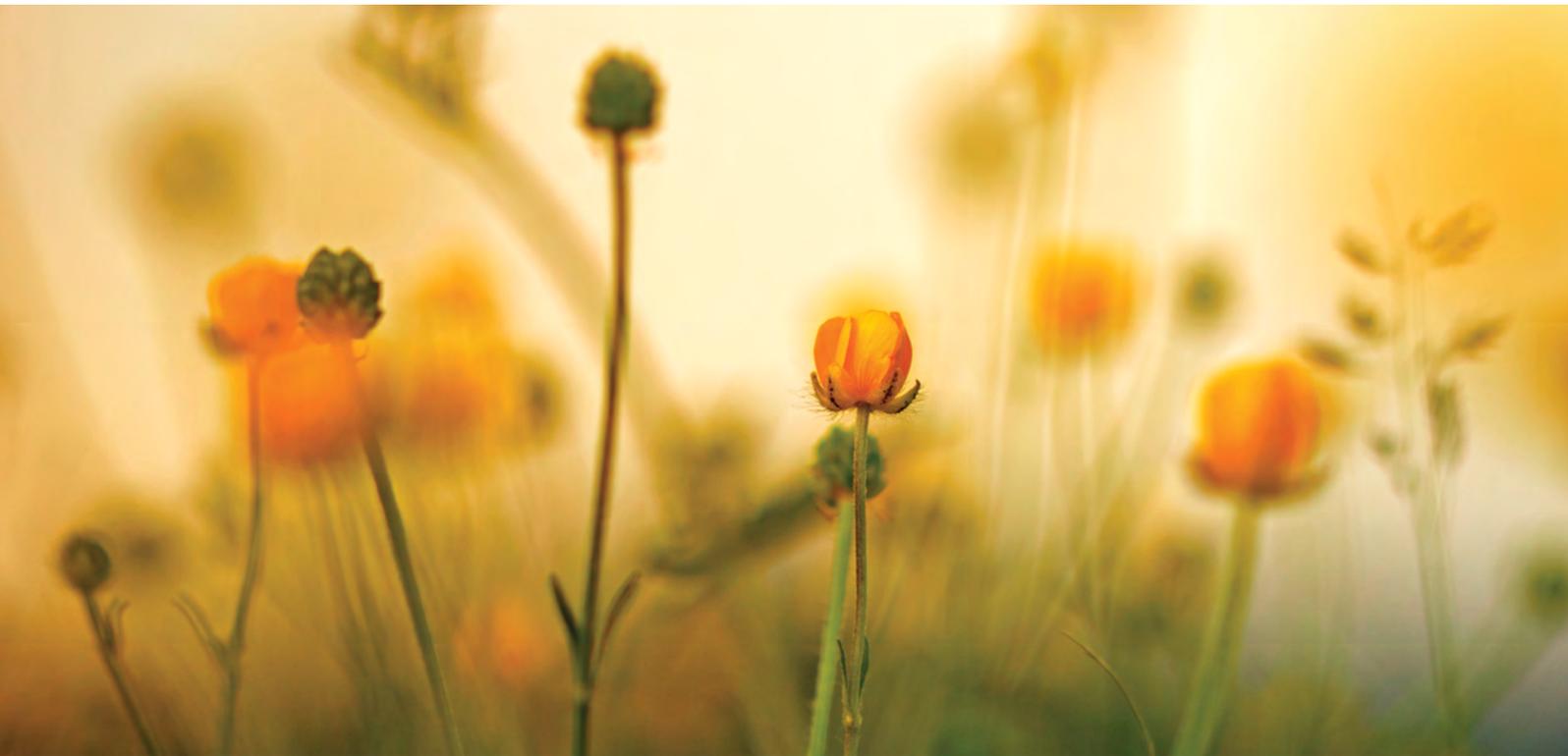




## Frenkel Topping Group Plc

Financial Statements  
for the year ended 31 December 2013



**INVESTOR IN PEOPLE**

Registration number 4726826

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**Frenkel Topping provides specialist independent financial advice on the investment of personal injury damages and clinical negligence awards.**

## Highlights

Revenue increased to **£5.5m** (2012: £4.8m)

Gross profit margin increased to **64%** from **60%**

Profit from operations before share based compensation margin increased to **26%** from **23%**

Profit from operations before share based compensation increased by **30%** to **£1,437k**

Funds in the Investment Management Service increased to **£558m**

Dividend cover increased to 3 times cover of 0.58 pence per share

Cashflow from operations increased **282%** to **£1.7m**

Net cash balance increase to **£1.5m** (2012: £0.4m)

99% client retention rate maintained for fifth year running

	2013	2012
Revenue	£5,508k	£4,784k
Gross Margin	£3,548k	£2,883k
Profit From Operations before share based compensation	£1,437k	£1,109k
Profit Before Tax	£1,392k	£1,030k
Cash From Operations	£1,717k	£605k
Funds In The Investment Management Service	£558m	£483m
Recurring Income *	£3.8m	£3.2m

The numbers above relate to the consolidated position of the Group.

\* Recurring income is defined as revenue generated from the Group's bank of clients that will re-occur each year providing the client is retained by the Group.

## RESULTS

On behalf of the Board, I am pleased to report another record set of results for the Group. There has been significant progress across the business despite the period being one of considerable change with regard to legal and welfare benefit reforms. The Group's leading technology platform is now in place and is successfully underpinning our best of breed fund management, ensuring that the Group is not committed to one particular fund manager. In particular, the Board is pleased to report that once again, the Group has maintained its 99% client retention rate for the period.

The results for the period show a profit before taxation of £1,392,071 (2012: £1,030,528), representing a 35% increase over the previous year. The profit from operations before share based compensation has increased by 30% to £1,436,703 (2012: £1,108,953).

The Group has increased its gross profit margin to 64% (2012: 60%), and its profit from operations margin to 26% (2012: 23%), both notable achievements.

With stringent working capital controls in place, the Group has generated £1,717,362 of cash from its operating activities during the year (2012: £604,951). At the year end the Group's net cash balance was £1,524,551 (2012: £352,275), with no requirements for external financing.

The total equity of the Group, before non-controlling interests, at 31 December 2013 had increased to £7,536,963 (2012: £6,078,197).

The Board was pleased to report that on 11 February 2013, the Group purchased the remaining 17% non-controlling interest in its trading subsidiaries.

## OPERATIONS

During 2013 the Group invested over £85 million of new clients' assets (excluding cash), another record achievement, which takes the total Funds in Investment Management Services ("FIMS") as at 31 December 2013 to £558 million (December 2012: £483 million). In addition the Board is pleased to have recorded its fifth consecutive year of retaining 99% of its clients for the FIMS service.

We have continued our investment in the Frenkel Topping brand, which has enabled us to become the market leader in our niche area of financial advice. The Group has plans to extend its coverage in the legal marketplace even further, in order to take advantage of the many changes and opportunities that the Board has identified there. The Board continues to value highly its relationships with fellow advisers in the litigation market place, such as clinical negligence solicitors and professional deputies, and during the period the Group hosted a number of 'Deputy Day' conferences across the UK, aimed to bring together this community. These conferences consist of a series of seminars and discussion groups for personal injury and clinical negligence legal professionals, and are particularly focused on working together to discuss the latest changes to the legal landscape and government legislation such as the Welfare Benefit reform. These events, as well as a host of other activity aimed at this audience, has kept and will continue to keep Frenkel Topping at the forefront of the personal injury litigation community.

The Group's "best of breed" investment offering and new investment platform have been well received by our clients. The Group's approach to its clients, supported by the latest technology, continues to enhance our service offering, which provides us with a clear competitive advantage over our competitors as we are not tied down to one particular fund manager to manage clients' funds.

The Group prides itself on its 99% client retention rate and remains committed to its clients, not only through its fund management and financial planning offering but by supporting charity organisations across the UK. The Board is pleased to announce that it has now reached Platinum membership of the Spinal Injury Association ("SIA") charity, and Richard Fraser, Group Managing Director has been recently appointed to its panel.

## **DIVIDENDS**

The Board intends to continue with its progressive dividend policy and recommends for approval an increased dividend payment of £366,693 (2012: £188,875), representing 0.58 pence per share (2012: 0.30 pence per share) for the period, which is covered 3 times by earnings. The proposed dividend remains subject to shareholder approval at the AGM on 14 May 2014 and will be paid on 6 June 2014 to Shareholders on the register at close of business 23 May 2014. The shares will trade ex-dividend on 21 May 2014.

## **PROSPECTS**

During 2013 we have continued to build on the Group's strength in supporting litigation professionals by providing their clients with premium investment solutions at competitive rates. This strategy has proved to be successful, as demonstrated by our record results. We intend to continue to capitalise on this strategic approach in order to continue to grow the business.

Due to the financial robustness of the Group model, Frenkel Topping continues to be well placed to adapt to a dynamic and fast changing legal sector and is ready to benefit from any opportunities in the market that may arise going forward.

The Group is in a financially robust position and the Board expects to continue to deliver profitable growth. Accordingly, the Board continues to view the future with confidence.

David Southworth

**NON-EXECUTIVE CHAIRMAN**

## **BUSINESS MODEL**

The business model of the Group is to earn income from providing expert witness reports to the court for clients who are in the process of litigation as a result of a personal injury or clinical negligence claim. Once the claims have been settled the Group then seeks to give advice to the clients on how to invest their damages award. Once the client has been given financial advice the Group seeks to service the clients with continued investment and financial advice for which it charges the client a fee.

## **STRATEGY**

The strategy of the Group is to market to the litigation market place to increase the number of expert witness report that it issues which then increases the potential number of clients for the Group to give financial advice to upon settlement of the claim. The Group seeks to give a good service to its clients both pre and post settlement to maintain its relationship with the client post initial advice.

