

# Frenkel Topping Group Plc

## FINANCIAL STATEMENTS

for the year ended 31 December 2010

Registration number 4726826

# Frenkel Topping Group Plc

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# Frenkel Topping Group Plc

## FINANCIAL HIGHLIGHTS

For the year ended 31<sup>st</sup> December 2010

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Frenkel Topping Limited (Frenkel Topping) and Frenkel Topping Wealth Solutions (Wealth Solutions) are the trading subsidiaries of Frenkel Topping Group Plc.

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

Wealth Solutions offer financial planning services to the sports and entertainment sectors advising many high profile professionals. The business is expanding into traditional family law areas which sit alongside Frenkel Topping's main market place.

	2010	2009
Revenue	£3,653k	£2,993k
Gross Margin	£2,140k	£1,441k
Profit From Operations before share based compensation	£733k	£208k
Profit Before Tax	£647k	£123k
Cash Generated From Operations	£395k	£175k
Funds In The Investment Management Service	£356m	£282m
Recurring Income *	£2.4m	£1.6m
Earnings per ordinary share ó basic (pence)	0.64p	0.06p
Earnings per ordinary share ó basic (diluted)	0.60p	0.06p

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.

# Frenkel Topping Group Plc

## CHAIRMAN'S STATEMENT

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### Results

I am pleased to report record Frenkel Topping Group results for the year ended 31 December 2010, which show a profit from operations before share based compensation of £733,355 (2009: £208,211) and a profit before taxation of £647,213 (2009: £123,437). These results have been achieved following an extensive period of reconstruction and the Board is delighted at the progress that has been made by the Group.

The Group generated £394,861 of cash from its operating activities during the year (2009: £175,389). The Group has also repaid its long-term debt of £200,000 and at the year-end held a minimal net overdraft position with the bank of £42,937 (2009: £146,853). The Group is operating well within its current bank facilities and the Board expects this situation to continue into the future.

The net asset value of the Group, before non controlling interests at 31 December 2010 was £5,131,685 (2009: £4,774,008).

The Group's income is derived from fees on our clients' initial investments and the recurring income from servicing the clients' portfolios within the Funds in the Investment Management Service (FIMS). The Group revenue of £3.6m (2009: £3.0m) includes fees from initial investment of £1.2m (2009: £1.4m) and £2.4m (2009: £1.6m) of recurring income from FIMS.

The total FIMS has risen to £356m as at 31 December 2010 from £282m (as redefined), at the commencement of the year. As a result of this growth we expect the recurring income to show further growth in 2011.

The Group's financial strategy has been to become less reliant on fees from initial business, with more emphasis on the growth of FIMS and the resulting increase in the level of recurring fees, which now represents 67% (2009: 53%) of total Group revenue. We expect this trend to continue.

By the start of 2011 the Group had successfully assembled its strongest selection to date, of authorised individuals covering various areas of expertise, which will facilitate the planned increases in new FIMS.

We continue to embrace the evolving recommendations from the FSA Retail Distribution Review, as we believe it will form the basis for the future structure of independent professional financial advice. At its core, is the principle of Treating Customers Fairly, which the Group has embraced for a number of years. The Board continues to develop the service offering to our clients and to attract new relationships.

The Group has a number of new strategic partnerships within its investment offering, including the New Horizon OEIC, which is managed by Goldman Sachs and Morgan Stanley. Due to the significant balance of FIMS the Group has at its disposal, we are able to attract the services of substantial global investment managers and thus open up their expertise to our clients. To this end the Group has established Frenkel Topping Wealth Solutions Limited during 2010, offering investment services to private clients and intends to establish other new investment vehicles during 2011.

Whilst the financial services market has experienced a period of volatility and uncertainty over recent times the Group has, against this background, established recurring profit streams, cash generation and revenue opportunities which auger well for the future.

### Dividends

The Board does not propose to declare a dividend in respect of 2010.

### Prospects

The Group's aim is to continue to increase the recurring income from FIMS and to continue to focus on revenue generation and cost control. This strategy has now demonstrated significant success as shown by the strong performance in 2010. The Board has increased confidence in the future profitable growth of the Group, as a result of both increased recurring income and other revenue generating opportunities which will contribute during 2011 and later years.

David Southworth  
Non-Executive Chairman

# Frenkel Topping Group Plc

## DIRECTORS AND ADVISERS

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### DIRECTORS

D R Southworth (Non-Executive Chairman)  
R C Fraser  
J Dean

### SECRETARY

J Dean

### COMPANY NUMBER

4726826

### REGISTERED OFFICE

4<sup>th</sup> Floor Statham House  
Lancastrian Office Centre  
Talbot Road  
Old Trafford  
Manchester  
M32 0FP

### AUDITORS

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

### BANKERS

NatWest plc  
11 Spring Gardens  
Manchester  
M60 2DB

### SOLICITORS

Addleshaw Goddard LLP  
100 Barbirolli Square  
Manchester  
M2 3AB

### NOMINATED ADVISER AND BROKER

WH Ireland  
11 St James Square  
Manchester  
M2 6WH

# Frenkel Topping Group Plc

## DIRECTORS' REPORT

### For the year ended 31 December 2010

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The Directors present their report and the financial statements of the Group and the Company for the year ended 31 December 2010.

#### 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.

#### 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 do not propose a dividend.

#### SHARE CAPITAL

Information regarding substantial shareholdings in the Company is contained in the Shareholder Information section on page 42.

#### DIRECTORS WHO HELD OFFICE DURING THE YEAR

The Directors of the Company who held office during the year and are in office at the date of this report are as follows:

D.R. Southworth	Non-Executive Chairman
W. Hughes (resigned 15 December 2010)	Non-Executive Director
R.C. Fraser	Managing Director
J. Dean	Finance Director

#### PAYMENT OF CREDITORS

It is the Group's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and abide by them. Trade creditor days for the Group at 31 December 2010, calculated in accordance with the Companies Act 2006, were 175 days (2009: 153 days). This represents the ratio, expressed in days, between the amounts invoiced to the Group in the period by its suppliers and the amounts due, at the year end, to trade payables falling due for payment within one year. The number of days is abnormally high due to professional payables being included within trade payables which are not settled until a case is completed.

