



23 March 2015

**Frenkel Topping Group plc**  
("Frenkel Topping" or "the Company")

**Final Results**

Frenkel Topping (AIM: FEN), a leading provider of specialist independent financial advice on the investment of personal injury damages and clinical negligence awards, announces audited final results for the year ended 31 December 2014, which has been another strong year with continued growth in revenues, pre-tax profits and funds under management.

**Financial Highlights**

- Revenue up 3.3% to £5.69m (2013: £5.51m)
  - *Recurring revenue of £4.20m (2013: £3.86m)*
- Gross profit up 9.9% to £3.90m (2013: £3.55m)
- Operating profit (before share based payments) up 21.7% to £1.75m (2013: £1.44m)
- Pre-tax profit up 12.2% to £1.57m (2013: £1.39m)
- Basic EPS up 24.7% to 2.27p (2013: 1.82p)
- Assets under management up 10.9% to £619m (as at 31 December 2013: £558m)
- Net cash of £1.70m (as at 31 December 2013: £1.52m)
- Total dividends (paid and proposed) up 22.4% to 0.71p per share (2013: 0.58p)

**Operational Highlights**

- Sixth consecutive year of 99% client retention for investment management services
- Renewed focus on expert witness work to establish good relationships pre-settlement
- Revenue generating Fee Earning Consultants up from nine to 14
- Expansion of geographical footprint in England and Wales
- Investing in the network of Fee Earning Consultants across England and Wales which is expected to accelerate growth from 2016 onwards

**David Southworth, Chairman of Frenkel Topping, commented:** *"The Company is in a very strong position as a leader in our market, but also financially, to continue to grow the business and to increase funds under management substantially. We are investing in increasing our network of Fee Earning Consultants across England and Wales which we expect will have a positive impact on growth rates from 2016 onwards, in terms of both profits and funds under management. The new financial year has started well and we are confident that we can deliver accelerated growth in the years to come."*

**For further information:**

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**About Frenkel Topping:** [www.frenkeltopping.co.uk](http://www.frenkeltopping.co.uk)

Frenkel Topping provides specialist independent financial advice on the investment of personal injury damages and clinical negligence awards. Frenkel Topping offers a complete service for all personal injury claims handlers, lawyers and individual clients, dealing with awards from a few thousand pounds to multi-million pound cases. The Company is a well recognised provider of expert witness reports in these cases and is then able to offer financial advice following settlement of the claim.

The Company's expertise includes asset protection, bespoke investment portfolios, analysis of periodical payments, Court of Protection portfolios and provision and setting up of trustee and receivership bank accounts.

## **Chairman's Report**

2014 has been another successful year for Frenkel Topping, during which we have seen continued growth in revenues, pre-tax profits and funds under management. We are particularly pleased with the improvement in margins during the period and the strong cash generation of the business, which provides us with the confidence to increase total dividend payments in the year by over 20%.

Whilst this is a solid set of results, and it is pleasing to announce growth in line with market expectations, we know that the business has the potential to deliver much higher rates of growth. We believe there is an opportunity to invest now in the business which we expect will deliver accelerated growth from 2016 onwards, and we remain confident that we can extend our leading position within the personal injury and clinical negligence market. During the period of growth we expect to continue to deliver strong cash generation which will allow for a progressive dividend policy.

## **Results**

Revenue for the year increased by 3.3% to £5.69m (2013: £5.51m), of which £4.20m was contributed from recurring revenues and these now account for 74% of total revenues (2013: 70%). We are pleased to report that for the sixth consecutive year we have maintained our 99% client retention rate for the period.

Gross profit was up by nearly 10% to £3.90m (2013: £3.55m) whilst operating profit before share based payments rose by 21.7% to £1.75m (2013: £1.43m). This resulted in margin improvement across the Company, with gross margins now at 68.4% (2013: 64.4%), and operating margins up to 30.7% (2013: 26.1%).

Reported profit before taxation increased by 12.2% to £1.57m (2013: £1.39m), after reflecting an increase in share based payments compared to the previous year.