## **OBJECTIVES**

The objectives of the Group is to grow the funds in the investment management service.

## **RISKS**

The main activity of the Group is providing independent financial advice to personal injury and clinical negligence victims. The Directors are not aware, at the date of this report, of any likely changes in the Group's activities in the next year.

The ongoing success of the Group is dependent on maintaining its level of income, controlling cost, FCA compliance and working capital.

The Group's income is driven from fees on initial investment but also recurring income from maintaining its relationship and servicing of its clients.

Due to the structure of the Group's cost base, to achieve targets the main KPIs that the Board looks at are clients' retention in FIMS and delivery against a target level of fees from new business. The Board monitors client retention on a monthly basis and, during 2013, 1% (2012:1%) of the FIMS was lost. The Board agrees new business targets with the FCA authorised individuals at the start of each year and the Board reviews delivery against these targets on a weekly basis. During 2013, 90% of the new business target was achieved (2012: 90%).

Working capital is monitored daily against forecast at Board level and the Board is satisfied that facilities are adequate for the Group's requirements.

Personal injury claims continue to grow and whilst this market continues to be competitive, the Directors believe the Group's brand name, expertise and knowledge provide a degree of protection. The Directors actively monitors our competitors, our own pricing structure and proactively market the Group brand to ensure we remain leaders in our field.

The Group's employees are an important factor in the success of the Group and the Board seeks to ensure employees are motivated and rewarded fairly for their contributions to the business. Employee remuneration represents the largest cost to the Group.

The Group needs to maintain its authorisation with the Financial Conduct Authority (FCA) in order to continue trading and has to adhere to principles and guidelines set down by the FCA. The Group has responsibility allocated at Board level to ensure all those standards are imposed and maintained. The Group has a contract in place with a third party compliance consultancy firm to review internal controls and to work with the Board to ensure the Board is made aware of developments that impact on the business. The Group has a proportion of client files reviewed by the consultancy firm and has professional indemnity insurance in place to protect the assets of the Group.

The Group finances the operations through retained cash. Whilst the Group is at risk from any increase in interest rates on the overdraft, the Board actively monitors the changes in interest rates and considers the risk to be minimal at present.

The Group has no overseas assets or liabilities and therefore has no foreign currency risk.

### **REVIEW OF THE YEAR**

The review of the year is included in the Chairman's Statement.

### **FUTURE OUTLOOK**

The future outlook for the Group is noted in the Chairman's Statement.

By order of the Board

J Dean

**COMPANY SECRETARY**

21 March 2014

## **DIRECTORS**

D R Southworth (Non-Executive Chairman)  
G McMahon (Non-Executive Director - appointed 24 February 2014)  
R C Fraser  
J Dean

## **SECRETARY**

J Dean

## **COMPANY NUMBER**

4726826

## **REGISTERED OFFICE**

4th Floor Statham House  
Talbot Road  
Old Trafford  
Manchester  
M32 0FP

## **AUDITORS**

Baker Tilly UK Audit LLP  
Chartered Accountants  
3 Hardman Street  
Manchester  
M3 3HF

## **BANKERS**

National Westminster Bank Plc  
11 Spring Gardens  
Manchester  
M60 2DB

## **SOLICITORS**

Addleshaw Goddard LLP  
100 Barbirolli Square  
Manchester  
M2 3AB

## **NOMINATED ADVISER AND BROKER**

Shore Capital & Corporate Ltd  
Bond Street House  
14 Clifford Street  
London  
W1S 4JH

The Directors present their report and the financial statements of the Group and the Company for the year ended 31 December 2013.

## PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

Frenkel Topping Group Plc ('the Company') is the parent company of a group of companies engaged in the provision of financial services advice.

A review of the Group's activities and its future prospects is detailed in the Chairman's Statement on page 2 and Strategic Report on page 4.

## RESULTS AND DIVIDENDS

The trading results for the year, and the Group's financial position at the end of the year, are set out in the attached financial statements.

The Directors are proposing a dividend payment of 0.58 pence per share (2012: 0.30 pence) subject to Shareholder approval at the AGM on 14 May 2014.

## SHARE CAPITAL

Information regarding substantial shareholdings in the Company is contained in the Shareholder Information section on page 47.

## DIRECTORS WHO HELD OFFICE DURING THE YEAR

The Directors of the Company who held office during the year:

<b>D R Southworth</b>	<b>Non-Executive Chairman</b>
<b>R C Fraser</b>	<b>Managing Director</b>
<b>J Dean</b>	<b>Finance Director</b>

G McMahon has been appointed as a Non-Executive Director on 24 February 2014.

## EMPLOYEE INVOLVEMENT

The Group recognises and seeks to encourage the involvement of its employees, with the aim being the recruitment, motivation and retention of quality employees throughout the Group. An approved and an unapproved share option scheme are in place, the approved scheme being operated within the Enterprise Management Incentive Scheme.

The Group's employment policies, including the commitment to equal opportunity, are designed to attract, retain and motivate employees regardless of sex, race, religion or disability.

The Group is committed to ensuring and communicating the requirements for a safe and healthy working environment for all employees, consistent with health and safety legislation and, wherever practicable, gives full consideration to applications for employment from disabled persons.

## EMPLOYEE SHARE SCHEMES

Employee involvement in the Group's financial performance is encouraged through participation in the Company's share option schemes. At 31 December 2013, 22 employees (2012: 24), held options over 3,855,348 ordinary shares (2012: 4,792,747) in the Company under the approved share option schemes. Further information on share options is shown in note 15 to the financial statements.

### **GOING CONCERN ASSUMPTION**

The Directors have considered, as part of their annual budget process, the adequacy of the Group's banking and other facilities in relation to its profit and cash flow projections. The Directors have reasonable expectations that the Group has adequate resources to continue trading for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

### **CHARITABLE DONATIONS**

During the year the Group made charitable contributions of £350 (2012: £555), principally to charities servicing the community in which the Group operates.

### **FINANCIAL INSTRUMENTS**

Information regarding the way the Group uses financial instruments can be found in note 17 to the financial statements.

### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITORS**

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

### **THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS**

Qualifying third party indemnity provision is in place for the benefit of all directors of the Group.

### **AUDITORS**

A resolution to reappoint Baker Tilly UK Audit LLP, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

### **OWN SHARE PURCHASE**

During the year the Company acquired 375,529 (2012:1,054,487) of its own shares, representing 0.59% of the total issued share capital, for consideration of £96,469, which are held by an employee benefit trust. These shares have been purchased in order to meet future commitments under the Company's share option scheme. At 31 December 2013 the Company held 2,124,823 of its own shares (2012:1,749,293).

### **EVENTS AFTER THE REPORTING PERIOD**

On 7 January 2014 the Company established a new subsidiary, Frenkel Topping Group Holdings Limited. On the same date it transferred the shareholding in its subsidiaries Frenkel Topping Limited, Frenkel Toppings Structured Settlements Limited, Frenkel Topping Wealth Solutions Limited and New Horizon AM Limited to Frenkel Topping Group Holdings Limited. As a result of a new share scheme implemented post year end 15% of the share capital was disposed of as a result of the scheme and is owned by 3 directors of the Company. The Company owns 85% of the share capital of Frenkel Topping Group Holdings Limited but is entitled to 100% of all the profit and dividend distributions of Frenkel Topping Group Holdings Limited.

By order of the Board

J Dean

**COMPANY SECRETARY**

21 March 2014

## REMUNERATION COMMITTEE

The Group has a Remuneration Committee. The committee comprises the non-executive director, David Southworth and Greg McMahon (appointed 24 February 2014).

## REMUNERATION POLICY

The policy of the committee is to reward the directors in line with the current remuneration of directors in comparable businesses in order to recruit, motivate and retain high quality executives within a competitive market place.

The main elements of the remuneration package for executive directors are:

- Basic annual salary and benefits
- Annual bonus payments
- Share options
- Pensions

Benefits include death-in-service, disability-in-service, critical illness and private health insurance.

## ANNUAL BONUS

The committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid. The committee decides the minimum level of operating profit that must be delivered before any cash bonus will be attributable. The purpose of the bonus is to reward executive directors for delivery in excess of the objectives that also benefits shareholders.

## DIRECTORS' REMUNERATION

The table below summarises all directors' emoluments and pension contributions for the current and the prior year for comparison. During 2013 R Fraser received a £10,000 payment in lieu of pension included in the emolument and compensation numbers below.

	Emoluments & compensation £	Bonus £	Pension £	Total 2013 £
D Southworth	65,000	-	-	65,000
R Fraser	233,630	40,000	-	273,630
J Dean	<u>144,061</u>	<u>40,000</u>	<u>6,500</u>	<u>190,561</u>
	<b><u>442,691</u></b>	<b><u>80,000</u></b>	<b><u>6,500</u></b>	<b><u>529,191</u></b>
	Emoluments & compensation £	Bonus £	Pension £	Total 2012 £
D Southworth	45,000	-	-	45,000
R Fraser	220,876	24,457	10,000	255,333
J Dean	<u>105,295</u>	-	<u>5,000</u>	<u>110,295</u>
	<b><u>371,171</u></b>	<b><u>24,457</u></b>	<b><u>15,000</u></b>	<b><u>410,628</u></b>

## SHARE OPTIONS

The Company has an Enterprise Management Incentive ('EMI') share option scheme. Options have been granted to directors under the scheme as follows:

	Number of shares	Exercise price	Earliest exercise date
J Dean	620,000	0.5p	10 May 2011 to 26 May 2014
J Dean	1,096,154	13.5p	23 November 2014
R Fraser	1,585,962	13.5p	23 November 2014

During the year Julie Dean exercised 293,067 share options on which a gain of £73,266 was made. Details of the scheme are given in note 15 to the financial statements.