#### 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 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.

# Frenkel Topping Group Plc

## DIRECTORS' REPORT

For the year ended 31 December 2010

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### EMPLOYEE SHARE SCHEMES

Employee involvement in financial performance is encouraged through participation in the Company's share option schemes. At 31 December 2010, 26 employees, held options over 5,796,948 ordinary shares in the Company under the approved and unapproved share option schemes. Further information on share options is shown in note 15 on page 29.

### 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.

### BUSINESS RISKS

The main activity of the Group is providing independent financial advice to personal injury and clinical negligence victims. During the period the Group has set up a new subsidiary to provide financial planning to people employed in the entertainment and sports arena. 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, FSA 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 look at are clients' retention in FIMS and delivery against a target level of fees from new business. The Board monitor client retention on a monthly basis and, during 2010, less than 1% (2009:1.5%) of the FIMS was lost during the year. The Board agree new business targets with the authorised individuals at the start of each year and the Board review delivery against these targets on a weekly basis. During 2010, 95% of the new business target was achieved (2009: 98%).

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 provides a degree of protection. The Group actively monitors its competitors, its own pricing structure and proactively markets 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 highest cost to the Group.

The Group needs to maintain its authorisation with the Financial Services Authority (FSA) in order to continue and has to adhere to principles and guidelines as set down by the FSA. 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 a bank overdraft. 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.

# Frenkel Topping Group Plc

## DIRECTORS' REPORT

For the year ended 31 December 2010

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### 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 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 auditors are unaware. Each of the directors have 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.

By order of the Board

J Dean  
COMPANY SECRETARY  
23 March 2011

# Frenkel Topping Group Plc

## DIRECTORS' REMUNERATION REPORT

For the year ended 31 December 2010

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### REMUNERATION COMMITTEE

The Group has a Remuneration Committee. The committee comprises the non-executive directors and is chaired by David Southworth. Due to the resignation of the other non-executive director in December 2010 as at the year end only David Southworth remained on the committee. The Board are seeking to address this issue as noted in the Board Structure in the Corporate Governance section.

### 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 executive 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 over 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.

	Emoluments and compensation £	Bonus £	Pension £	Total 2010 £
D Southworth	30,000	-	-	30,000
W Hughes	12,500	-	-	12,500
R Fraser	163,328	40,000	20,160	223,488
J Dean	88,454	40,000	-	128,454
	<u>294,282</u>	<u>80,000</u>	<u>20,160</u>	<u>394,442</u>
	Emoluments and compensation £	Bonus £	Pension £	Total 2009 £
D Southworth	30,000	-	-	30,000
W Hughes	12,500	-	-	12,500
R Fraser	166,108	-	6,360	172,468
J Dean	95,980	-	7,917	103,897
	<u>304,588</u>	<u>-</u>	<u>14,277</u>	<u>318,865</u>

# Frenkel Topping Group Plc

## DIRECTORS' REMUNERATION REPORT

For the year ended 31 December 2010

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### SHARE OPTIONS

The Company has an Enterprise Management Incentive Scheme (EMI). Options have been granted to directors under each scheme as follows:

	Number of shares	Exercise price	Exercise period
Julie Dean	900,000	0.5p	10 May 2010 to 26 May 2014

No share options have been issued during the period and the amounts above remain outstanding. Details of the EMI are given in note 15 to the financial statements.

### PENSION ARRANGEMENTS

Executive directors are entitled to have a percentage of their basic salary paid to a pension scheme of their choice. Executive directors receive a contribution of between 5 - 10% of their salary from the Group.

# Frenkel Topping Group Plc

## CORPORATE GOVERNANCE

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### 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 September 2010) 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 11.

The non-executive directors have 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, consisting of the non-executive directors are 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 directors. The committee meets at least twice a year.
2. The Audit Committee includes the 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.

Since the resignation of William Hughes in December 2010 the Group only has one non-executive director. The Board are looking to appoint a new Non-Executive Director with experience that will add value to the existing Board. Any new non-executive directors will be asked to join both committees.

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.

# Frenkel Topping Group Plc

## CORPORATE GOVERNANCE

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### 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 "Internal Control Guidance for Directors on the Combined Code" issued by the ICAEW.

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 2010 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 the Audit and Remuneration Committee will be available at the Annual General Meeting to answer questions.

# Frenkel Topping Group Plc

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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The directors are responsible for preparing 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 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FRENKEL TOPPING  
GROUP PLC**  
for the year ended 31 December 2010

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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 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

**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 2010 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 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.

Graham Bond FCA (Senior Statutory Auditor)  
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor  
Chartered Accountants  
3 Hardman Street  
Manchester  
M3 3HF

23 March 2011

Frenkel Topping Group Plc  
GROUP STATEMENT OF COMPREHENSIVE INCOME  
for the year ended 31 December 2010

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	<i>Notes</i>	2010 £	2009 £
REVENUE	1	3,652,697	2,992,803
Direct staff costs		<u>(1,512,253)</u>	<u>(1,551,525)</u>
GROSS PROFIT		2,140,444	1,441,278
ADMINISTRATIVE EXPENSES			
Share based compensation		(56,714)	(43,812)
Other		<u>(1,407,089)</u>	<u>(1,233,067)</u>
TOTAL ADMINISTRATIVE EXPENSES		<u>(1,463,803)</u>	<u>(1,276,879)</u>
<hr/>			
Profit from operations before share based compensation		733,355	208,211
- share based compensation		<u>(56,714)</u>	<u>(43,812)</u>
PROFIT FROM OPERATIONS	2	676,641	164,399
Finance costs	3	<u>(29,428)</u>	<u>(40,962)</u>
PROFIT BEFORE TAX		647,213	123,437
Income tax expense	6	<u>(204,343)</u>	<u>(63,770)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>442,870</u>	<u>59,667</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent undertaking		350,709	34,987
Non controlling interest		<u>92,161</u>	<u>24,680</u>
		<u>442,870</u>	<u>59,667</u>
Earnings per ordinary share ó basic (pence)	7	0.64p	0.06p
Earnings per ordinary share ó diluted (pence)	7	<u>0.60p</u>	<u>0.06p</u>

The results for the period are derived from continuing activities.