The Company generated £1.41m of cash from operating activities during the year (2013: £1.72m) and finished the year with a net cash balance of £1.70m (2013: £1.52m), even after the purchase, by the employee benefit trust, of the Company's own shares during the year totaling £407,072 and the payment of £458,731 to shareholders in dividends, including the Company's first ever interim dividend.

Assets in the Investment Management Service business increased by 10.9% to £619m (as at 31 Dec 2013: £558m).

## **Dividend**

We are delighted to continue to advance our progressive dividend policy and the Board has recommended a final dividend of 0.54 pence. Combined with our maiden interim dividend the proposed dividend will give a total payment for the year of 0.71 pence, a 22.4% uplift to last year (2013: 0.58 pence), and a recognition of the continued growth of the business.

Subject to shareholder approval at the Company Annual General Meeting on 19 May 2015, the final dividend will be paid on 12 June 2015 to shareholders on the register at the close of business on 29 May 2015. The ex-dividend date is 28 May 2015.

## **Operational Review**

The long term strategy of the Company is to grow the assets in the Investment Management Service business and to provide an excellent service to clients both pre- and post-settlement and to maintain that relationship following its initial advice. During the period we exceeded £600m of funds under management and we are very proud to record our sixth consecutive year of retaining 99% of the clients using our investment management services.

The main driver for new business, and subsequent contributor to our funds under management, is our provision of expert witness reports for clients who are in the process of litigation as a result of a personal injury or clinical negligence claim. The focus during 2014 has been to continue to market Frenkel Topping's expert witness services to clients and litigation professionals, building up strong relationships pre-settlement, which we hope will in turn lead to the provision of personal injury trust work or investment advice.

Whilst we have seen good success in this endeavour to date, we know that there is a huge opportunity to grow this business and to extend our network of Fee Earning Consultants across England and Wales. At the beginning of the year we employed nine staff in this important revenue generating role and by the end of the year we extended this to 14. In doing so we have been able to add high quality, qualified staff with expertise in chartered financial planning, SOLLA (Society of Later Life Advisers) and STEP (Society of Trust and Estate Practitioners). It is our intention to continue to invest in this area of the business through 2015 and to ensure that Frenkel Topping has strong well qualified representation across key regional litigation communities, namely in the North West, the West Midlands, London, Bristol and South Wales.

During the year we continued to invest in supporting our network of litigation professionals and extend the Frenkel Topping brand as a specialised provider of financial advice in our area. Last year we hosted and supported a number of events aimed at clinical negligence solicitors, professional deputies, barristers, Court of Protection specialists, private client teams and case managers. Our annual Deputy Day Conference in May 2014 was very well attended, and in November 2014 we held our first Deputy Day in Cardiff. We are organising and supporting a number of events in 2015 details of which can be seen here: <http://www.frenkeltopping.co.uk/professionals/events/>

As well as these wider events our business development consultants regularly hold surgeries for law firms and other professionals within the personal injury and clinical negligence community to provide them with the latest update on our "best of breed" investment services and advice on current or forthcoming issues. These can range from the impact changes to the Office of the Public Guardian will have on Court of Protection appointed deputies, to the implications of the US's new FATCA (Foreign Account Tax Compliance Act) or the challenges that arise from the Care Act. In September 2014, we collaborated with a leading claimant barristers' chambers in London during their Annual Personal Injury Conference held at the Law Society in Chancery Lane and we were delighted to be invited to present at the Society of Clinical Injury Lawyers' annual conference in November last year.

2014 marked the 25-year anniversary of the landmark case of Kelly vs. Dawes which resulted in Britain's first ever structured settlement, known as a Periodical Payment Order ("PPO") in which Frenkel Topping played an integral part. This was a pivotal development in personal injury law, providing a guaranteed, tax-free income for the lifetime of a claimant and was a precursor to the current periodical payment regime. The lasting legacy of this case has had a huge impact on many other severely disabled and injured individuals and their families and we are incredibly proud to have had such a key role.