## PENSION ARRANGEMENTS

Executive directors are entitled to have a 10% percentage of their basic salary paid by the Group to a pension scheme of their choice.



## PRINCIPLES OF CORPORATE GOVERNANCE

The Group's Board appreciates the value of good corporate governance not only in the areas of accountability and risk management but also as a positive contribution to business prosperity. It believes that corporate governance involves more than a simple "box ticking" approach to establish whether a Company has met the principles (including those set out in the Corporate Governance Guidelines for Smaller Quoted Companies published in 2013) of a number of specific rules and regulations. Rather the issue is one of applying corporate governance in a sensible and pragmatic fashion having regard to the individual circumstances of a particular company's business. The key objective is to enhance and protect shareholder value.

## BOARD STRUCTURE

The Board is responsible to shareholders for the proper management of the Group. A statement of directors' responsibilities in respect of the accounts is set out on page 13.

The non-executive directors has a particular responsibility to ensure that the strategies proposed by the executive directors are fully considered.

To enable the Board to discharge its duties, all directors have full and timely access to all relevant information and there is a procedure for all directors, in furtherance of their duties, to take independent professional advice, if necessary, at the expense of the Group. The Board has a formal schedule of matters reserved to it and meets monthly. It is responsible for overall group strategy, approval of major capital expenditure projects and consideration of significant financing matters.

The following committees have been set up, which have written terms of reference and deal with specific aspects of the Group's affairs.

1. The Remuneration Committee is responsible for making recommendations to the Board on the Group's framework of executive remuneration and its cost. The committee determines the contract terms, remuneration and other benefits for each of the executive directors, including pension rights and compensation payments. The Board itself determines the remuneration of the non-executive director. The committee meets at least twice a year.
2. The Audit Committee includes the executive and non-executive directors. Its prime tasks are to review the scope of the external audit, to receive regular reports from Baker Tilly UK Audit LLP, and to review the half-yearly and annual accounts before they are presented to the Board, focusing in particular on accounting policies and areas of management judgment and estimation. The committee is responsible for monitoring the controls which are in force to ensure the integrity of the information reported to the shareholders. The committee acts as a forum for discussion of internal control issues and contributes to the Board's review of the effectiveness of the Group's internal control and risk management systems and processes. It advises the Board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and discusses the nature and scope of the audit with the external auditors. It reviews and monitors the independence of the auditors especially with regard to non-audit work. It meets at least twice a year including immediately before the submission of the annual and interim financial statements to the Board.

On the 24 February 2014, the Company appointed Greg McMahon as a Non-Executive Director. Greg has joined both the remuneration committee and the audit committee.

No formal nomination committee exists in view of the stage of development of the Group. Instead appointments to the Board by the Chief Executive and other executive directors are discussed with the Non-Executive Chairman. Appointments are made after an evaluation of the skills, knowledge and expertise required to ensure that the Board as a whole has the ability to ensure that the Group can continue to compete effectively in its market place.

## INTERNAL CONTROL

The directors are responsible for the Group's system of internal control and for reviewing its effectiveness. The Board has designed the Group's system of internal control in order to provide the directors with reasonable assurance that its assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or would be detected within a timely period. However, no system of internal control can eliminate the risk of failure to achieve business objectives or provide absolute assurance against material misstatement or loss.

The key elements of the control system in operation are:

- a. The Board meets regularly with a formal schedule of matters reserved to it for decision and has put in place an organisational structure with clear lines of responsibility defined and with appropriate delegation of authority;
- b. There are procedures for planning, approval and monitoring of capital expenditure and information systems for monitoring the Group's financial performance against approved budgets and forecasts.

The process adopted by the Group accords with the guidance contained in the document 'Corporate Governance Guidelines for Smaller Quoted Companies' issued by the Quoted Companies Alliance.

The Audit Committee receives reports from the external auditors on a regular basis and from the executive directors of the Group. During the period, the Board has reviewed the effectiveness of the system of internal control as described above. The Board has considered whether the Group's internal controls processes would be significantly enhanced by an internal audit function and has taken the view that at the Group's current stage of development, this is not required. The Board will continue to review this matter each year. The Board receives periodic reports from all committees.

There are no significant issues disclosed in the financial statements for the period ended 31 December 2013 and up to the date of approval of the report and financial statements that have required the Board to deal with any related material internal control issues.

## RELATIONS WITH SHAREHOLDERS

The Group values its dialogue with both institutional and private investors. Effective two-way communication with fund managers, institutional investors and analysts is actively pursued and this encompasses issues such as performance, policy and strategy. During the period the directors have had meetings with analysts and institutions and will continue to do so.

There is also an opportunity, at the Company's Annual General Meeting for individual shareholders to raise general business matters with the full Board and notice of the Company's Annual General Meeting is circulated to all shareholders at least 20 working days before such meeting. The Chairman of both the Audit Committee and the Remuneration Committee will be available at the Annual General Meeting to answer questions.

The directors are responsible for preparing, for periods ending on or after 30 September 2013 the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The Group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 the profit or loss of the Group for that period.

In preparing each of the group and company financial statements, the directors are required to:

- a. Select suitable accounting policies and then apply them consistently;
- b. Make judgements and accounting estimates that are reasonable and prudent;
- c. For the group financial statements, state whether they have been prepared in accordance with IFRSs adopted by the EU; and for the company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the company financial statements;
- d. Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the 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 corporate and financial information included on the Group's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We have audited the group and parent company financial statements ("the financial statements") which comprise the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Group Statement of Changes in Equity, the Group Cashflow Statement, the Parent Company Balance Sheet, and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

### **Respective responsibilities of directors and auditors**

As more fully explained in the Directors' Responsibilities Statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. The directors are responsible for preparing the Strategic Report. Our responsibility is to audit and express an opinion on 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 (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-\(issued-1-December-2010\).aspx](http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx).

### **Opinion on the 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 31 December 2013 and of the group's profit 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 United Kingdom Generally Accepted Accounting Practice; 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 Strategic Report and 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.

Geoff Wightwick FCA (Senior Statutory Auditor)

**For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor**

Chartered Accountants

3 Hardman Street

Manchester, M3 3HF

	Notes	2013 £	2012 £
<b>REVENUE</b>	1	5,507,736	4,783,714
Direct staff costs		<u>(1,959,948)</u>	<u>(1,900,697)</u>
<b>GROSS PROFIT</b>		3,547,788	2,883,017
<b>ADMINISTRATIVE EXPENSES</b>			
Share based compensation		(33,705)	(67,966)
Other		<u>(2,111,085)</u>	<u>(1,774,064)</u>
<b>TOTAL ADMINISTRATIVE EXPENSES</b>		<u>(2,144,790)</u>	<u>(1,842,030)</u>
<b>Profit from operations before share based compensation</b>		1,436,703	1,108,953
<b>- share based compensation</b>		<u>(33,705)</u>	<u>(67,966)</u>
<b>PROFIT FROM OPERATIONS</b>	2	1,402,998	1,040,987
Finance costs	3	<u>(10,927)</u>	<u>(10,459)</u>
<b>PROFIT BEFORE TAX</b>		1,392,071	1,030,528
Income tax expense	6	<u>(291,992)</u>	<u>(275,027)</u>
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>1,100,079</u></b>	<b><u>755,501</u></b>
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Owners of the parent undertaking		1,087,925	602,270
Non controlling interest		<u>12,154</u>	<u>153,231</u>
		<b><u>1,100,079</u></b>	<b><u>755,501</u></b>
Earnings per ordinary share – basic (pence)	7	1.82p	1.09p
Earnings per ordinary share – diluted (pence)	7	<u>1.76p</u>	<u>1.05p</u>

	Notes	2013 £	2012 £
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Goodwill	8	5,095,287	5,095,287
Property, plant and equipment	9	37,076	47,232
Deferred taxation	13	<u>61,610</u>	<u>56,850</u>
		5,193,973	5,199,369
<b>CURRENT ASSETS</b>			
Accrued income		1,058,054	1,006,842
Trade receivables	19	983,390	748,307
Other receivables	10	143,263	113,810
Cash and cash equivalents		<u>1,896,932</u>	<u>1,435,217</u>
		<u>4,081,639</u>	<u>3,304,176</u>
<b>TOTAL ASSETS</b>		<b><u>9,275,612</u></b>	<b><u>8,503,545</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	15	316,161	290,447
Merger reserve		929,577	-
Other reserve		(341,174)	
Own shares reserve		(367,125)	(270,656)
Retained earnings		<u>6,999,524</u>	<u>6,058,406</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF PARENT</b>			
<b>UNDERTAKING</b>			
		7,536,963	6,078,197
Non controlling interests		-	<u>597,375</u>
<b>TOTAL EQUITY</b>		<u>7,536,963</u>	<u>6,675,572</u>
<b>NON CURRENT LIABILITIES</b>			
Obligations under finance lease	20	<u>15,211</u>	<u>22,130</u>
		15,211	22,130
<b>CURRENT LIABILITIES</b>			
Bank overdrafts	17	372,381	1,082,942
Current taxation		141,399	100,675
Trade and other payables	11	1,209,658	612,570
Provisions	12	-	<u>9,656</u>
		<u>1,723,438</u>	<u>1,805,843</u>
<b>TOTAL LIABILITIES</b>		<u>1,738,649</u>	<u>1,827,973</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>9,275,612</u></b>	<b><u>8,503,545</u></b>

The financial statements were approved by the Board of Directors and authorised for issue on 21 March 2014 and are signed on its behalf by:

Julie Dean  
**FINANCE DIRECTOR**

	Share Capital £	Merger Reserve £	Other Reserve £	Own share Reserve £	Retained Earnings £	Total controlling interest £	Non controlling interests £	Total £
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
Dividends paid	-	-	-	-	(99,851)	(99,851)	-	(99,851)
Share based compensation	-	-	-	-	56,251	56,251	11,715	67,966
Own Shares purchased	-	-	-	(171,300)	-	(171,300)	-	(171,300)
<b>Total transactions with owners recognised in equity</b>	<b>290,447</b>	<b>-</b>	<b>-</b>	<b>(270,656)</b>	<b>5,456,136</b>	<b>5,475,927</b>	<b>444,144</b>	<b>5,920,071</b>
Profit and total comprehensive income for the period	-	-	-	-	602,270	602,270	153,231	755,501
Balance 1 January 2013	290,447	-	-	(270,656)	6,058,406	6,078,197	597,375	6,675,572
New shares issued	4,587	-	-	-	-	4,587	-	4,587
Share based compensation	-	-	-	-	33,705	33,705	-	33,705
Purchase non controlling interest	21,126	929,577	(341,174)	-	-	609,529	(609,529)	-
Own Shares purchased	-	-	-	(96,469)	-	(96,469)	-	(96,469)
Dividend paid	-	-	-	-	(180,512)	(180,512)	-	(180,512)
<b>Total transactions with owners recognised in equity</b>	<b>316,161</b>	<b>929,577</b>	<b>(341,174)</b>	<b>(367,125)</b>	<b>5,911,599</b>	<b>6,449,058</b>	<b>(12,154)</b>	<b>643,884</b>
Profit and total comprehensive income for the period	-	-	-	-	1,087,925	1,087,925	12,154	1,100,079
Balance 31 December 2013	<b><u>316,161</u></b>	<b><u>929,577</u></b>	<b><u>(341,174)</u></b>	<b><u>(367,125)</u></b>	<b><u>6,999,524</u></b>	<b><u>7,536,963</u></b>	<b><u>-</u></b>	<b><u>7,536,963</u></b>

The share capital represents the number of shares issued at nominal price.

The merger reserve represents the cost of the shares issued to purchase the non controlling interest at market value at the date of the acquisition.

The other reserve represents the excess paid for the non controlling interest over the book value at the date of the acquisition.

The own shares reserve represents the cost of 2,124,823 (2012: 1,749,293) shares held by an employee benefit trust. The open market value of the shares held at 31 December 2013 was £658,695 (2012: £310,500).

Retained earnings/(losses) represents the profit/(loss) generated by the Group since trading commenced, together with dividends paid, share premium cancelled and share based payment and credits.

The non controlling interests represents the value of the part of the subsidiary owned outside the Group.

The Group has conformed with all capital requirements as imposed by the FCA.

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
<b>Profit before tax</b>	1,392,071	1,030,528
Adjustments to reconcile profit for the year to cash (used in)/generated from operating activities:		
Finance cost	10,927	10,459
Share based compensation	33,705	67,966
Depreciation and amortisation	14,286	43,179
(Increase) in accrued income, trade and other receivables	(320,536)	(544,047)
Increase/(decrease) in trade and other payables	<u>586,909</u>	<u>(3,134)</u>
<b>Cash generated from operations</b>	1,717,362	604,951
<b>Income tax paid</b>	<u>(256,026)</u>	<u>(197,111)</u>
<b>Cash generated from operating activities</b>	1,461,336	407,840
<b>Investment activities</b>		
Acquisition of property, plant and equipment	(4,130)	(9,396)
<b>Cash used in investment activities</b>	<u>(4,130)</u>	<u>(9,396)</u>
<b>Financing activities</b>		
Shares issued	4,587	6,779
Dividend paid	(180,512)	(99,851)
Interest on loans and borrowings	(4,501)	(10,158)
Finance lease repayments	(8,035)	(7,000)
Own share purchase	<u>(96,469)</u>	<u>(171,300)</u>
<b>Cash used in financing</b>	(284,930)	(281,530)
<b>Increase in cash and cash equivalents</b>	1,172,276	116,914
<b>Opening cash and cash equivalents</b>	352,275	235,361
	—————	—————
<b>Closing cash and cash equivalents</b>	<u>1,524,551</u>	<u>352,275</u>
<b>Reconciliation of cash and cash equivalents</b>		
Cash at bank and in hand	1,896,932	1,435,217
Overdraft	<u>(372,381)</u>	<u>(1,082,942)</u>
<b>Closing cash and cash equivalents</b>	<u>1,524,551</u>	<u>352,275</u>

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

## **BASIS OF PREPARATION**

The financial statements have been prepared under the historic cost convention on a going concern basis and in accordance with International Financial Reporting Standards and IFRIC Interpretations as endorsed by the European Union ("IFRS"), and the requirements of the Companies Act 2006 applicable to companies reporting under IFRS. The principal accounting policies adopted are set out below.

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

## **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. The current facility has been secured until 31 January 2015 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.

## **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting judgements will, by definition, seldom equal the related actual results. The estimates and assumptions 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:

- Goodwill has been tested for impairment by comparing the carrying value of the cash generating unit to which the goodwill has been attributed, to the present value of the forecast cashflows expected to be generated by the unit. Details of the estimates and judgements made in the impairment review are given in note 8;
- The fair value of share-based awards is measured using the Black-Scholes model which inherently makes use of significant estimates and assumptions concerning the future applied by the directors. Such estimates and judgements include the expected life of the options and the number of employees that will achieve the vesting conditions. Further details of the share option scheme are given in note 15;
- Provisions are held to the extent that directors feel it is probable an outflow of economic benefits will be required to settle a legal or constructive obligation as a result of a past event. Details of the estimates and judgements made in assessing provisions are given in note 12.

## **INTERPRETATIONS OF STANDARDS**

### **Amendments to published standards effective for the year ended 31 December 2013.**

During the year no amendments to standards that became effective during the year were relevant to the Group.

### **Standards adopted early by the Group.**

The Group has not adopted any standards or interpretations early in either the current or the preceding financial year.

## INTERPRETATIONS OF STANDARDS (continued)

### Standards, amendment and interpretations effective in 2013 but not relevant

No standards, amendments and interpretations were effective during 2013 but were not relevant to the Group.

### Interpretations to existing standards and new standards that are not yet effective and have not been early adopted by the Group.

- IFRS 9 "Financial Instruments"
- IAS 39 "Financial Instruments" Recognition and Measurement – Amendment: Novation of Derivatives and Continuation of Hedge Accounting
- IAS 36 Impairment of Assets – Amendment; Recoverable Amount Disclosures for Non-Financial Assets
- IAS 19 Employee Benefits – Amendment; Defined Benefit Plans: Employee Contributions
- IFRIC 21 Levies.

The directors are of the opinion that the application of these standards is unlikely to have any significant impact, other than increased disclosures, on the financial statements of the Group or Company.

## REVENUE

Revenue is derived from reports issued as an expert witness in the claims process and net fees and charges on initial advice and from recurring income from the clients' Funds in the Investment Management Service, excluding value added tax.

Fees and charges are accrued and measured based on the stage of completion of specific client contracts where the outcome can be assessed with reasonable certainty and the value for that service has been agreed between the company and the customer.

Recurring income is calculated based on the value of the client's investment on the anniversary of the initial investment and recognised on an accruals basis.

## BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings. Subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain economic benefits from their activities. The results of subsidiaries acquired or disposed of during the year are included in the Group Statement of Comprehensive Income from the date of their acquisition up until the date that control ceases.

The acquisition method of accounting is used for the acquisition of subsidiaries. The cost of acquisition is measured at the aggregate fair values of assets given, equity instruments issued and liabilities incurred or assumed by the Group to obtain control. A separate profit and loss account for the parent company is omitted from the Group financial statements by virtue of section 408 of the Companies Act 2006. The company loss for the year was £120,122 (2012: £97,003).

## GOODWILL

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill on acquisition of subsidiaries is separately disclosed.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

Goodwill is allocated to cash generating units for the purpose of impairment testing.

## IMPAIRMENT

At each accounting reference date, the Group reviews the carrying amounts of its intangibles, property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

## PROPERTY, PLANT AND EQUIPMENT

All fixed assets are initially recorded at cost and are subsequently measured at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Leasehold improvements	-	Over the term of the lease
Fixtures & fittings	-	25% straight line
Computer equipment	-	25% straight line
Cars	-	25% straight line

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

## EMPLOYEE SHARE OWNERSHIP PLANS

The Group operates an Employee Benefit Trust and has de facto control of the shares held by the trust and bears their benefits and risks. The EBT is consolidated into the group accounts with a debit to equity for the cost of shares acquired. Finance costs and administrative expenses are charged as they accrue.

## PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated.

## SHARE-BASED COMPENSATION

The Group operates an equity-settled, share based compensation plan. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed on a straight-line basis over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and growth targets). Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. At each accounting reference date, the Group revises its estimates of the number of options that are expected to vest.

It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to reserves over the remaining vesting period.

Cancelled or settled options are accounted for as an acceleration of vesting. The unrecognised grant date fair value is recognised in profit or loss in the year that the options are cancelled or settled.

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

## **LEASING**

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Leases encompassing land and buildings are assessed separately. Leases in respect of land have always been accounted for as operating leases in accordance with IAS 17 Leases. Following the amendment to IAS 17 from the Improvements to IFRS (April 2009), the directors have reviewed the lease terms and considered whether substantially all the risks and rewards have transferred to the lessee and have concluded that the amendment has no material impact on its lease classifications.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is recognised as a finance lease obligation. Lease payments are apportioned between finance charges and the reduction of lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

## **FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are recognised on the Group Statement of Financial Position when the Group has become a party to the contractual provisions of the instrument.