Frenkel Topping Group Plc  
GROUP STATEMENT OF FINANCIAL POSITION  
as at 31 December 2010

Company registration number: 4726826

		2010	2009
	Notes	£	£
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Goodwill	8	5,095,287	5,095,287
Property, plant and equipment	9	21,128	28,698
Deferred taxation	13	20,675	20,675
		<u>5,137,090</u>	<u>5,144,660</u>
<b>CURRENT ASSETS</b>			
Accrued income		734,502	551,890
Trade receivables	19	401,327	369,032
Other receivables	10	133,251	77,567
Cash at bank and in hand		775,893	40
		<u>2,044,973</u>	<u>998,529</u>
<b>TOTAL ASSETS</b>		<u><u>7,182,063</u></u>	<u><u>6,143,189</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	15	274,262	274,146
Share premium account		5,744,876	5,744,876
Treasury share reserve		(12,500)	(16,667)
Retained losses		(874,953)	(1,241,344)
Other reserve		-	12,997
<b>EQUITY ATTRIBUTABLE TO HOLDER OF PARENT</b>		<u>5,131,685</u>	<u>4,774,008</u>
Non controlling interests	14	280,674	134,484
<b>TOTAL EQUITY</b>		<u>5,412,359</u>	<u>4,908,492</u>
<b>NON CURRENT LIABILITIES</b>			
Other payables	20	12,500	25,000
		<u>12,500</u>	<u>25,000</u>
<b>CURRENT LIABILITIES</b>			
Financial liabilities	17	818,797	379,409
Current taxation		265,126	90,894
Trade and other payables	11	604,129	707,495
Provisions	12	69,152	31,899
		<u>1,757,204</u>	<u>1,209,697</u>
<b>TOTAL LIABILITIES</b>		<u>1,769,704</u>	<u>1,234,697</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>7,182,063</u></u>	<u><u>6,143,189</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 23 March 2011 and are signed on its behalf by:

JULIE DEAN  
FINANCE DIRECTOR

**Frenkel Topping Group Plc**  
**GROUP STATEMENT OF CHANGES IN EQUITY**  
as at 31 December 2010

	Share Capital	Share Premium	Treasury share reserve	Retained Losses	Other reserve	Total controlling interest	Non controlling interests	Total
	£	£	£	£	£	£	£	£
Balance 1 January 2009	273,915	5,744,876	(25,000)	(1,320,143)	12,997	4,686,645	109,804	4,796,449
New shares issued	231	-	-	-	-	231	-	231
Transfer of shares arising on exercise of options	-	-	8,333	-	-	8,333	-	8,333
Share based compensation	-	-	-	43,812	-	43,812	-	43,812
Profit and total comprehensive income for the period	-	-	-	34,987	-	34,987	24,680	59,667
Balance 1 January 2010	<u>274,146</u>	<u>5,744,876</u>	<u>(16,667)</u>	<u>(1,241,344)</u>	<u>12,997</u>	<u>4,774,008</u>	<u>134,484</u>	<u>4,908,492</u>
New shares issued	116	-	-	-	-	116	-	116
Transfer of shares arising on exercise of options	-	-	4,167	-	-	4,167	-	4,167
Transfer on satisfaction of loan instrument	-	-	-	12,997	(12,997)	-	-	-
Transfer of share based compensation attributable to non-controlling interest	-	-	-	(54,029)	-	(54,029)	54,029	-
Share based compensation	-	-	-	56,714	-	56,714	-	56,714
Profit and total comprehensive income for the period	-	-	-	350,709	-	350,709	92,161	442,870
Balance 31 December 2010	<u><u>274,262</u></u>	<u><u>5,744,876</u></u>	<u><u>(12,500)</u></u>	<u><u>(874,953)</u></u>	<u><u>-</u></u>	<u><u>5,131,685</u></u>	<u><u>280,674</u></u>	<u><u>5,412,359</u></u>

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

The share premium reserve represents the amount received for shares issued over and above the nominal value of the shares issued.

The treasury share reserve represents the cost of 531,235 (2009:708,315) shares held by FTG EBT Trustees Limited, a subsidiary of Frenkel Topping Group Plc. The open market value of the shares held at 31 December 2010 was £34,530 (2009: £24,790).

Retained losses represent the loss generated by the Group since trading commenced.

The other reserve represents the fair value of the embedded option to convert the loan instrument into equity. The non controlling interests represent the value of the subsidiary owned outside the Group.

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

Frenkel Topping Group Plc  
GROUP CASHFLOW STATEMENT  
for the year ended 31 December 2010

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	Year ended 31 December 2010 £	Year ended 31 December 2009 £
<b>Profit before tax</b>	647,213	123,437
Adjustments to reconcile profit for the year to cash (used in)/generated from operating activities:		
Finance cost	29,428	40,962
Share based compensation	56,714	43,812
Depreciation	11,348	16,818
(Increase) in accrued income, trade and other receivables	(270,623)	(222,718)
(Decrease)/increase in trade and other payables	(79,219)	173,078
<b>Cash generated from operations</b>	<u>394,861</u>	<u>175,389</u>
<b>Income tax paid</b>	(24,835)	(56,424)
<b>Cash generated from operating activities</b>	<u>370,026</u>	<u>118,965</u>
Investment activities		
Acquisition of property, plant and equipment	(3,778)	(3,444)
<b>Cash used in investment activities</b>	<u>(3,778)</u>	<u>(3,444)</u>
Financing activities		
Shares issued	116	231
Repayments of borrowings	(200,000)	-
Interest on loans	(62,455)	(18,230)
<b>Cash used in financing</b>	<u>(262,339)</u>	<u>(17,999)</u>
<b>Increase in cash and cash equivalents</b>	103,909	97,522
<b>Opening cash and cash equivalents</b>	(146,813)	(244,335)
<b>Closing cash and cash equivalents</b>	<u>(42,904)</u>	<u>(146,813)</u>
<b>Reconciliation of cash and cash equivalent</b>		
Cash at bank and in hand	775,893	40
Overdraft	(818,797)	(146,853)
<b>Closing cash and cash equivalents</b>	<u>(42,904)</u>	<u>(146,813)</u>

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

# Frenkel Topping Group Plc

## GROUP ACCOUNTING POLICIES

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### 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 (öIFRSö) as adopted by the European Union, and IFRIC Interpretations and the Companies Act 2006.