During the year we were very pleased to receive external recognition of the team's hard work by being shortlisted for a number of awards. Frenkel Topping was shortlisted in the 'Supporting the Profession' category of the Modern Law awards 2014 and in the 'Associated Industries' category of the Eclipse Proclaim Personal Injury Awards 2014. In addition, our Finance Director, Julie Dean was shortlisted for the Finance Director of the Year Award at the Grant Thornton Quoted Company Awards. This recognition is a reflection of our growing profile in the industry.

## **Outlook**

Whilst we are pleased to have further increased our funds under management, we are well aware of the huge opportunity we have to grow the business at an accelerated rate. We know that we can do this by

extending our geographical reach across England and Wales and through investing in our core base of revenue generating Consultants.

In 2015 we expect to increase the number of Fee Earning Consultants from 14 to 16, and to develop a stronger network around key regional cities; not only in Manchester, where we already have a very strong base, but also in and around Birmingham, London, Bristol and Cardiff. In these areas we will further extend our support for litigation professionals through the provision of our expert witness services and by offering their clients our premium investment solutions and advice.

In the wake of the changes that are taking place across the legal sector we increasingly find that the decision of who to instruct for expert witness work and to ultimately provide investment advice is moving away from individual litigators towards the senior partners, managing directors or chief operating officers of law firms. In addition we have seen the emergence of a number of sizeable but very specialist personal injury and clinical negligence law firms. Given our strong reputation and long track record in this field, as well as the added transparency and good corporate governance required of us as a public company, we are in an excellent position to take advantage of this shift.

The Company is in a very strong position, not only as a leader in a niche market, but also from a financial point of view, to continue to grow the business and to increase funds under management substantially. Whilst investment in this growth will result in an increase in our cost base this year, we are confident that we will see this investment bring about a step change in performance from 2016 onwards and will have a positive impact on growth rates for profits and funds under management. The new financial year has already started well and we are confident that we can deliver this accelerated growth.

David Southworth  
*Chairman*

## GROUP INCOME STATEMENT

For the year ended 31 December 2014

	Notes	2014 £	2013 £
REVENUE	3	5,693,266	5,507,736
Direct staff costs		<u>(1,796,734)</u>	<u>(1,959,948)</u>
GROSS PROFIT		3,896,532	3,547,788
ADMINISTRATIVE EXPENSES			
Share based compensation		(174,142)	(33,705)
Other		<u>(2,146,721)</u>	<u>(2,111,085)</u>
TOTAL ADMINISTRATIVE EXPENSES		<u>(2,320,863)</u>	<u>(2,144,790)</u>
Profit from operations before share based compensation		1,749,811	1,436,703
- share based compensation		<u>(174,142)</u>	<u>(33,705)</u>
PROFIT FROM OPERATIONS		1,575,669	1,402,998
Finance costs		<u>(6,972)</u>	<u>(10,927)</u>
PROFIT BEFORE TAX		1,568,697	1,392,071
Income tax expense	4	<u>(203,646)</u>	<u>(291,992)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,365,051</u>	<u>1,100,079</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent undertaking		1,365,051	1,087,925
Non-controlling interest		<u>-</u>	<u>12,154</u>
		<u>1,365,051</u>	<u>1,100,079</u>
Earnings per ordinary share – basic (pence)	5	2.27p	1.82p
Earnings per ordinary share – diluted (pence)	5	<u>2.19p</u>	<u>1.76p</u>

