

Frenkel Topping Group plc
(“Frenkel Topping” or the “Company”)

Review of Ogden Discount Rate

Frenkel Topping (AIM: FEN), a specialist independent financial advisor and asset manager focussed on asset protection for vulnerable clients, provides the following update in relation to the announced change to the discount rate from 2.5% to -0.75% and how it affects the business.

Discount Rate from 2.5% to -0.75%

On the morning of 27 February 2017, the Lord Chancellor ruled that the Ogden discount rate which is used to calculate the damages awarded in clinical negligence and personal injury claims be set at -0.75% rather than the current 2.5%, effective from 20 March 17.

This announcement has dramatically changed how compensation damages are calculated. The last change to the discount rate was in 2001.

Impact on Damages Award

We are revising the Assets Under Management (AUM) growth assumptions in our business as follows;

Year	Previous Organic Growth Assumption	Revised Organic Growth Assumption
2017	£75m	£100m
2018	£100m	£180m
2019	£100m	£180m

Frenkel Topping has calculated that the size of court damages is likely to grow significantly. Using pipeline cases, Frenkel Topping has calculated the following increases as examples:

		Quantum @ 2.5% discount rate	Quantum @ -0.75% discount rate	Quantum uplift
Claimant Age	Life Expectation	@ 2.5%	@ -0.75%	
44	7 year reduction	£ 5,199,736.00	£ 7,640,843.79	47%
57	Normal	£ 3,856,463.00	£ 6,122,055.90	59%
11	Normal	£ 3,619,529.00	£ 6,892,115.39	90%
36	Normal	£ 6,637,936.00	£ 12,596,746.00	90%
13	24 year reduction	£ 9,956,514.00	£ 18,505,359.33	86%
36	Normal	£ 1,784,602.00	£ 3,382,087.37	90%
58	5 year reduction	£ 3,672,383.00	£ 5,545,186.61	51%
8	18 year reduction	£ 5,787,612.00	£ 14,031,550.15	142%

Having conducted an analysis over the last 6 months of large loss cases that we have been involved in, the average increase in overall quantum, had the discount rate been -0.75%, is c.80%.

Impact on Periodical Payment Orders (PPO)

A client's decision to receive a PPO instead of a lump sum has been impacted by this change to the discount rate. Claimants who have historically taken a PPO will now favour a lump sum because the peace of mind and diminished need for investment risk, previously only available with a PPO, has in effect been provided within the lump sum. The claimant now not only has a lump sum of damages significantly increased to meet their lifetime needs, but has the added advantage of the flexibility a lump sum award offers.

Clients' desire to take investment risk

With a historic 2.5% discount rate, clients need to take investment risk in order to generate this level of return, net of fees. With a revised -0.75% discount rate, clients' risk appetite is reduced. This is aligned to the ethos of Frenkel Topping's Safety First Portfolios.

Impact to Frenkel Topping

The rate of growth of AUM is expected to accelerate exponentially as a result of clients in receipt of large damage awards.

With larger awards, lower periodical payment orders and a core investment strategy geared towards a lower risk appetite, the market place the company operates within and thus the AUM and profitability of the Company is likely to grow, as shown in the tables below:

Organic AUM growth per annum £'m		
2017	2018	2019
75	100	100
100	100	100
100	150	150
100	200	200

Operating profit £'m		
2017	2018	2019
3.40	4.30	5.50
3.53	4.55	5.75
3.53	4.80	6.50
3.53	5.05	7.25

Closing AUM £'m		
2017	2018	2019
820	920	1,020
845	945	1,045
845	995	1,145
845	1,045	1,245

Given our expertise in this market place we recognise that there will be a hiatus in cases settling as court dates will be postponed as lawyers recalculate schedules based on the new discount rate. Therefore the uplift in AUM is expected to flow during H2 2017.

Jason Granite, Executive Chairman said "The changes announced will dramatically increase damages paid to our future clients and as a result, accelerate growth of AUM at Frenkel Topping. The Board is excited at the additional growth prospects this represents.

Higher damages awards will also result in an increase quality of life for those with life changing events outside of their control. As we continue to build higher levels of AUM and drive profitability within the business, we will remain totally focused on supporting clients post settlement for the remainder of their life, delivering excellent customer service and maintaining our 99% client retention rate."

For further information:

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About Frenkel Topping: www.frenkeltopping.co.uk

Frenkel Topping provides specialist independent financial advice focussed on asset protection for clients. The specialist independent financial adviser has a market leading position providing advice and fund management services for personal injury trusts and clinical negligence awards and is well placed to provide services to a wider customer base.

The Company provides a range of wealth management services including bespoke investment portfolios, financial and tax planning. It is focused on increasing its assets under management by growing the number of fee earners who are qualified to provide benefits protection for a variety of needs as the Company adds to its personal injury and clinical negligence specialism.

It has a national presence with offices in Manchester, Birmingham, Bristol, Cardiff, London and Leeds and has relationships and infrastructure in place to further grow its reach and target markets.