



Press Release

9 April 2013

**Frenkel Topping Group plc**

(“the Company” or, together with its subsidiaries, “the Group”)

**PRELIMINARY RESULTS FOR YEAR ENDED 31 DECEMBER 2012**

Frenkel Topping, a leading provider of specialist independent financial advice on the investment of personal injury damages and clinical negligence awards, today announces its preliminary results for the year ended 31 December 2012.

**Highlights**

- Group revenue increased by 5% to £4,783k
- Profit from operations before share based compensation and provisions up by 25% to £1,108k
- Profit before tax up by 21% to £1,030k
- Funds in the Investment Management Service increased by 16% to £483m
- Net asset value, before non-controlling interests, increased to £6.08m (2011: £5.68m)
- Dividend increase to 0.30 pence proposed (2011: 0.176)
- Implementation of Retail Distribution Review (“RDR”) successfully achieved

	<b>Year ended 31 Dec 2012</b>	<b>Year ended 31 Dec 2011</b>
Revenue	£4,783,714	£4,567,436
Gross profit	£2,883,017	£2,661,113
Profit from operations before share based compensation and provisions	£1,108,953	£890,606
Profit before taxation	£1,030,528	£853,437
Funds in the Investment Management Service	£483m	£416m
Earnings per ordinary share – basic (pence)	1.09p	1.11p
Earnings per ordinary share – basic (diluted)	1.05p	1.05p

David Southworth, Chairman of Frenkel Topping, commented: “The Group has continued to successfully grow profit, Funds in the Investment Management Service and recurring income, and the Board is pleased with the further progress that has been made during the period.

”The Group’s strategy for further growth remains to focus on driving organic growth and client retention. The Board is confident about the future for Frenkel Topping, and this confidence is reflected in the increased dividend for the period.”

**-Ends-**

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**Notes to Editors:**

Frenkel Topping Limited (Frenkel Topping) is the trading subsidiary of Frenkel Topping Group Plc.

Frenkel Topping provides specialist independent financial advice on the investment of personal injury damages and clinical negligence awards. Frenkel Topping offers a complete service for all personal injury claims handlers, lawyers and individual clients, dealing with awards from a few thousand pounds to multi-million pound cases. Frenkel Topping’s expertise includes asset protection, bespoke investment portfolios, analysis of periodical payments, Court of Protection portfolios and provision and setting up of trustee and receivership bank accounts. Frenkel Topping has £483m of client’s funds in its investment management service.

## **CHAIRMAN'S STATEMENT**

### **Results**

On behalf of the Board, I am pleased to report another period of strong growth for the Group. We have continued to build on the Group's strengths by supporting litigation professionals in clinical negligence and personal injury claims and by providing clients with investment solutions from global partners, which would otherwise be unavailable to them. We have also maintained our discipline on costs and have significantly improved operational efficiency, through the introduction of a new technology platform with an integrated administration software solution.

Despite an uncertain backdrop for the broader financial services industry, we believe the Group is in a strong position to continue to deliver positive financial results for our shareholders, whilst maintaining a steady level of investment required to grow our business.

The Group has improved its profitability, whilst increasing its cash resources and for the year ended 31 December 2012, achieved a profit from operations before share based compensation of £1,108,953 (2011: £890,606) and a profit before taxation of £1,030,528 (2011: £853,437), representing an increase of 21% over last year.

The Group generated £604,951 of cash from its operating activities during the year (2011: £711,102). This slight reduction from last year is due to the Group's strategic decision to focus on increasing the amount of Expert Witness Reports that it undertakes as part of the Group's new business. These reports are recovered as part of the cost of the action from the defendant. Whilst the payment of the fees is delayed until the costs of the case are settled, these cases should increase the pipeline of future clients who will need financial advice, therefore providing a significant future opportunity for the Group.

At the year end the Group's net cash balance was £352,275 (2011: 235,361), with no requirements for long term debt financing. The Group is operating well within its current bank facilities.

The net asset value of the Group, before non-controlling interests, at 31 December 2012 increased to £6,078,197 (2011: £5,684,048).

The Board is pleased to report that on the 11 February 2013, the Group purchased the remaining 17% minority interest holding in its trading subsidiaries. The Group now owns 100% of these trading subsidiaries, which the Board believes is a positive development for the Group and for shareholders.

## **Operations**

The Group strategy of driving organic growth and ensuring maximum client retention has resulted in the total Funds in Investment Management Services (“FIMS”) increasing by 16% to £483 million as at 31 December 2012 (2011: £416 million). The considerable growth achieved in the FIMS in recent years during a period of significant uncertainty in the financial services sector is a notable achievement and one which the Board believes reflects the service we provide to our clients, our brand enhancement and the strength of our relationships with our partners and professional introducers. The Group has continued to recruit high calibre individuals authorised to conduct client business, which has contributed to an increase in the level of new business fees and new client assets into the FIMS.