### ***Trade and other receivables***

Trade receivables are categorised as loans and receivables in accordance with IAS39. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision 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 receivables. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

### ***Trade payables***

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

### ***Equity Instruments***

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

### ***Financial liabilities***

Financial liabilities are classified according to the substance of the contractual arrangements entered into. An instrument will be classified as a financial liability when there is a contractual obligation to deliver cash or another financial asset to another enterprise.

### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the Group Statement of Financial Position.

For the purposes of the Cashflow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdraft which is integral to the Group's cash management.

### ***Borrowings***

Interest-bearing overdrafts are classified as other liabilities. They are initially recorded at fair value, which represents the fair value of the consideration received, net of any direct transaction costs associated with the relevant borrowings. Borrowings are subsequently stated at amortised cost and finance charges are recognised in the Statement of Comprehensive Income over the term of the instrument using an effective rate of interest.

Finance charges, including premiums payable on settlement or redemption, are accounted for on an accruals basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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 reporting date.

## **EMPLOYEE BENEFITS**

The Group operates a defined contribution scheme. The pension costs charged in the financial statements represent the contribution payable by the Group during the year.

## **TAXATION**

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in profit or loss, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

## 1 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.

## 2 PROFIT FROM OPERATIONS

2013 £

2012 £

Profit from operations is stated after charging:

Share based compensation	33,705	67,966
Depreciation and amortisation	14,286	43,179
Operating lease rentals – Motor vehicles	55,558	49,329
Operating lease rentals – Land & buildings	76,326	68,874
Auditor's remuneration – Audit	32,700	32,700
Auditor's remuneration – Tax	<u>12,200</u>	<u>9,200</u>

2013 £

%

Amounts payable to Baker Tilly UK Audit LLP and its associates in respect of both audit and non audit services:

### Audit Services

- Statutory audit	15,700	34.97
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### Other Services

The auditing of accounts of associates of the company pursuant to legislation:

- Audit of subsidiaries where such services are provided by Baker Tilly UK Audit LLP and its associates	17,000	37.86
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### Tax Services

- Compliance services	<u>12,200</u>	27.17
	<u>44,900</u>	

2012 £

%

Amounts payable to Baker Tilly UK Audit LLP and its associates in respect of both audit and non audit services:

### Audit Services

- Statutory audit	15,700	37.47
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### Other Services

The auditing of accounts of associates of the company pursuant to legislation:

- Audit of subsidiaries where such services are provided by Baker Tilly UK Audit LLP and its associates	17,000	40.57
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### Tax Services

- Compliance services	<u>9,200</u>	21.96
	<u>41,900</u>	

<b>2 PROFIT FROM OPERATIONS (continued)</b>	<b>2013 \$</b>	<b>2012 \$</b>
The following table analyses the nature of expenses:-		
Staff costs (see note 4)	2,640,180	2,479,242
Depreciation, amortisation and impairment	14,286	43,179
Premises costs	112,947	102,672
Marketing expenses	119,405	70,108
Professional fees	282,634	250,688
Share based payments	33,705	67,966
Other expenses	<u>901,581</u>	<u>728,872</u>
Total operating expenses	<u>4,104,738</u>	<u>3,742,727</u>

<b>3 FINANCE COSTS</b>	<b>2013 \$</b>	<b>2012 \$</b>
Bank interest	8,700	8,785
Hire purchase	2,227	1,674
	—	—
	<u>10,927</u>	<u>10,459</u>

<b>4 EMPLOYEES</b>	<b>2013 Number</b>	<b>2012 Number</b>
<b>NUMBER OF EMPLOYEES</b>		
The average monthly Numbers of Employees (including the Directors) during the year was made up as follows:		
Directors	3	3
Sales	16	17
Administration	28	31
	—	—
	<u>47</u>	<u>51</u>

<b>EMPLOYMENT COSTS</b>	<b>2013 \$</b>	<b>2012 \$</b>
Wages and salaries	2,159,719	2,001,279
Social security costs	257,385	238,025
Pension costs	89,713	79,607
Other benefits	99,658	92,365
Share based compensation – equity settled	33,705	67,966
	—	—
	<u>2,640,180</u>	<u>2,479,242</u>

**4 EMPLOYEES (continued)**

2013 £

2012 £

**REMUNERATION OF KEY MANAGEMENT PERSONNEL**

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate. Further information about the remuneration of the individual directors is provided in the Directors' remuneration report on pages 9 to 10.

Short-term employee benefits	505,691	381,669
Post-employment benefits	6,500	15,000
Other long-term benefits	16,998	13,959
Share based payments	<u>30,829</u>	<u>33,705</u>
	<b><u>560,191</u></b>	<b><u>444,333</u></b>

2013 Number

2012 Number

Number of Directors to whom retirement benefits are accruing under a money purchase scheme

22

2013 £

2012 £

The remuneration in respect of the highest paid director was:

Emoluments	273,630	245,333
Pension costs	<u>-</u>	<u>10,000</u>
	<b><u>273,630</u></b>	<b><u>255,333</u></b>

During the year one director exercised 293,067 share options. The highest paid director did not exercise any share options in the period (2012: nil).

**5 PENSION COSTS**

The Group operates a defined contribution pension scheme. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the Group and amounted to £89,713 (2012: £79,607). As at the year end £5,000 (2012: nil) was accrued in connection with pension contributions.

6 TAXATION	2013 £	2012 £
<b>ANALYSIS OF CHARGE IN YEAR</b>		
<b>CURRENT TAX</b>		
UK corporation tax	308,911	244,612
Adjustments in respect of previous periods	(12,159)	5,308
Total current tax charge	<u>296,752</u>	<u>249,920</u>
Deferred tax		
Temporary differences, origination and reversal	(4,760)	25,107
Total deferred tax charge	<u>(4,760)</u>	<u>25,107</u>
Tax on profit on ordinary activities	<u><b>291,992</b></u>	<u><b>275,027</b></u>

	2013 £	2012 £
<b>FACTORS AFFECTING TAX CHARGE FOR YEAR</b>		
The tax assessed for the period is higher than the main rate of corporation tax in the UK of 24% (2012: 24.5%). The differences are explained below:		
Profit before taxation	<u><b>1,392,071</b></u>	<u><b>1,030,528</b></u>
Profit multiplied by main rate of corporation tax in the UK of 24% (2012: 24.5%)	334,097	252,479
EFFECTS OF:		
Expenses not deductible	14,722	19,557
Exercise of share options	(52,757)	(25,620)
Share based payments	8,089	16,652
Other charges/(deductions) in period	(12,159)	11,959
Total tax expense for year	<u><b>291,992</b></u>	<u><b>275,027</b></u>

7 EARNINGS PER SHARE	2013 £	2012 £
The calculation of the basic and diluted earnings per share is based on the following data:		
<b>Earnings</b>		
Earnings for the purposes of basic earnings per share (net profit for the year attributable to equity holders of the parent)	1,087,925	602,270
Earnings for the purposes of diluted earnings per share	1,087,925	602,270
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share		
Weighted average shares in issue	61,938,332	57,186,784
Less: own shares held	<u>(2,124,823)</u>	<u>(1,749,292)</u>
	59,813,509	55,437,492
Effect of dilutive potential ordinary shares: – Share options	<u>2,114,225</u>	<u>1,731,385</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b><u>61,927,736</u></b>	<b><u>57,168,877</u></b>

In the calculation of diluted earnings per share as at 31 December 2013, no share options were excluded for being antidilutive.

In 2012: 2,932,116 share options were in issue which were not included in the above calculation of diluted earnings per share as they were antidilutive as at 31 December 2012.

8 GOODWILL	£
<b>COST</b>	
As at 1 January 2013	5,095,287
At 31 December 2013	<b><u>5,095,287</u></b>
<b>NET BOOK VALUES</b>	
At 31 December 2013	<b><u>5,095,287</u></b>
At 31 December 2012	<b><u>5,095,287</u></b>

Goodwill is allocated to cash-generating units (CGUs) identified on the basis of the subsidiary company Frenkel Topping Limited. The recoverable amount has been determined by value in use calculations. The calculations used pre-tax cash flow projections based on the budgets for the year ending 31 December 2014. Cashflows beyond the budgeted period are extrapolated using the estimated growth rate per the table. In accordance with IAS 36, the growth rate for beyond the budgeted period does not exceed the long-term average growth rate for the industry.

The key assumptions applied in the calculation were:

Growth rate post budget period (%)	2.5
Discount rate (%)	12.0

The growth rates are based on anticipated future growth in revenue over a five year period from FIMS and the contractual returns based on current contracts. The directors have performed sensitivity analysis on this figure which shows that there is no indication of impairment even if a growth figure of Nil% is used. The discount rate used is based on the weighted average cost of capital of the Group at the accounting reference date. The directors have performed sensitivity analysis on the discount rate which shows that there is no indication of impairment at discounted rates up to 45%.

<b>9 PROPERTY, PLANT AND EQUIPMENT</b>	<b>Leasehold improvements £</b>	<b>Cars £</b>	<b>Fixtures, fittings and equipment £</b>	<b>Computer equipment £</b>	<b>Total £</b>
<b>Cost</b>					
At 1 January 2012	32,619	-	8,326	26,277	67,222
Additions	-	33,500	-	9,396	42,896
Disposals	-	-	-	(2,329)	(2,329)
	—	—	—	—	—
At 31 December 2012	32,619	33,500	8,326	33,344	107,789
Additions	-	-	-	4,130	4,130
Disposals	-	-	(8,326)	(3,349)	(11,675)
	—	—	—	—	—
At 31 December 2013	<u>32,619</u>	<u>33,500</u>	<u>-</u>	<u>34,125</u>	<u>100,244</u>
<b>Depreciation</b>					
At 1 January 2012	26,201	-	8,066	10,440	44,707
Charge for the year	6,333	4,892	260	6,694	18,179
Disposals	-	-	-	(2,329)	(2,329)
	—	—	—	—	—
At 31 December 2012	32,534	4,892	8,326	14,805	60,557
Charge for the year	85	6,528	-	7,673	14,286
Disposals	-	-	(8,326)	(3,349)	(11,675)
	—	—	—	—	—
At 31 December 2013	<u>32,619</u>	<u>11,420</u>	<u>-</u>	<u>19,129</u>	<u>63,168</u>
<b>Net book values</b>					
At 31 December 2013	<u>-</u>	<u>22,080</u>	<u>-</u>	<u>14,996</u>	<u>37,076</u>
At 31 December 2012	<u>85</u>	<u>28,608</u>	<u>-</u>	<u>18,539</u>	<u>47,232</u>
At 1 January 2012	<u>6,418</u>	<u>-</u>	<u>260</u>	<u>15,837</u>	<u>22,515</u>

The entire net book value of cars represents assets held under finance leases.