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

The financial statements have been prepared on the historic cost basis. The principal accounting policies adopted are set out below.

### GOING CONCERN

The financial statements are prepared on a going concern basis, which assumes the Group will continue in operational existence for the foreseeable future. The Group's ability to meet its future working capital requirements and therefore continue as a going concern is dependent upon it being able to generate significant revenues and free cash flow and the availability of bank facilities. The current facility has been secured until 31 January 2012 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 2010**

The following standards have been adopted during the year:

- IAS 1 (Improvement) öPresentation of Financial Statementsö
- IAS 7 (Improvement) öStatement of Cash Flowsö
- IAS 17 (Improvement) öLeasesö
- IAS 18 (Improvement) öRevenueö
- IAS 27 (Revised) öConsolidated and Separate Financial Statementsö
- IAS 36 (Improvement) öImpairment of Assetsö
- IAS 38 (Improvement) öIntangible Assetsö
- IAS 39 (Amendment) öFinancial Instruments: Recognition and Measurementö
- IFRS 2 (Revised) öShare-based Paymentö

# Frenkel Topping Group Plc

## GROUP ACCOUNTING POLICIES

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- IFRS 3 (Revised) – Business Combinations
- IFRS 8 (Improvement) – Operating Segments

The adoption of these amendments has had no impact on the financial position and performance of 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.

### Standards, amendment and interpretations effective in 2010 but not relevant

Other amendments to standards became effective during the period including amendments to:

- IAS 28 (Revised) – Investments in Associates
- IAS 31 (Revised) – Investments in Joint Ventures
- IAS 39 (Improvement) – Financial Instruments: Recognition and Measurement
- IFRS 1 (Revised) – First-time Adoption of IFRS
- IFRS 5 (Improvement) – Non-current Assets Held for Sale and Discontinued Operations
- IFRS 6 (Improvement) – Exploration for and Evaluation of Mineral Resources
- IFRIC 9 (Improvement) – Reassessment of Embedded Derivatives
- IFRIC 16 (Improvement) – Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 – Distributions of Non-cash Assets to Owners
- IFRIC 18 – Transfers of Assets from Customers

The directors are of the opinion that the application of these amendments has had no impact on the financial statements of the Group or Company in either the current or preceding financial years.

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

- IAS 1 (Improvements) – Presentation of Financial Statements
- IAS 12 (Revised) – Income Taxes
- IAS 24 (Revised) – Related Party Disclosures
- IAS 27 (Improvements) – Consolidated and Separate Financial Statements
- IAS 32 (Revised) – Financial Instruments: Presentation
- IAS 34 (Improvements) – Interim Financial Reporting
- IFRS 1 (Revised) – First-time Adoption of IFRS
- IFRS 3 (Improvements) – Business Combinations
- IFRS 7 (Revised) – Financial Instruments: Disclosures
- IFRS 9 – Financial Instruments
- IFRIC 13 (Improvements) – Customer Loyalty Programmes
- IFRIC 14 (Amendment) – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

### REVENUE

Revenue is driven from net fees and commission on initial advice and from recurring income from the clients Funds in the Investment Management Service, excluding value added tax.

Fee and commission income is 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.

# Frenkel Topping Group Plc

## GROUP ACCOUNTING POLICIES

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### 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. As a Group Statement of Comprehensive Income is published, 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.

### 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 the income statement 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

# Frenkel Topping Group Plc

## GROUP ACCOUNTING POLICIES

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### 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

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

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 included in the balance sheet 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 against income.

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

### 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 non interest bearing and are stated at cost.

#### *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.

# Frenkel Topping Group Plc

## GROUP ACCOUNTING POLICIES

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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 bank loans and 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 other 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 accrual 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.

### *Convertible loans*

Convertible loans are regarded as compound instruments, when they are convertible into a pre-determined quantity of equity instruments. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity.

Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the instrument. The difference between this amount and the interest paid is added to the carrying value of the convertible loan note.

### 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.

# Frenkel Topping Group Plc

## GROUP ACCOUNTING POLICIES

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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 the Group Statement of Comprehensive Income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

### NON-CONTROLLING INTERESTS

The non controlling element of the losses in the dormant subsidiary Frenkel Topping Structured Settlements Limited have been consolidated into the reserves of the Group. The Group has applied the transition arrangements required by IAS27 (revised) and has not reallocated the non controlling element of accumulated losses retrospectively to the non-controlling interest.

Frenkel Topping Group Plc  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 December 2010

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1 REVENUE AND SEGMENTAL REPORTING

All of the Groups revenue arises from activities within the UK. Management consider 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	2010	2009
		£	£
	Profit from operations is stated after charging/(crediting):		
	Share based compensation	56,714	43,812
	Depreciation of owned assets	11,348	16,818
	Operating lease rentals - Motor vehicles	38,810	26,234
	Operating lease rentals ó Land & buildings	65,263	68,054
	Auditorø's remuneration ó audit	31,366	23,725
	Auditorø's remuneration ó tax	8,425	7,000
		<u>          </u>	<u>          </u>

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

		2010	
		£	%
	<b>Audit Services</b>		
	- Statutory audit	15,666	39.37
	<b>Other Services</b>		
	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 their associates	15,700	39.45
	<b>Tax Services</b>		
	- Compliance services	8,425	21.18
		<u>          </u>	
		<u>39,791</u>	

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

		2009	
		£	%
	<b>Audit Services</b>		
	- Statutory audit	13,750	44.75
	<b>Other Services</b>		
	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 their associates	9,975	32.46
	<b>Tax Services</b>		
	- Compliance services	7,000	22.79
		<u>          </u>	
		<u>30,725</u>	

Frenkel Topping Group Plc  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 December 2010

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3	FINANCE COSTS	2010	2009
		£	£
	Bank interest	15,133	16,382
	Loan interest	14,295	24,342
	Other interest	-	238
		<u>29,428</u>	<u>40,962</u>

4 EMPLOYEES

NUMBER OF EMPLOYEES

The average monthly numbers of employees (including the Directors) during the year was made up as follows:

	2010	2009
	Number	Number
Directors	4	4
Sales	12	9
Administration	25	25
	<u>41</u>	<u>38</u>

EMPLOYMENT COSTS

	2010	2009
	£	£
Wages and salaries	1,675,794	1,646,247
Social security costs	183,952	182,017
Pension costs	71,781	76,924
Other benefits	71,273	73,680
Share based compensation ó equity settled	56,714	43,812
	<u>2,059,514</u>	<u>2,022,680</u>

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 7 to 8.