During 2012 the Group has successfully implemented its new technology platform and administration software solution which provides our clients with increased access to leading fund management products that would not otherwise be available to them. We believe the utilisation of this platform will provide a clear differentiation between our competitors and ourselves in the marketplace.

## **Dividends**

The Board is pleased to recommend an increased dividend payment of £188,875 (2011: £100,000), representing 0.30 pence per share (2011: 0.176 pence per share) for the period, which is covered 3.6 times by earnings. The proposed dividend remains subject to shareholder approval at the AGM on 29 May 2013 and will be paid on 7 June 2013 to shareholders on the register at close of business on 19 April 2013. The shares will trade ex-dividend on 17 April 2013.

## **Prospects**

As a result of the implementation of the RDR in January 2013, the financial services industry has entered into a period of significant change. The Group has successfully operated to the heightened standards imposed by the RDR for a number of years and the Board believes that our early adoption in this area should generate additional opportunities for the Group.

The Group is continuing to build relationships with global investment partners and we believe our approach of investing clients’ assets with a cautious outlook, along with a high level of service, will continue to create value for our shareholders in future years.

The Group is financially robust and continues to deliver profitable growth. We have strong relationships with key partners in the industry as well as having a high quality team of employees. As a result of these factors the Board continues to view the future with confidence.

**David Southworth**

Chairman

9 April 2013

## GROUP INCOME STATEMENT

For the year ended 31 December 2012

	<i>Notes</i>	<b>2012</b> £	<b>2011</b> £
REVENUE		4,783,714	4,567,436
Direct staff costs		<u>(1,900,697)</u>	<u>(1,906,323)</u>
GROSS PROFIT		2,883,017	2,661,113
ADMINISTRATIVE EXPENSES			
Share based compensation		(67,966)	(26,967)
Other		<u>(1,774,064)</u>	<u>(1,770,507)</u>
TOTAL ADMINISTRATIVE EXPENSES		<u>(1,842,030)</u>	<u>(1,797,474)</u>
Profit from operations before share based compensation		1,108,953	890,606
- share based compensation		<u>(67,966)</u>	<u>(26,967)</u>
PROFIT FROM OPERATIONS		1,040,987	863,639
Finance costs		<u>(10,459)</u>	<u>(10,202)</u>
PROFIT BEFORE TAX		1,030,528	853,437
Income tax expense	4	<u>(275,027)</u>	<u>(98,836)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>755,501</u>	<u>754,601</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of parent undertaking		602,270	607,490
Non controlling interest		<u>153,231</u>	<u>147,111</u>
		<u>755,501</u>	<u>754,601</u>
Earnings per ordinary share – basic (pence)	5	1.09p	1.11p
Earnings per ordinary share – diluted (pence)	5	<u>1.05p</u>	<u>1.05p</u>

The results for the period are derived from continuing activities.

## GROUP STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	2012 £	2011 £
<b>ASSETS</b>		
<b>NON CURRENT ASSETS</b>		
Goodwill	5,095,287	5,095,287
Property, plant and equipment	47,232	22,515
Intangible assets	-	25,000
Deferred taxation	56,850	81,957
	<u>5,199,369</u>	<u>5,224,759</u>
<b>CURRENT ASSETS</b>		
Accrued income	1,006,842	912,729
Trade receivables	748,307	343,913
Other receivables	113,810	68,270
Cash and cash equivalents	1,435,217	958,252
	<u>3,304,176</u>	<u>2,283,164</u>
<b>TOTAL ASSETS</b>	<u><b>8,503,545</b></u>	<u><b>7,507,923</b></u>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	290,447	283,668
Share premium account	-	-
Own shares reserve	(270,656)	(99,356)
Retained earnings/deficit	6,058,406	5,499,736
Other reserve	-	-
	<u>6,078,197</u>	<u>5,684,048</u>
<b>EQUITY ATTRIBUTABLE TO HOLDER OF PARENT</b>	<u><b>6,078,197</b></u>	<u><b>5,684,048</b></u>
Non controlling interests	597,375	432,429
	<u>6,675,572</u>	<u>6,116,477</u>
<b>TOTAL EQUITY</b>	<u><b>6,675,572</b></u>	<u><b>6,116,477</b></u>
<b>NON CURRENT LIABILITIES</b>		
Obligations under finance lease	22,130	-
	<u>22,130</u>	<u>-</u>
<b>CURRENT LIABILITIES</b>		
Financial liabilities	1,082,942	722,891
Current taxation	100,675	47,866
Trade and other payables	612,570	610,904
Provisions	9,656	9,785
	<u>1,805,843</u>	<u>1,391,446</u>
<b>TOTAL LIABILITIES</b>	<u><b>1,827,973</b></u>	<u><b>1,391,446</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u><b>8,503,545</b></u></u>	<u><u><b>7,507,923</b></u></u>