<b>10 OTHER RECEIVABLES</b>	<b>2013 £</b>	<b>2012 £</b>
Prepayments	125,324	108,724
Other receivables	<u>17,939</u>	<u>5,086</u>
	<b><u>143,263</u></b>	<b><u>113,810</u></b>

<b>11 TRADE AND OTHER PAYABLES</b>	<b>2013 £</b>	<b>2012 £</b>
Trade payables	474,663	235,277
Other tax and social security	84,051	93,347
Other payables	241,469	22,949
Finance lease obligations	5,481	4,370
Accruals	<u>403,994</u>	<u>256,627</u>
	<b><u>1,209,658</u></b>	<b><u>612,570</u></b>

<b>12 PROVISIONS</b>	<b>2013 £</b>	<b>2012 £</b>
Professional indemnity claims provision		
At beginning of the period	9,656	9,785
New claims provided	-	1,000
Release of prior year provision	(9,656)	(1,129)
	<u>          </u>	<u>          </u>
At the end of the period	<b><u>          </u></b>	<b><u>9,656</u></b>

Provisions have been made in respect of historic professional indemnity claims made against the Group and where the probable outcome will result in a financial liability to the Group. The expected outflow is within the next one-two years. Probability is assessed based on an internal review of compliance being adhered to.

13 PROVISIONS FOR DEFERRED TAXATION	2013 £	2012 £
Share-based payments	(61,610)	(56,850)
Tax losses carried forward	(454,387)	(454,387)
	—————	—————
At 31 December	<b><u>(515,997)</u></b>	<b><u>(511,237)</u></b>
Included in non current assets	(61,610)	(56,850)
Unrecognised deferred taxation asset	(454,387)	(454,387)
	—————	—————
At 31 December	<b><u>(515,997)</u></b>	<b><u>(511,237)</u></b>
Movement in the period	£	£
At 1 January	(56,850)	(81,957)
Deferred tax charge/(credit)	(4,760)	25,107
	—————	—————
At 31 December	<b><u>(61,610)</u></b>	<b><u>(56,850)</u></b>

The Group has unrecognised deferred tax assets of £454,387 at 31 December 2013 and 31 December 2012, which relate to taxable losses held within a dormant subsidiary of the group. The deferred tax asset has not been provided for because it is uncertain whether the trading losses giving rise to the asset will be utilised in the foreseeable future.

#### 14 EVENTS AFTER THE REPORTING PERIOD

On 7 January 2014 the Company established a new subsidiary, Frenkel Topping Group Holdings Limited. On the same date it transferred the shareholding in its subsidiaries Frenkel Topping Limited, Frenkel Toppings Structured Settlements Limited, Frenkel Topping Wealth Solutions Limited and New Horizon AM Limited to Frenkel Topping Group Holdings Limited. As a result of a new share scheme implemented post year end 15% of the share capital was disposed of as a result of the scheme and is owned by 3 directors of the Company. The Company owns 85% of the share capital of Frenkel Topping Group Holdings Limited but is entitled to 100% of all the profit and dividend distributions of Frenkel Topping Group Holdings Limited.

15 SHARE CAPITAL	Number of shares	2013 £	Number of shares	2012 £
Authorised				
Ordinary shares of £0.005 each	80,000,000	400,000	80,000,000	400,000
Preference shares of £1 each	<u>50,000</u>	50,000	<u>50,000</u>	<u>50,000</u>
		<u>450,000</u>		<u>450,000</u>
Allotted, called up and fully paid				
As at 1 January	58,089,308	290,447	56,733,662	283,668
New shares issued	<u>5,142,861</u>	<u>25,714</u>	<u>1,355,646</u>	<u>6,779</u>
At 31 December 2013				
Ordinary shares of £0.005 each	<u>63,232,169</u>	<u>316,161</u>	<u>58,089,308</u>	<u>290,447</u>

At 31 December 2013 the Company held 2,124,823 of its own shares (2012: 1,749,293). During the year the Company acquired 375,529 (2012: 1,054,487) of its own shares, representing 0.59% of the total issued share capital, for consideration of £95,760, which are held by an employee benefit trust. These shares have been purchased in order to meet future commitments under the Company's share option scheme.

During the period the Group issued 4,225,352 shares in exchange for the 17% minority interest in its trading subsidiaries Frenkel Topping Limited and Frenkel Topping Structured Settlements Limited.

During the period employees exercised share options and as a result 917,509 new shares were issued at a price of £0.005 per share. Dividends of £366,693 (2012: £188,875) in aggregate, being 0.58 (2012: 0.3) pence per share, was proposed before the financial statements were authorised for issue but not treated as a distribution to equity.

The Company operates an equity-settled share option plan. The Company plan provides for a grant price not less than the nominal value of the shares. The vesting period is between 3 to 5 years. If options remain unexercised after a period of 10 years from the date of the grant, the options expire. Furthermore, options are forfeited if the employee leaves the group before the options vest. In relation to the 2011 options, 60% of options vest if the aggregate diluted EPS for the 3 financial years ending 31 December 2013 is 2.0966 pence, 80% of options vest if the aggregate diluted EPS for the 3 financial years ending 31 December 2013 is 2.6208 pence, 100% of options vest if the aggregate diluted EPS for the 3 financial years ending 31 December 2013 is 3.144 pence.

15 SHARE CAPITAL (continued)	Subscription price per share	Number of shares for which rights exercisable	Earliest date on which options can be exercised
Grant date			
Approved Scheme			
10 May 2007	0.5p	60,000	10 May 2010 to 10 May 2012
13 August 2007	0.5p	100,000	13 August 2010 to 13 August 2012
9 June 2008	0.5p	64,000	9 June 2011 to 9 June 2013
26 May 2009	0.5p	699,232	31 May 2012 to 31 May 2014
23 November 2011	13.5p	2,682,116	23 November 2014
17 September 2012	13.5p	250,000	17 Sept 2015 to 17 September 2017
Employee share options in issue		<b><u>3,855,348</u></b>	

	2013 Options	2013 Weighted average exercise price (pence)	2012 Options	2012 Weighted average exercise price (pence)
Outstanding at 1 January	4,792,752	8.45	6,066,558	6.25
Granted during the year	-	-	250,000	14.0
Lapsed during the year	(19,895)	0.5	(168,160)	0.5
Exercised during the year	(917,509)	0.5	(1,355,646)	0.5
Outstanding at 31 December	<b><u>3,855,348</u></b>	10.39	<b><u>4,792,752</u></b>	8.45
Exercisable at 31 December	<b><u>379,667</u></b>		<b><u>553,192</u></b>	

The options outstanding at 31 December 2013 had a weighted average remaining contractual life of 7 years (2012: 8 years).

The inputs to the Black Scholes model used to calculate the fair value of options granted during the year were as follows:

	2013	2012
Weighted average share price	14.0p	14.0p
Weighted average exercise price	8.45p	8.45p
Expected volatility	46.9%	46.9%
Expected life	6 years	6 years
Risk free rate	5%	5%
Expected dividends	£0	£0

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Options exercised have been satisfied as follows:

	2013	2012
Issue of new shares	917,509	1,355,646
Transfer from employee share trust	-	-
	<hr/>	<hr/>
Total exercised	<u>917,509</u>	<u>1,355,646</u>

The weighted average share price at the date of exercise was 25.5 pence.

The company recognised total expenses of £33,705 (2012: £67,966) relating to equity-settled share-based payment transactions.

## 16 RELATED PARTY TRANSACTIONS

D Southworth, R Fraser and J Dean, directors of the company, have all given personal guarantees on behalf of the company to the value of £50,000 each.

Details of key management compensation are included in note 4. Key management are considered to be the directors of the Group. Key management received £38,320 in dividends in aggregate.

## 17 FINANCIAL INSTRUMENTS

It is not the Group's policy to make use of financial derivatives. Although the financial risks are considered to be minimal at present, future interest rate, liquidity, credit and foreign currency risk could arise and the Board will review its existing policies in the coming period. The Group finances the operations through a bank overdraft facility.

### Interest rate risk

The interest rate risks are limited to the net overdraft facility of the Group, which bears interest at a variable rate. The company monitors bank rate changes and predictions for any impact on the Groups interest charges.

### Liquidity risk

It is the Group's policy to manage liquidity in order to achieve continuity of funding. The Group monitors actual cashflows against forecast and expectations on a daily basis to ensure sufficient liquidity is available. Cash forecasts are based on contractual accrued income and timing of receipts, new business trading levels and settlement of supplier balances when they fall due. Subject to unforeseen adverse trading conditions, the cash flows from operations are not expected to change significantly. Based on forecasts, profitability would have to reduce by 50% before the Group overdraft facility is exceeded. There are no covenants attached to the overdraft facility. The nature of the Group's business means that cash flows are relatively stable and predictable. Any significant fall in the level of funds invested by the Group's clients would have a significant impact on the cash resources of the Group.