	2010	2009
	£	£
Short-term employee benefits	371,300	298,206
Post-employee benefits	20,160	14,277
Other long-term benefits	14,103	38,631
Share based payments	8,805	6,637
	<u>414,368</u>	<u>357,751</u>
	Number	Number
Number of Directors to whom retirement benefits are accruing under a money purchase scheme	<u>1</u>	<u>1</u>

Frenkel Topping Group Plc  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 December 2010

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4.	EMPLOYEES (continued)	2010	2009
		£	£
	The remuneration in respect of the highest paid director was:		
	Emoluments	203,328	166,108
	Pension costs	20,160	6,360
		<u>223,488</u>	<u>172,468</u>

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 £71,781 (2009: £76,924).

6	TAXATION	2010	2009
		£	£
	ANALYSIS OF CHARGE IN YEAR		
	CURRENT TAX		
	UK corporation tax	204,343	47,701
	Adjustments in respect of previous periods	-	1,669
	Total current tax charge	<u>204,343</u>	<u>49,370</u>
	Deferred tax		
	Adjustments in respect of previous periods	-	15,762
	Timing differences, origination and reversal	-	(1,362)
	Total deferred tax charge	<u>-</u>	<u>14,400</u>
	Tax on profit on ordinary activities	<u>204,343</u>	<u>63,770</u>

FACTORS AFFECTING TAX CHARGE FOR YEAR

The tax assessed for the period is higher than the standard rate of corporation tax in the UK 28% (28%). The differences are explained below:

	2010	2009
	£	£
Profit before taxation	<u>647,213</u>	<u>123,437</u>
Profit multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%)	181,219	34,562
EFFECTS OF:		
Expenses not deductible	23,754	22,655
Adjustments to tax charge in respect of previous periods	-	17,431
Unrelieved tax losses and other deductions in period	(630)	(1,876)
Marginal relief	-	(9,002)
Total tax expense for year	<u>204,343</u>	<u>63,770</u>

Frenkel Topping Group Plc  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 December 2010

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7 EARNINGS PER SHARE

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

	2010 £	2009 £
<i>Earnings</i>		
Earnings for the purposes of basic earnings per share (net profit for the year attributable to equity holders of the parent)	350,709	34,987
Earnings for the purposes of diluted earnings per share	350,709	34,987
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	54,836,980	54,794,616
Effect of dilutive potential ordinary shares:		
- Share options	<u>3,594,060</u>	<u>1,524,391</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>58,431,040</u>	<u>56,319,007</u>

8 GOODWILL

	£
<b>COST</b>	
At 31 December 2010, 31 December 2009 and at 1 January 2009	<u>5,095,287</u>
<b>NET BOOK VALUES</b>	
At 31 December 2010 and 31 December 2009	<u><u>5,095,287</u></u>

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 2011. 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 thereafter (%)	5
Discount rate (%)	12

The growth rates are based on historic and forecast future growth in 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.

Frenkel Topping Group Plc  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 December 2010

9 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £	Fixtures, fittings and equipment £	Computer equipment £	Total £
<b>Cost</b>				
At 1 January 2009	32,619	8,326	60,067	101,012
Additions	-	-	3,444	3,444
At 31 December 2009	32,619	8,326	63,511	104,456
Additions	-	-	3,778	3,778
Disposals	-	-	(49,887)	(49,887)
At 31 December 2010	32,619	8,326	17,402	58,347
<b>Depreciation</b>				
At 1 January 2009	6,626	3,104	49,210	58,940
Charge for the year	6,526	2,079	8,213	16,818
At 31 December 2009	13,152	5,183	57,423	75,758
Charge for the year	6,525	1,489	3,334	11,348
Disposals	-	-	(49,887)	(49,887)
At 31 December 2010	19,677	6,672	10,870	37,219
<b>Net book values</b>				
At 31 December 2010	12,942	1,654	6,532	21,128
At 31 December 2009	19,467	3,143	6,088	28,698
At 1 January 2009	25,993	5,222	10,857	42,072

10 OTHER RECEIVABLES

	2010 £	2009 £
Prepayments	79,279	58,759
Other receivables	53,972	18,808
	133,251	77,567

11 TRADE AND OTHER PAYABLES

	2010 £	2009 £
Trade payables	215,833	178,166
Other payables	141,779	252,504
Accruals	246,517	276,825
	604,129	707,495

Frenkel Topping Group Plc  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 December 2010

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12	PROVISIONS	2010	2009
	Professional indemnity claims provision	£	£
	At beginning of the period	31,899	64,106
	New claims provided	50,000	-
	Release of prior year provision	(11,606)	-
	Utilisation of existing provision	(1,141)	(32,207)
	At the end of the period	<u>69,152</u>	<u>31,899</u>

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	2010	2009
		£	£
	Accelerated capital allowances	(3,550)	(4,951)
	Other short term temporary differences	(49,305)	(15,724)
	Tax losses carried forward	(454,385)	(454,385)
	At 31 December	<u>(507,240)</u>	<u>(475,060)</u>
	Included in non current assets	(20,675)	(20,675)
	Unrecognised deferred taxation asset	(486,565)	(454,385)
	At 31 December	<u>(507,240)</u>	<u>(475,060)</u>
	Movement in the period	£	£
	At 1 January	(20,675)	(35,075)
	Deferred tax credit	-	(1,362)
	Prior year adjustment	-	15,762
	At 31 December	<u>(20,675)</u>	<u>(20,675)</u>

The Group has unrecognised deferred tax assets of £454,385 at 31 December 2010 and 31 December 2009, 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 NON CONTROLLING INTERESTS

The non controlling interests comprises of 12,144 (2009 ó 12,144) ordinary £1 shares in Frenkel Topping Limited and 207 (2009 - 207) ordinary £1 shares in Frenkel Topping Structured Settlements Limited. These shares do not entitle the holder to any rights against other group companies.