## GROUP STATEMENT OF CHANGE IN EQUITY

For the year ended 31 December 2012

	Share Capital £	Share Premium £	Own shares Reserve £	Retained earnings/(losses) £	Total controlling interest £	Non controlling interests £	Total £
Balance 1 January 2011	274,262	5,744,876	(12,500)	(874,953)	5,131,685	280,674	5,412,359
New Shares issued	9,406	-	-	-	9,406	-	9,406
Transfer of shares arising on exercise of options	-	-	12,500	-	12,500	-	12,500
Share based compensation	-	-	-	22,323	22,323	4,644	26,967
Cancellation of Share Premium Account	-	(5,744,876)	-	5,744,876	-	-	-
Own Shares purchased	-	-	(99,356)	-	(99,356)	-	(99,356)
Profit and total comprehensive income for the period	-	-	-	607,490	607,490	147,111	754,601
Balance 1 January 2012	283,668	-	(99,356)	5,499,736	5,684,048	432,429	6,116,477
New Shares issued	6,779	-	-	-	6,779	-	6,779
Dividend paid	-	-	-	(99,851)	(99,851)	-	(99,851)
Share based compensation	-	-	-	56,251	56,251	11,715	67,966
Profit and total comprehensive income for the period	-	-	-	602,270	602,270	153,231	755,501
Own Shares purchased	-	-	(171,300)	-	(171,300)	-	(171,300)
Balance 31 December 2011	290,447	-	(270,656)	6,058,406	6,078,197	597,375	6,675,572



- The share capital reserve represents the number of shares issued at nominal price.
- The own shares reserve represents the cost of 1,749,293 (2011:694,806) shares held by an employee benefit trust. The open market value of the shares held at 31 December 2012 was £310,500 (2011: £102,484).
- Retained earnings/(losses) represent the profit/(loss) generated by the Group since trading commenced, together with dividends paid, share premium cancelled and share based payments and credits.
- The non controlling interests represent the value of the subsidiary owned outside the Group.
- The Group has conformed with all capital requirements as imposed by the FSA.

## GROUP CASH FLOW STATEMENT

For the year ended 31 December 2012

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
<b>Profit before tax</b>	1,030,528	853,437
Adjustments to reconcile profit for the year to cash generated from operating activities:		
Finance cost	10,459	10,202
Share based compensation	67,966	26,967
Depreciation and amortisation	43,179	36,991
Increase in accrued income, trade and other receivables	(544,047)	(137,979)
(Decrease)/increase in trade and other payables	(3,134)	(78,516)
<b>Cash generated from operations</b>	604,951	711,102
<b>Income tax paid</b>	(197,111)	(318,788)
<b>Cash generated from operating activities</b>	407,840	392,314
<b>Investment activities</b>		
Acquisition of property, plant and equipment	(9,396)	(13,377)
<b>Cash used in investing activities</b>	(9,396)	(13,377)
<b>Financing activities</b>		
Shares issued	6,779	9,406
Dividend paid	(99,851)	-
Interest on loans and borrowings	(10,158)	(10,722)
Finance lease repayments	(7,000)	-
Own shares purchased	(171,300)	(99,356)
<b>Cash used in financing</b>	(281,530)	(100,672)
<b>Increase in cash and cash equivalents</b>	116,914	278,265
<b>Opening cash and cash equivalents</b>	235,361	(42,904)
<b>Closing cash and cash equivalents</b>	352,275	235,361
<b>Reconciliation of cash and cash equivalents</b>		
Cash at bank and in hand	1,435,217	958,252
Overdraft	(1,082,942)	(722,891)
<b>Closing cash and cash equivalents</b>	352,275	235,361

Cash and cash equivalents are held at National Westminster Bank Plc.

## **1. GENERAL INFORMATION**

The preliminary financial information does not constitute full accounts within the meaning of section 434 of the Companies Act 2006 but is derived from accounts for the years ended 31 December 2012 and 31 December 2011. The figures for the year ended 31 December 2012 are audited. The preliminary announcement is prepared on the same basis as set out in the statutory accounts for the year ended 31 December 2012. Those accounts, upon which the auditors issued an unqualified opinion, did not include a reference to any matters to which the auditors drew attention by way of emphasis, without qualifying their report, and made no statement under section 498(2) or (3) of the Companies Act 2006, will be delivered to the Registrar of Companies following the Annual General Meeting.