## GROUP STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	<b>2014</b>	<b>2013</b>
<i>Notes</i>	<b>£</b>	<b>£</b>
<b>ASSETS</b>		
<b>NON CURRENT ASSETS</b>		
Goodwill	5,095,287	5,095,287
Property, plant and equipment	12,990	37,076
Deferred taxation	202,627	61,610
	<hr/>	<hr/>
	5,310,904	5,193,973
<b>CURRENT ASSETS</b>		
Accrued income	933,428	1,058,054
Trade receivables	882,249	983,390
Other receivables	158,634	143,263
Cash and cash equivalents	1,959,556	1,896,932
	<hr/>	<hr/>
	3,933,867	4,081,639
<b>TOTAL ASSETS</b>	<hr/> <b>9,244,771</b>	<hr/> <b>9,275,612</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	319,186	316,161
Merger reserve	929,577	929,577
Other reserve	(341,174)	(341,174)
Own shares reserve	(774,197)	(367,125)
Retained earnings	8,082,486	6,999,524
	<hr/>	<hr/>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF PARENT UNDERTAKING</b>	8,215,878	7,536,963
Non-controlling interests	490	-
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	8,216,368	7,536,963
<b>NON CURRENT LIABILITIES</b>		
Obligations under finance lease	-	15,211
	<hr/>	<hr/>
	-	15,211
<b>CURRENT LIABILITIES</b>		
Bank overdrafts	255,841	372,381
Current taxation	140,252	141,399
Trade and other payables	632,310	1,209,658
Provisions	-	-
	<hr/>	<hr/>
	1,028,403	1,723,438
<b>TOTAL LIABILITIES</b>	<hr/> <b>1,028,403</b>	<hr/> <b>1,738,649</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<hr/> <b>9,244,771</b>	<hr/> <b>9,275,612</b>

## GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Share Capital	Merger reserve	Other Reserve	Own share Reserve	Retained Earnings	Total controlling interest	Non controlling interests	Total
	£	£	£	£	£	£	£	£
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 Own Shares	21,126	929,577	(341,174)	-	-	609,529	(609,529)	-
purchased	-	-	-	(96,469)	-	(96,469)	-	(96,469)
Dividend Paid	-	-	-	-	(180,512)	(180,512)	-	(180,512)
Total transactions with owners recognised in equity	316,161	929,577	(341,174)	(367,125)	5,911,599	6,449,058	(12,154)	6,436,884
Profit and total Comprehensive income for the period	-	-	-	-	1,087,925	1,087,925	12,154	1,100,079
Balance 1 January 2014	316,161	929,577	(341,174)	(367,125)	6,999,524	7,536,963	-	7,536,963
New shares issued	3,025	-	-	-	-	3,025	-	3,025
Share based compensation	-	-	-	-	174,142	174,142	-	174,142
Subsidiary share award adjustment	-	-	-	-	2,500	2,500	-	2,500
Own Shares purchased	-	-	-	(407,072)	-	(407,072)	-	(407,072)
Dividend paid	-	-	-	-	(458,731)	(458,731)	-	(458,731)
Non controlling interest purchased in year	-	-	-	-	-	-	490	490
Total transactions with owners recognised in equity	319,186	929,577	(341,174)	(774,197)	6,717,435	6,850,827	490	6,851,317
Profit and total Comprehensive income for the period	-	-	-	-	1,365,051	1,365,051	-	1,365,051
Balance 31 December 2014	319,186	929,577	(341,174)	(774,197)	8,082,486	8,215,878	490	8,216,368

- 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 3,218,016 (2013: 2,124,823) shares held by an employee benefit trust. The open market value of the shares held at 31 December 2014 was £1,303,296 (2013: £658,695).
- Retained earnings represents the profit 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.

## GROUP CASH FLOW STATEMENT

For the year ended 31 December 2014

	Year ended 31 December 2014 £	Year ended 31 December 2013 £
<b>Profit before tax</b>	1,568,697	1,392,071
Adjustments to reconcile profit for the year to cash (used in)/generated from operating activities:		
Finance cost	6,972	10,927
Share based compensation	174,142	33,705
Depreciation and amortisation	13,936	14,286
Subsidiary share award	2,500	-
(Increase) in accrued income, trade and other receivables	210,396	(320,536)
Increase/(decrease) in trade and other payables	(570,411)	586,909
<b>Cash generated from operations</b>	1,406,232	1,717,362
<b>Income tax paid</b>	(346,424)	(256,026)
<b>Cash generated from operating activities</b>	1,059,808	1,461,336
<b>Investment activities</b>		
Acquisition of property, plant and equipment	(5,948)	(4,130)
<b>Cash used in investment activities</b>	(5,948)	(4,130)
<b>Financing activities</b>		
Shares issued	3,025	4,587
Dividend paid	(458,731)	(180,512)
Interest on loans and borrowings	(3,883)	(4,501)
Finance lease repayments	(8,035)	(8,035)
Own share purchase	(407,072)	(96,469)
<b>Cash used in financing</b>	(874,696)	(284,930)
<b>Increase in cash and cash equivalents</b>	179,164	1,172,276
<b>Opening cash and cash equivalents</b>	1,524,551	352,275
<b>Closing cash and cash equivalents</b>	1,703,715	1,524,551
<b>Reconciliation of cash and cash equivalents</b>		
Cash at bank and in hand	1,959,556	1,896,932
Overdraft	(255,841)	(372,381)
<b>Closing cash and cash equivalents</b>	1,703,715	1,524,551