Frenkel Topping Group Plc  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 December 2010

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15 SHARE CAPITAL

	Number of shares	2010	Number of shares	2009
	£	£	£	£
Authorised				
Ordinary shares of £0.005 each	80,000,000	400,000	80,000,000	400,000
Preference shares of £1 each	50,000	50,000	50,000	50,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
		450,000		450,000
		<u>                    </u>		<u>                    </u>
Allotted, called up and fully paid				
As at 01 January	54,829,243	274,146	54,782,947	273,915
New shares issued	23,148	116	46,296	231
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
As at 31 December				
Ordinary shares of £0.005 each	54,852,391	274,262	54,829,243	274,146
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

During the period an employee exercised share options and 23,148 new shares were issued at nominal price of £0.005.

The Company operates an equity settled share option plan. The Company plan provides for a grant price equal to 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.

Grant date	Subscription price per share	Number of shares for which rights exercisable	Earliest date on which options can be exercised
Approved Scheme			
8 December 2004	0.5p	99,581	8 December 2007 to 8 December 2014
31 August 2005	0.5p	69,444	28 July 2007 to 31 August 2015
10 May 2007	0.5p	2,164,659	10 May 2010 to 10 May 2012
13 August 2007	0.5p	150,000	13 August 2010 to 13 August 2012
9 June 2008	0.5p	766,947	9 June 2011 to 9 June 2013
10 September 2008	0.5p	521,112	31 May 2010 to 31 May 2012
10 September 2008	0.5p	23,160	9 June 2011 to 9 June 2013
10 September 2008	2.353p	531,235	30 September 2008 to 31 August 2010
26 May 2009	0.5p	1,470,810	31 May 2012 to 31 May 2014
		<u>                    </u>	
Employee share options in issue		5,796,948	
		<u>                    </u>	

Frenkel Topping Group Plc  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 December 2010

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15	SHARE CAPITAL <i>(continued)</i>				
		2010	2010	2009	2009
		Options	Weighted average exercise price (pence)	Options	Weighted average exercise price (pence)
	Outstanding at 1 January	6,598,338	0.47	5,393,810	0.82
	Granted during the year	-	-	1,604,980	0.5
	Lapsed during the year	(601,163)	0.5	-	-
	Exercised during the year	(200,227)	2.14	(400,452)	2.353
		<u>5,796,948</u>	0.46	<u>6,598,338</u>	0.47
	Outstanding at 31 December				
	Exercisable at 31 December	<u>1,622,369</u>		<u>466,841</u>	

Options exercised have been satisfied:

	2010	2009
Issue of new shares	23,148	46,296
Transfer from Treasury reserve	177,079	354,156
	<u>200,227</u>	<u>400,452</u>
Total Exercised		

The company recognised total expenses of £56,714 (2009: £43,812) relating to equity-settled share-based payment transactions.

In June 2007 the Group entered into a £500,000 loan facility with MBC Settlements Limited (MBC). In consideration of MBC providing the loan facility, the Group has issued options to MBC in respect of 10,000,000 new ordinary shares. During the period the loan has been repaid and the options have lapsed with no options being exercised over the course of the facility.

**Frenkel Topping Group Plc**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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16 RELATED PARTY TRANSACTIONS

R Fraser is a partner in Frontier Properties to whom the company owed £4,870 (2009 - £4,870) at the year end.

J R Frenkel, who retains a minority interest in the subsidiary companies Frenkel Topping Limited and Frenkel Topping Structured Settlements, is the sole proprietor of Frenkels, Chartered accountants, to whom the company owes £207.

The amounts due to Frontier Properties and Frenkels Chartered accountants are held within trade payables in the Group Statement of Financial Position.

Details of key management compensation are included in note 4. Key management are considered to be the directors of the Group.

17 FINANCIAL INSTRUMENTS

It is not the Group's policy to invest in 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.

**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.

**Credit risk**

The Group evaluates a customer's ability to pay before entering into a transaction and actively manages receivables due to the Group.

**Foreign currency risk**

The Group has no overseas assets or liabilities.

The interest rate profile of the financial assets of the Group as at 31 December 2010 is as follows:

	Fixed rate financial assets £	Floating rate financial assets £	Financial assets on which no interest is paid £	Total £
2010				
Cash in hand	-	-	33	33
Cash at bank	-	775,860	-	775,860
Trade receivables	-	-	401,327	401,327
Accrued income	-	-	734,502	734,502
Other receivables	-	-	53,972	53,972
Total	-	775,860	1,189,834	1,965,694

Frenkel Topping Group Plc  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 December 2010

17 FINANCIAL INSTRUMENTS (continued)

	Fixed rate financial assets £	Floating rate financial assets £	Financial assets on which no interest is paid £	Total £
2009				
Cash in hand	-	-	40	40
Cash at bank	-	-	-	-
Trade receivables	-	-	369,032	369,032
Accrued income	-	-	551,890	551,890
Other receivables	-	-	18,808	18,808
Total	-	-	939,770	939,770

**Interest rate risk profile of financial liabilities**

The interest rate profile of the financial liabilities of the Group as at 31 December 2010 is as follows:

	Fixed rate financial liabilities £	Floating rate financial liabilities £	Financial liabilities on which no interest is paid £	Total £
2010				
Amounts due to banks	-	818,797	-	818,797
Trade and other payables	-	-	357,612	357,612
Sterling	-	818,797	357,612	1,176,409

	Fixed rate financial liabilities £	Floating rate financial liabilities £	Financial liabilities on which no interest is paid £	Total £
2009				
Short term liabilities	232,556	-	-	232,556
Amounts due to banks	-	146,853	-	146,853
Trade and other payables	-	-	430,670	430,670
Sterling	232,556	146,853	430,670	810,079

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 £426 (2009: £1,468). The impact to the Group Statement of Comprehensive Income of a 1% decrease in base rate of interest would be an increase the profit by £426 (2009: £1,468).

