenon Audit £80,000 for the year ended 30 June 2009 (2008: £80,000) for the provision of the guarantee.

Directors

Arthur Leonard Robert Morton	Chairman*
Andy Paul Raynor	Chief executive
Carl Stuart Jackson	Director
Russell Sinclair McBurnie	Finance director
Adrian Howard Martin	Deputy Chairman*
John Anthony Newman	Director*

All of 66 Chiltern Street,
London W1U 4GB

* Non-executive

Company secretary and registered office

Christopher Charles Crouch
66 Chiltern Street
London W1U 4GB

Registered number

3931297

Nominated adviser and brokers

Numis Securities Limited
10 Paternoster Square
London EC4M 7LT

Altium Capital Limited
30 St James's Square
London SW1Y 4AL

Independent auditors

PricewaterhouseCoopers LLP
Chartered accountants and statutory auditors
101 Barbirolli Square, Lower Mosley Street
Manchester M2 3PW

Solicitors

Macfarlanes
20 Cursitor Street
London EC4A 1LT

Principal bankers

Lloyds TSB Bank plc
39 Threadneedle Street
London EC2R 8AU

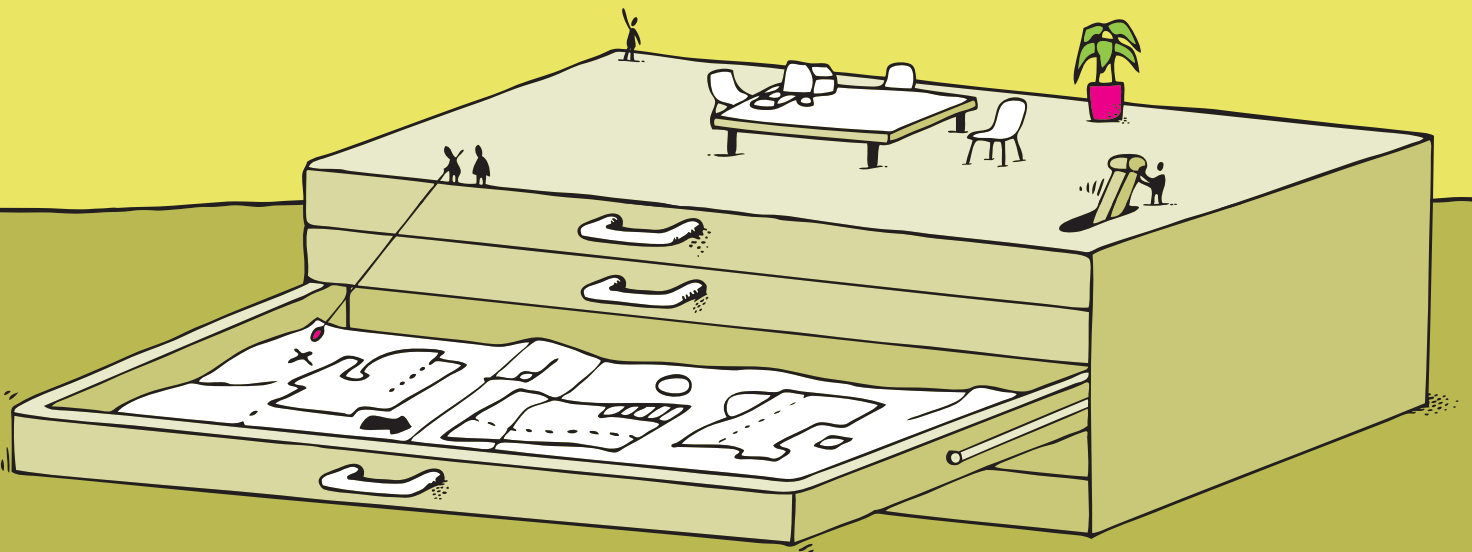
Registrars and receiving agents

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Financial public relations adviser

College Hill Associates Limited
The Registry
Royal Mint Court
London EC3N 4QN

**The way we do
what we do is very
important to us.**



Our coherent corporate social responsibility (CSR) programme encompasses three key strands:

- > Our people
- > Environment
- > Supporting the community and charities

Our people

We treat all of our people as individuals, with fairness and respect, in the same way that we always conduct our business with honesty and integrity. These same core principles underpin our policies on the environment and with local communities and charities.

Tenon treats every meeting as a business conversation that, if planned carefully, can grow both Tenon's business and the client's. A sales team structure normally seen in a brand led business has been established, including a comprehensive sales manual and generous incentives. We've also created a series of training seminars, held in Tenon offices throughout the UK.

Central to the brand commitment is the Tenon Academy which is developing future generations of Tenon directors and business advisers to support further growth. The Academy has achieved platinum accreditation by the Association of Chartered Certified Accountants (ACCA).

As a national employer, we naturally have robust policies on equal opportunity, fairness and diversity. As a progressive employer, however, we go far beyond such statutory requirements.

Other initiatives that benefit our employees include:

- > Option to purchase additional holiday
- > Flexible working hours
- > Option to apply for home-working
- > Free eye test and vouchers towards the cost of glasses
- > Option to apply for sabbatical leave

Environment

Tenon has a strong environmental policy and we are always looking for ways in which we can improve this. We focus on a number of key areas:

- > **Recycling of used materials**
waste disposal and minimisation
- > **Energy efficiency**
heating and lighting
- > **Transport and car parking**
car sharing, public transport, bike scheme
- > **Cleaning and maintaining office buildings**
using environmentally-friendly products
- > **Sourcing of raw materials**
purchasing sustainable office equipment and supplies
- > **Green champions in all our offices**
to promote environmentally friendly use of materials and to minimise waste.

Supporting the community and charities

Care for our environment goes hand-in-hand with care for all those who live in it. We wholeheartedly believe in supporting local charities, with each office choosing their own charity and the way in which they support it.


We also have a dedicated charity portal on our intranet called Tenon Giving which allows staff to outline their cause and bid for funding which can be used for donations or put to good causes in other ways.

Our people and the way we develop and look after them is **our number one priority.**



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Registered no. 3931297

Tenon is an independent member of  *Morison International*