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

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2014

### **1. GENERAL INFORMATION**

The preliminary financial information does not constitute full accounts within the meaning of section 434 of the Companies Act 2006 but is derived from accounts for the years ended 31 December 2014 and 31 December 2013. The figures for the year ended 31 December 2014 are audited. The preliminary announcement is prepared on the same basis as set out in the statutory accounts for the year ended 31 December 2014. Those accounts, upon which the auditors issued an unqualified opinion, did not include a reference to any matters to which the auditors drew attention by way of emphasis, without qualifying their report, and made no statement under section 498(2) or (3) of the Companies Act 2006, will be delivered to the Registrar of Companies following the Annual General Meeting.

Statutory accounts for the year ended 31 December 2013 have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis, without qualifying their report, and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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

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

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **GOING CONCERN**

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

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

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

#### 4. TAXATION

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
ANALYSIS OF CHARGE IN YEAR		
Current Tax		
UK corporation tax	330,572	308,911
Adjustments in respect of previous periods	14,091	(12,159)
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Total current tax charge	344,663	296,752
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Deferred tax		
Temporary differences, origination and reversal	(141,017)	(4,760)
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Total deferred tax charge	(141,017)	(4,760)
	<hr/>	<hr/>
Tax on profit on ordinary activities	203,646	291,992
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#### FACTORS AFFECTING TAX CHARGE FOR YEAR

The tax assessed for the period is higher than the main rate of corporation tax in the UK 21.5% (2013: 24%). The differences are explained below:

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Profit before taxation	1,568,696	1,392,071
	<hr/>	<hr/>
Profit multiplied by main rate of corporation tax in the UK of 21.5% (2013: 24%)	337,270	334,097
EFFECTS OF:		
Expenses not deductible	9,628	14,722
Exercise of share options	(50,173)	(52,757)
Share based payments	(103,576)	8,089
Other charges/ (deductions) in period	10,497	(12,159)
	<hr/>	<hr/>
Total tax expense for year	203,646	291,992
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## 5. EARNINGS PER SHARE

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

	2014 £	2013 £
<i>Earnings</i>		
Earnings for the purposes of basic earnings per share (net profit for the year attributable to equity holders of the parent)	1,365,051	1,087,925
Earnings for the purposes of diluted earnings per share	1,365,051	1,087,925
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purposes of basic earnings per share		
Weighted average shares in issue	63,281,887	61,938,332
Less: own shares held	(3,128,016)	(2,124,823)
Effect of dilutive potential ordinary shares:	60,153,871	59,813,509
- Share options	2,294,873	2,114,225
Weighted average number of ordinary shares for the purposes of diluted earnings per share	62,373,744	61,927,761

## 6. BASIS OF THE PRELIMINARY ANNOUNCEMENT

The board of directors of Frenkel Topping Group Plc approved the Preliminary Results on 20 March 2015.

The statutory accounts for the year ended 31 December 2014 will be delivered to the Registrar of Companies following the Annual General Meeting. The statutory accounts will be posted to shareholders on 30 March 2015. Further copies will be available to the public, free of charge, at the Company's registered office, 4<sup>th</sup> Floor, Statham House, Talbot Road, Old Trafford, Manchester, M32 0FP and the Company's website at [www.frenkeltopping.co.uk](http://www.frenkeltopping.co.uk)

## 7. ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 19 May 2015 at 10am at Addleshaw Goddard LLP, 100 Barbirolli Square, Manchester, M2 3AB.