Frenkel Topping Group Plc  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 December 2010

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17 FINANCIAL INSTRUMENTS (continued)

**Maturity of financial liabilities**

The maturity profile of the Group's financial liabilities as at 31 December 2010 was as follows:

	2010 £	2009 £
Payable within one year	1,176,409	810,079
	<u>                    </u>	<u>                    </u>

**Currency exposures**

The Group has no overseas assets or liabilities.

**Borrowing facility**

The Group holds a committed net overdraft facility of £400,000 of which £42,937 was drawn down at 31 December 2010, which is subject to annual review and has a floating charge over the trade receivables of the Group.

**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

At 31 December 2010, the Group had total gross commitments under non-cancellable operating leases as follows:

	Land & Building 2010 £	Land & Building 2009 £
Amounts due: less than 1 year	42,462	43,511
Amounts due: between 1 and 5 years	42,462	87,022
Total	<u>84,924</u>	<u>130,533</u>
	<u>                    </u>	<u>                    </u>
	Motor Vehicles 2010 £	Motor Vehicles 2009 £
Amounts due: less than 1 year	1,549	188
Amounts due: between 1 and 5 years	40,982	31,219
Total	<u>42,531</u>	<u>31,407</u>
	<u>                    </u>	<u>                    </u>

Operating lease payments for land and buildings represent rentals payable by the Group for its office properties. Leases are negotiated for a 5-year term and 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.

# Frenkel Topping Group Plc

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### for the year ended 31 December 2010

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#### 18 FINANCIAL COMMITMENTS (continued)

The Group shares VAT registration with its subsidiary Frenkel Topping. Both Group and Frenkel Topping are joint and severally liable for amounts due. As at 31 December the amount due to HMRC is £5,716 (2009: £14,125). This amount is included within current taxation on the Group Statement of Financial Position.

#### 19 TRADE RECEIVABLES

Trade receivables are non-interest bearing. Most receivables are received between 15 and 45 days from date of business. Average debtor days for the period is 40 days (2009:45 days). 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.

A small 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 are 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.

#### 20 OTHER PAYABLES

These represent the amounts due to beneficiaries of FTG EBT (Trustees) Limited in relation to the purchase of the treasury shares.

#### 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 objectives 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 premium, share based payment reserve, treasury reserve, other reserve and retained losses and net debt. The Group has a gearing ratio of 1% (2009: 7%).

The Financial Services Authority (FSA) supervises the trading subsidiaries of Group and sets capital requirements on this basis. Our policy is to maintain adequate readily realisable assets at a level in excess of those determined by the FSA.

From January 2013 the amount of net capital the subsidiaries will have to maintain is increasing as a result of the FSA Retail Distribution Review. The Board is satisfied the Groups has sufficient resources to meet this uplift in capital.

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

Frenkel Topping Group Plc  
 COMPANY BALANCE SHEET  
 as at 31 December 2010

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	<i>Notes</i>	2010 £	2009 £
<b>FIXED ASSETS</b>			
Investments	2	4,875,813	4,819,099
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due within one year	3	6,503	5,341
Cash at bank and in hand		-	103,129
		<u>6,503</u>	<u>108,470</u>
CREDITORS: amounts falling due within one year	4	(216,373)	(255,823)
NET CURRENT LIABILITIES		<u>(209,870)</u>	<u>(147,353)</u>
CREDITORS: amounts falling due after one year	5	(441,906)	(445,074)
NET ASSETS		<u>4,224,037</u>	<u>4,226,672</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	7	274,262	274,146
Treasury share reserve	8	(12,500)	(16,667)
Share premium account	8	5,744,876	5,744,876
Profit and loss account	8	(1,782,601)	(1,788,680)
Other reserve	8	-	12,997
EQUITY SHAREHOLDERS' FUNDS		<u>4,224,037</u>	<u>4,226,672</u>

The financial statements were approved by the Board of Directors and authorised for issue on 23 March 2011 and are signed on its behalf by:

JULIE DEAN  
 FINANCE DIRECTOR

# Frenkel Topping Group Plc

## ACCOUNTING POLICIES

as at 31 December 2010

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### 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 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 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.

### CASHFLOW STATEMENT

The Company has taken advantage of the exemption permitted by FRS1 not to present a cash flow statement.

### INVESTMENTS

Investments are stated at cost.

**Frenkel Topping Group Plc**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
as at 31 December 2010

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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 £62,793 (2009: £83,794).

2	FIXED ASSET INVESTMENTS	Shares in subsidiary undertakings £
	COST	
	As at 1 January 2010	4,819,099
	FRS 20 Adjustment	56,714
	At 31 December 2010	<u>4,875,813</u>
	NET BOOK VALUES	
	At 31 December 2010	<u>4,875,813</u>
	At 31 December 2009	<u>4,819,099</u>

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

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	82.7%
Frenkel Topping Structured Settlements Limited	England	Provision of advice on Structured settlements	Ordinary	82.7 %
FTG EBT (Trustees) Ltd	England	Non Trading	Ordinary	100%
Frenkel Topping Wealth Solutions Limited	England	Financial services	Ordinary	100%
Frenkel Topping Services Limited	England	Dormant	Ordinary	100%

Frenkel Topping Wealth Solutions Limited was incorporated on 5 October 2009. The principal activity of the Company is the giving of independent financial advice. The company started to trade on 1 January 2010.