Statutory accounts for the year ended 31 December 2011 have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis, without qualifying their report, and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), this announcement does not in itself contain sufficient information to comply with IFRSs.

Frenkel Topping Group Plc is incorporated and domiciled in the United Kingdom.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **GOING CONCERN**

The financial statements are prepared on a going concern basis, which assumes the Group will continue in operational existence for the foreseeable future. The Group's ability to meet its future working capital requirements and therefore continue as a going concern is dependent upon it being able to generate significant revenues and free cash flow and the availability of bank facilities. The current facility has been secured until 31 January 2014 and the Directors do not foresee a problem in securing funding after this date. The Directors have prepared projections which they consider to be prudent and demonstrate that the business can operate within its existing cash resources, and have identified a series of realistically achievable actions that they are committed to taking to mitigate the rate of cash outflow should revenues not be secured as predicted.

## **3. REVENUE AND SEGMENTAL REPORTING**

All of the Group's revenue arises from activities within the UK. Management considers there to be only one operating segment within the business based on the way the business is organised and the way results are reported internally.

#### 4. TAXATION

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
ANALYSIS OF CHARGE IN YEAR		
Current Tax		
UK corporation tax	244,612	160,118
Adjustments in respect of previous periods	5,308	-
	<hr/>	<hr/>
Total current tax charge	249,920	160,118
Deferred tax		
Adjustments in respect of previous periods	-	-
Temporary differences, origination and reversal	25,107	(61,282)
	<hr/>	<hr/>
Total deferred tax charge	25,107	(61,282)
	<hr/>	<hr/>
Tax on profit on ordinary activities	275,027	98,836

#### FACTORS AFFECTING TAX CHARGE FOR YEAR

The tax assessed for the period is higher than the standard rate of corporation tax in the UK 24.5% (26.5%). The differences are explained below:

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Profit before taxation	1,030,528	853,437
	<hr/>	<hr/>
Profit multiplied by standard rate of corporation tax in the UK of 26.5% (2010: 28%)	252,479	226,161
EFFECTS OF:		
Expenses not deductible	19,557	28,140
Exercise of share options	(25,620)	(91,102)
Share based payments	16,652	(54,136)
Other charges/ (deductions) in period	11,959	(10,227)
	<hr/>	<hr/>
Total tax expense for year	275,027	98,836

## 5. EARNINGS PER SHARE

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

	2012 £	2011 £
<i>Earnings</i>		
Earnings for the purposes of basic earnings per share (net profit for the year attributable to equity holders of the parent)	602,270	607,490
Earnings for the purposes of diluted earnings per share	602,270	607,490
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purposes of basic earnings per share		
Weighted average shares in issue	57,186,784	55,481,199
Less: own shares held	(1,794,292)	(694,807)
	<hr/>	<hr/>
	55,437,492	54,786,392
Effect of dilutive potential ordinary shares:		
- Share options	<hr/>	<hr/>
	1,731,385	2,986,416
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>57,168,877</u>	<u>57,772,808</u>

There are a further 2,932,116 (2011: 2,682,116) share options in issue which have not been included in the above calculation of diluted earnings per share as they are antidilutive as at 31 December 2012. On 11 February 2013, the company issued 4,225,346 ordinary shares of 0.5 pence per share as consideration for the acquisition of the balance of share in Frenkel Topping Limited and Frenkel Topping Structured Settlements that it did not already own.

## 6. BASIS OF THE PRELIMINARY ANNOUNCEMENT

The board of directors of Frenkel Topping Group Plc approved the Preliminary Results on 8 April 2013.

The statutory accounts for the year ended 31 December 2012 will be delivered to the Registrar of Companies following the Annual General Meeting. The statutory accounts will be posted to shareholders on 15 April 2013. Further copies will be available to the public, free of charge, at the company's registered office, 4<sup>th</sup> Floor, Statham House, Talbot Road, Old Trafford, Manchester, M32 0FP and the Company's website at [www.frenkeltopping.co.uk](http://www.frenkeltopping.co.uk)

## 7. SUBSEQUENT EVENTS

On the 11 February 2013 the Group purchased the 17% minority holding in the trading subsidiaries in exchange for the issue of 4,225,346 ordinary shares of the Company having a market value of £950,703.

## 8. ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 29 May 2013 at 10 am at Addleshaw Goddard LLP, 100 Barbirolli Square, Manchester, M2 3AB.

- Ends -