**17 FINANCIAL INSTRUMENTS (continued)****Credit risk**

Exposure to credit risk is limited to cash at bank and trade receivables. Credit risk on cash balances is minimised by the use of a major UK government backed clearing bank. The Group evaluates a customer's ability to pay before entering into a transaction and actively manages receivables due to the Group. The Group has a concentration of credit risk exposure to one significant debtor, but considers that the risk is limited to one month's income from that particular debtor. The Group's maximum exposure to credit risk is disclosed in note 19.

**Foreign currency risk**

The Group has no overseas assets or liabilities.

	Fixed rate financial assets £	Floating rate financial assets £	Financial assets on which no interest is paid £	Total £
The interest rate profile of the financial assets of the Group as at 31 December 2013 is as follows:				
<b>2013</b>				
Cash in hand	-	-	748	748
Cash at bank	-	1,896,184	-	1,896,184
Trade receivables	-	-	983,390	983,390
Accrued income	-	-	1,058,053	1,058,053
Other receivables	-	-	17,939	17,939
	—	—	—	—
Total	<u>-</u>	<u>1,896,184</u>	<u>2,060,130</u>	<u>3,956,314</u>

	Fixed rate financial assets £	Floating rate financial assets £	Financial assets on which no interest is paid £	Total £
<b>2012</b>				
Cash in hand	-	-	266	266
Cash at bank	-	1,434,951	-	1,434,951
Trade receivables	-	-	748,307	748,307
Accrued income	-	-	1,006,842	1,006,842
Other receivables	-	-	5,086	5,086
	—	—	—	—
Total	<u>-</u>	<u>1,434,951</u>	<u>1,760,501</u>	<u>3,195,452</u>

17 FINANCIAL INSTRUMENTS (continued)	Fixed rate financial liabilities £	Floating rate financial liabilities £	Financial liabilities on which no interest is paid £	Total £
The interest rate profile of the financial liabilities of the Group as at 31 December 2013 is as follows:				
<b>2013</b>				
Amounts due to banks	-	372,381	-	372,381
Trade and other payables	-	-	1,118,626	1,118,626
Finance Lease	20,691	-	-	20,691
	-----	-----	-----	-----
Sterling	<u>20,691</u>	<u>372,381</u>	<u>1,118,626</u>	<u>1,511,698</u>

	Fixed rate financial liabilities £	Floating rate financial liabilities £	Financial liabilities on which no interest is paid £	Total £
<b>2012</b>				
Amounts due to banks	-	1,082,942	-	1,082,942
Trade and other payables	-	-	514,853	514,853
Finance Lease	26,500	-	-	26,500
	-----	-----	-----	-----
Sterling	<u>26,500</u>	<u>1,082,942</u>	<u>514,853</u>	<u>1,624,295</u>

The Group has an overdraft offset facility to the value of £1m which has been renewed until the 10 January 2015. The Group does not have any concern with the annual renewal of the facility. The Group has applied a sensitivity analysis based on the forward market for floating interest rates. Management believe that these closely reflect the probable performance of the economy in which the Group's floating rate financial liabilities are located. The impact to the Group Statement of Comprehensive Income of a 1% increase in base rate of interest would be to reduce the profit by £372 (2012: £3,520).

#### Maturity of financial liabilities

	2013 £	2012 £
The maturity profile of the Group's financial liabilities as at 31 December 2013 was as follows:		
Payable within one year	1,511,698	1,602,165
Payable in two to five years	-	22,130
	-----	-----
	<u>1,511,698</u>	<u>1,624,295</u>

### Currency exposures

The Group has no overseas assets or liabilities.

### Fair values of financial assets and financial liabilities

The fair value, based upon the market value or discounted cashflows of the financial instruments detailed above was not materially different from their book values.

18 FINANCIAL COMMITMENTS	Land & Building 2013 £	Land & Building 2012 £
At 31 December 2013, the Group had total gross commitments under non-cancellable operating leases as follows:		
Amounts due		
Within one year	-	-
Between one and five years	176,688	235,585
In greater than five years	-	-
	<u>176,688</u>	<u>235,585</u>

	Motor Vehicles 2013 £	Motor Vehicles 2012 £
Amounts due		
Within one year	42,073	38,404
Between one and five years	<u>11,786</u>	<u>20,655</u>
	<u>53,859</u>	<u>59,059</u>

Operating lease payments for land and buildings represent rentals payable by the Group for its office properties. Leases are negotiated for a 10 year term with a 5 year break clause and the rentals are fixed during this period. Operating lease payments for motor vehicles represents rentals payable by the Group for its company cars. Leases are negotiated between 2-3 year and rentals are fixed during this period.

The Group shares a VAT registration with its subsidiary Frenkel Topping Limited. Both Group and Frenkel Topping Limited are joint and severally liable for amounts due. As at 31 December the amount due to HMRC is £16,192 (2012: £31,004).

### 19 TRADE RECEIVABLES

Trade receivables are non-interest bearing. Trade receivable average debtor days has been calculated as 218 (2012: 170). Debtor days has been calculated as the balance in trade receivables against new business income recorded in the year. The trade receivables represent fees due from investment of initial FIMS or Expert Witness Reports.

Income arising from initial investment will be paid to the Group from the investment house upon receipt of the clients' funds by the investment house. Trade receivables are only recorded at the point the funds have been transferred to the investment house. Due to the laws and regulations connected to the Group's clients, these transactions have a substantial documented approval process by the underlying client, supporting the investment, which legally binds the client once the funds are transmitted.

**19 TRADE RECEIVABLES (continued)**

A proportion of the trade receivables are from Expert Witness Reports. These are reports that are used in the calculation of the claimant's award once liability has been agreed. The cost of these reports is recovered as part of the costs of the claimant's case. Whilst the cases may have a complex nature and the timeframe for these cases can span numerous years before the case is settled, resulting in a lengthened debtor period, the risk of non-recovery is minimal.

The following table provides analysis of trade and other receivables that were in Debtors at 31 December, but not impaired. The Group believes that the balances are ultimately recoverable based on a review of past payment history and the current financial status of the customers.

	2013 £	2012 £
Up to three months	299,190	210,927
Greater than six months	<u>684,200</u>	<u>537,380</u>
	<u>983,390</u>	<u>748,307</u>

<b>20 FINANCE LEASE</b>	2013 £	2012 £
Amounts payable under finance lease		
Within one year	5,481	4,370
In the second to fifth year inclusive	15,211	22,130
After five years	—	—
	20,692	26,500
Less future finance charge	(5,481)	(4,837)
	—	—
Present value of lease obligation	<u>15,211</u>	<u>21,663</u>
Less: Amounts due for settlement within 12 months (shown under current liabilities)	<u>5,481</u>	<u>4,370</u>
Amounts payable under finance lease		
In the second to fifth year inclusive	15,211	21,663
After five years	—	—
	—	—
Amount due for settlement after 12 months	<u>20,692</u>	<u>26,500</u>
The finance is secured on the related fixed asset.		

## 21 CAPITAL MANAGEMENT

Our approach to capital management is driven by our strategic requirements taking into account the regulatory environment we operate in.

It is our objective to maintain a strong capital base to support the development of the Group and to meet regulatory capital requirements at all times whilst protecting returns to shareholders by ensuring the Group will continue to trade in the foreseeable future. The group also aims to maximise its capital structure of debt and equity so as to minimise the cost of capital.

The Group considers its capital to include share capital, share based payment reserve, own shares reserve, other reserve and retained earnings and net debt. The Group has no net external borrowing and hence the gearing ratio is 0% (2012: 0%).

Frenkel Topping Limited is authorised by The Financial Conduct Authority (FCA). The FCA sets capital requirements for the Group on this basis. Our policy is to maintain adequate readily realisable assets at a level in excess of those determined by the FCA.

From January 2014 the amount of net capital the subsidiaries will have to maintain is increasing as a result of the FCA Retail Distribution Review. The Board is satisfied that the Group has sufficient resources to meet this uplift in capital.

The level of capital and realisable assets are actively monitored by the Board.

## 22 INTANGIBLE ASSETS

	2013 £	2012 £
At 1 January	-	25,000
Acquisitions	-	-
Amortisation during year (within administrative expenses)	-	(25,000)
	<u>          </u>	<u>          </u>
At 31 December	<u>          </u>	<u>          </u>

The intangible assets relates to the acquisition of a promoter agreement for the distribution of an Open Ended Investment Company (OEIC). The asset is being amortised over the 2 year life expectancy of the promoter agreement.

## 23 NON CONTROLLING INTERESTS

On 11 February 2013 the Group purchased the minority interest held in its subsidiaries Frenkel Topping Limited and Frenkel Topping Structured Settlements Limited in exchange for the issue of 4,225,352 ordinary shares of the Company having a market value of £950,703.

	<i>Notes</i>	2013 £	2012 £
<b>FIXED ASSETS</b>			
Investments	2	5,955,154	4,970,746
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due within one year	3	6,611	5,149
Cash at bank and in hand		—	—
		6,611	5,149
<b>CREDITORS: amounts falling due within one year</b>	4	<u>(386,142)</u>	<u>(479,060)</u>
<b>NET CURRENT LIABILITIES</b>		(379,531)	(473,911)
<b>CREDITORS: falling due more than one year</b>	5	<u>(1,201,879)</u>	<u>(714,984)</u>
<b>NET ASSETS</b>		<b><u>4,373,744</u></b>	<b><u>3,781,851</u></b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	7	316,161	290,447
Own shares reserve	8	(367,125)	(270,656)
Merger reserve	8	929,577	—
Profit and loss account	8	3,495,131	3,762,060
		—	—
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<b><u>4,373,744</u></b>	<b><u>3,781,851</u></b>

The financial statements were approved by the Board of Directors and authorised for issue on 21 March 2014 and are signed on its behalf by:

Julie Dean  
**FINANCE DIRECTOR**

## ACCOUNTING CONVENTION

The Company financial statements are prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Principles.