3	DEBTORS	2010 £	2009 £
	Other debtors	<u>6,503</u>	<u>5,341</u>

Frenkel Topping Group Plc  
 NOTES TO THE COMPANY FINANCIAL STATEMENTS  
 as at 31 December 2010

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4	CREDITORS: amounts falling due within one year	2010 £	2009 £
	Trade creditors	597	6,600
	Other creditors	30,953	-
	Other loans and overdraft	184,823	249,223
		<u>216,373</u>	<u>255,823</u>
5	CREDITORS: amounts falling due after one year	2010 £	2009 £
	Amounts due to group undertakings	441,906	445,074
		<u>441,906</u>	<u>445,074</u>
6	PROVISIONS FOR DEFERRED TAXATION	2010 £	2009 £
	Tax losses carried forward	(60,650)	(60,650)
	At 31 December 2010	<u>(60,650)</u>	<u>(60,650)</u>
	Unrecognised deferred taxation asset	(60,650)	(60,650)
	At 31 December 2010	<u>(60,650)</u>	<u>(60,650)</u>

Frenkel Topping Group Plc  
 NOTES TO THE COMPANY FINANCIAL STATEMENTS  
 as at 31 December 2010

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7 SHARE CAPITAL

	Number of shares	2010	Number of shares	2009
	£	£	£	£
Authorised				
Ordinary shares of £0.005 each	80,000,000	400,000	80,000,000	400,000
Preference shares of £1 each	50,000	50,000	50,000	50,000
		<u>450,000</u>		<u>450,000</u>
Allotted, called up and fully paid				
Ordinary shares of £0.005 each	54,852,391	274,262	54,829,243	274,146
		<u>274,262</u>	<u>54,829,243</u>	<u>274,146</u>

During the period an employee exercised share options and 23,148 new shares were issued at nominal price of £0.005.

The Company operates an equity settled share option plan. The Company plan provides for a grant price equal to 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.

Grant date	Subscription price per share	Number of shares for which rights exercisable	Earliest date on which options can be exercised
Approved Scheme			
8 December 2004	0.5p	99,581	8 December 2007 to 8 December 2014
31 August 2005	0.5p	69,444	28 July 2007 to 31 August 2015
10 May 2007	0.5p	2,164,659	10 May 2010 to 10 May 2012
13 August 2007	0.5p	150,000	13 August 2010 to 13 August 2012
9 June 2008	0.5p	766,947	9 June 2011 to 9 June 2013
10 September 2008	0.5p	521,112	31 May 2010 to 31 May 2012
10 September 2008	0.5p	23,160	9 June 2011 to 9 June 2013
10 September 2008	2.353p	531,235	30 September 2008 to 31 August 2010
26 May 2009	0.5p	1,470,810	31 May 2012 to 31 May 2014
Employee share options in issue		<u>5,796,948</u>	

Frenkel Topping Group Plc  
 NOTES TO THE COMPANY FINANCIAL STATEMENTS  
 as at 31 December 2010

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7 SHARE CAPITAL (*continued*)

	2010 Options	2010 Weighted average exercise price (pence)	2009 Options	2009 Weighted average exercise price (pence)
Outstanding at 1 January	6,598,338	0.47	5,393,810	0.82
Granted during the year	-	-	1,604,980	0.5
Lapsed during the year	(601,163)	0.5	-	-
Exercised during the year	(200,227)	2.14	(400,452)	2.353
	<u>5,796,948</u>	0.46	<u>6,598,338</u>	0.47
Outstanding at 31 December				
Exercisable at 31 December	<u>1,622,369</u>		<u>466,841</u>	

Options exercised have been satisfied:

	2010	2009
Issue of new shares	23,148	46,296
Transfer from Treasury reserve	177,079	354,156
	<u>200,227</u>	<u>400,452</u>
Total Exercised		

The company recognised total expenses of £56,714 (2009: £43,812) relating to equity-settled share-based payment transactions.

In June 2007 the Group entered into a £500,000 loan facility with MBC Settlements Limited (MBC). In consideration of MBC providing the loan facility, the Group has issued options to MBC in respect of 10,000,000 new ordinary shares. During the period the loan has been repaid and the options have lapsed with no options being exercised over the course of the facility.

Frenkel Topping Group Plc  
 NOTES TO THE COMPANY FINANCIAL STATEMENTS  
 as at 31 December 2010

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8 EQUITY RESERVES

	Treasury reserve £	Share premium £	Profit and loss account £	Other reserve £
Company				
At 1 January 2010	(16,667)	5,744,876	(1,788,680)	12,997
Options exercised	4,167	-	-	-
Share based compensation	-	-	56,714	-
Transfer on satisfaction of loan instrument	-	-	12,997	(12,997)
Loss for the year	-	-	(63,632)	-
At 31 December 2010	<u>(12,500)</u>	<u>5,744,876</u>	<u>(1,782,601)</u>	<u>-</u>

9 CONTINGENT LIABILITIES

The company has a cross guarantee in respect of the bank loan and overdraft of a connected company, Frenkel Topping Structured Settlements Limited, which at 31 December 2010 amounted to £633,941 (2009 ó £633,941).

The company has a Group VAT registration with a connected company, Frenkel Topping Limited, which at 31 December 2010 amounted to £8,431 (2009 - £16,555).

10 RELATED PARTY TRANSACTIONS

The Company shares offices and resources with its subsidiaries Frenkel Topping Wealth Solutions, Frenkel Topping Structured Settlements Limited and Frenkel Topping Limited. During the year ended 31 December 2010 various recharges passed through the intercompany loan account and at 31 December 2010 the Company owed £441,906 (2009: £445,074) to Frenkel Topping Limited which is included in creditors in the Company balance sheet.

# Frenkel Topping Group Plc

## SHAREHOLDER INFORMATION

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### SUBSTANTIAL SHAREHOLDING AS AT 25 JANUARY 2011

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

	Number of Shares held	% of total
D.R. Southworth (Non-Executive Chairman)	7,070,000	12.89
R.C. Fraser (Director)	6,804,486	12.41
J. Dean (Director)	663,000	1.21
S.A. Ashcroft (Employee)	10,092,760	18.40
R.J. Hughes	7,483,116	13.64
I.W. Currie	5,388,773	9.82
James Brearley & Sons	3,428,572	6.26

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 2010 are as follows:

D.R. Southworth	Non-Executive Chairman
W. Hughes (resigned 15 December 2010)	Non-Executive Director
R.C. Fraser	Director
J. Dean	Finance Director