## SHARE-BASED COMPENSATION

The Company operates a group, equity-settled, share based compensation plan. The fair value of the employee services received in exchange for the grant of options is recognised as an expense in the company that receives the benefit of those services and as an increase in the cost of investment in the Company's accounts. The total amount to be taken to investments in the company's accounts on a straight line basis over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and growth targets). Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to reserves over the remaining vesting period.

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

## EMPLOYEE SHARE OWNERSHIP PLANS

The Company operates an Employee Benefit Trust and has de facto control of the shares held by the trust and bears their benefits and risks. The Company records certain assets and liabilities of the trust as its own. Finance costs and administrative expenses are charged as they accrue.

## DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax arrangements in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

## INVESTMENTS

Investments are stated at cost.

## 1 LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account for these financial statements. The loss dealt with in the accounts of the parent company was £120,122 (2012: £97,003).

## 2 FIXED ASSET INVESTMENTS

Shares in subsidiary undertakings £

### COST

As at 1 January 2013	4,970,746
Acquisition of minority interest of subsidiary	950,703
FRS 20 Adjustment	<u>33,705</u>
At 31 December 2013	<u>5,955,154</u>
<b>NET BOOK VALUES</b>	
At 31 December 2013	<u>5,955,154</u>
At 31 December 2012	<u>4,970,746</u>

The FRS 20 adjustment represents the cost to the company of issuing share options to employees of subsidiaries.

Shares in subsidiary undertakings are stated at cost. Frenkel Topping Group plc owns directly the following principal subsidiaries which are included in the consolidated accounts:

<i>Company</i>	<i>Country of registration or incorporation</i>	<i>Nature of business</i>	<i>Shares held class</i>	<i>Proportion of shares held</i>
Frenkel Topping Limited	England	Financial services	Ordinary	100%
Frenkel Topping Structured Settlements Limited	England	Dormant	Ordinary	100%
Frenkel Topping Wealth Solutions Limited	England	Dormant	Ordinary	100%
Frenkel Topping Services Limited	England	Dormant	Ordinary	100%

On 11 February 2013 the company purchased the 17% interest which it did not already own in Frenkel Topping Limited and Frenkel Topping Structured Settlements Limited. The consideration was satisfied by the issue of 4,225,352 shares which had a market price at time of issue of 22.5 pence per share.

## 2 FIXED ASSET INVESTMENTS (continued)

On 7 January 2014 the Company established a new subsidiary, Frenkel Topping Group Holdings Limited. On the same date it transferred the shareholding in its subsidiaries Frenkel Topping Limited, Frenkel Toppings Structured Settlements Limited, Frenkel Topping Wealth Solutions Limited and New Horizon AM Limited to Frenkel Topping Group Holdings Limited. As a result of a new share scheme implemented post year end 15% of the share capital was disposed of as a result of the scheme and is owned by 3 directors of the Company. The Company owns 85% of the share capital of Frenkel Topping Group Holdings Limited but is entitled to 100% of all the profit and dividend distributions of Frenkel Topping Group Holdings Limited.

3 DEBTORS	2013 £	2012 £
Other debtors	<u>6,611</u>	<u>5,149</u>

4 CREDITORS: amounts falling due within one year	2013 £	2012 £
Trade creditors	12,361	1,751
Other creditors	1,400	28,308
Bank overdraft	372,381	449,001
	<u>386,142</u>	<u>479,060</u>

5 CREDITORS: amounts falling due after one year	2013 £	2012 £
Amounts due to group undertakings	<u>1,201,879</u>	<u>714,984</u>

6 DEFERRED TAXATION	2013 £	2012 £
Tax losses brought forward	60,650	60,650
Loss for year	-	-
Change in rate	-	-
	<u>60,650</u>	<u>60,650</u>
At 31 December	<u>60,650</u>	<u>60,650</u>
Unrecognised deferred taxation asset at 31 December	60,650	60,650

These amounts will be utilised as and when the company generates sufficient taxable profits.

7 SHARE CAPITAL	Number of shares £	2013 £	Number of shares £	2012 £
Authorised				
Ordinary shares of £0.005 each	80,000,000	400,000	80,000,000	400,000
Preference shares of £1 each	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
		<u>450,000</u>		<u>450,000</u>
Allotted, called up and fully paid				
Ordinary shares of £0.005 each	<u>63,232,169</u>	<u>316,161</u>	<u>58,089,308</u>	<u>290,447</u>

During the period the Group issues 4,225,352 shares in exchange for the 17% minority interest in its trading subsidiaries Frenkel Topping Limited and Frenkel Topping Structured Settlements Limited.

During the period employees exercised share options and as a result 917,509 new shares were issued at a price of £0.005 per share.

The Company operates a group, equity-settled share option plan. The Company plan provides for a grant price not less than the nominal value of the shares. The vesting period is between 3 to 5 years. If options remain unexercised after a period of 10 years from the date of the grant, the options expire. Furthermore, options are forfeited if the employee leaves the group before the options vest. In relation to the 2011 options, 60% of options vest if the aggregate diluted EPS for the 3 financial years ending 31 December 2013 is 2.0966 pence, 80% of options vest if the aggregate diluted EPS for the 3 financial years ending 31 December 2013 is 2.6208 pence, 100% of options vest if the aggregate diluted EPS for the 3 financial years ending 31 December 2013 is 3.144 pence.

Grant date	Subscription price per share	Number of shares for which rights exercisable	Earliest date on which options can be exercised
<b>Approved Scheme</b>			
10 May 2007	0.5p	60,000	10 May 2010 to 10 May 2012
13 August 2007	0.5p	100,000	13 August 2010 to 13 August 2012
9 June 2008	0.5p	64,000	9 June 2011 to 9 June 2013
26 May 2009	0.5p	699,232	31 May 2012 to 31 May 2014
23 November 2011	13.5p	2,682,116	23 November 2014
17 September 2012	13.5p	<u>250,000</u>	17 Sept 2015 to 17 September 2017
Employee share options in issue		<u>3,855,348</u>	

7 SHARE CAPITAL (continued)	2013 Options	2013 Weighted average exercise price (pence)	2012 Options	2012 Weighted average exercise price (pence)
Outstanding at 1 January	4,792,752	8.45	6,066,558	6.25
Granted during the year	-	14.0	250,000	14.0
Lapsed during the year	(19,895)	0.5	(168,160)	0.5
Exercised during the year	(917,509)	0.5	(1,355,646)	0.5
Outstanding at 31 December	<b><u>3,855,348</u></b>	10.39	<b><u>4,792,752</u></b>	8.45
Exercisable at 31 December	<b><u>379,667</u></b>		<b><u>553,192</u></b>	

The options outstanding at 31 December 2013 had a weighted average remaining contractual life of 7 years (2012: 8 years).

	2013	2012
The inputs in to the Black Scholes model were as follows:		
Weighted average share price	14.0p	14.0p
Weighted average exercise price	8.45p	8.45p
Expected volatility	46.9%	46.9%
Expected life	6 years	6 years
Risk free rate	5%	5%
Expected dividends	£0	£0

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Options exercised have been satisfied:

	2013	2012
Issue of new shares	917,509	1,355,646
Transfer from own shares reserve	-	-
Total Exercised	<b><u>917,509</u></b>	<b><u>1,355,646</u></b>

The weighted average share price at the date of exercise was 25.5 pence.

The Group recognised total expenses of £33,705 (2012: £67,966) relating to equity-settled share-based payment transactions all of which was recognised in the subsidiary of the Group.

8 EQUITY RESERVES	Merger reserve £	Own share reserve	Profit and loss account £
Company			
At 1 January 2013	-	(270,656)	3,762,060
Share based compensation	-	-	33,705
Own shares purchased	-	(96,469)	-
Dividend paid	-	-	(180,512)
Purchase of minority interest	929,577	-	-
Loss for the year	-	-	(120,122)
	<hr/>	<hr/>	<hr/>
At 31 December 2013	<b><u>929,577</u></b>	<b><u>(367,125)</u></b>	<b><u>3,495,131</u></b>

## 9 CONTINGENT LIABILITIES

The company has a Group VAT registration with a connected company, Frenkel Topping Limited, liability for which at 31 December 2013 amounted to £21,204 (2012 - £28,557).

## 10 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption granted by paragraph 3 of FRS 8 not to disclose related party transactions with its 100% owned group companies

### **SUBSTANTIAL SHAREHOLDING AS AT 26 FEBRUARY 2014**

The company has been notified of the following substantial interests in the ordinary share capital of the company as at the above date:

	<b>Number of Shares held</b>	<b>% of total</b>
D.R. Southworth (Non-Executive Chairman)	7,220,000	11.42
R.C. Fraser (Director)	3,385,405	5.35
J. Dean (Director)	1,357,221	2.15
R.J. Hughes	7,856,699	12.43
I.W. Currie	5,547,107	8.77
John Frenkel	3,525,352	5.58
Helium Special Situations Fund	13,451,332	21.27
Employee Benefit Trusts	2,124,823	3.36

The Directors are not aware of any other person who is beneficially interested in 3% or more of the issued share capital.

### **BOARD OF DIRECTORS**

The Directors of the Company who held office since 1 January 2014 are as follows:

D.R. Southworth	Non-Executive Chairman
R.C. Fraser	Director
J. Dean	Finance Director
G McMahon (appointed 24 February 2014)	Non-Executive Director





**INVESTOR IN PEOPLE**

Registration number 4726826

4th Floor Statham House  
Talbot Road  
Old Trafford  
Manchester  
M32 0FP

