

Signed BTUKA

Frenkel Topping Group Plc

FINANCIAL STATEMENTS

for the year ended 31 December 2012



Registration number 4726826

Frenkel Topping Group Plc

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Frenkel Topping Group Plc
FINANCIAL HIGHLIGHTS
For the year ended 31 December 2012

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

Highlights

Profit before tax up by 21% to £1,030k

Funds in the Investment Management Service increased by 16% to £483m

Dividend of 0 30 pence per share proposed

	2012	2011
Revenue	£4,783k	£4,567k
Gross Margin	£2,883k	£2,661k
Profit From Operations before share based compensation	£1,109k	£891k
Profit Before Tax	£1,030k	£853k
Funds In The Investment Management Service	£483m	£416m
Recurring Income *	£3 2m	£3 1m

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

Results

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

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

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

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

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

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

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

Operations

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

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

Dividends

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

Frenkel Topping Group Plc

CHAIRMAN'S STATEMENT

Prospects

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

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

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

David Southworth

Non-Executive Chairman

Frenkel Topping Group Plc

DIRECTORS AND ADVISERS

DIRECTORS

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

SECRETARY

J Dean

COMPANY NUMBER

4726826

REGISTERED OFFICE

4th 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

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

Frenkel Topping Group Plc

DIRECTORS' REPORT

For the year ended 31 December 2012

The Directors present their report and the financial statements of the Group and the Company for the year ended 31 December 2012

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 are proposing a dividend payment of 0.30 pence per share (2011: 0.176 pence) subject to Shareholder approval at the AGM on 29 May 2013

SHARE CAPITAL

Information regarding substantial shareholdings in the Company is contained in the Shareholder Information section on page 46

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
R C Fraser
J Dean

Non-Executive Chairman
Managing Director
Finance Director

PAYMENT OF CREDITORS

It is the Company's and 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 Company and Group at 31 December 2012, calculated in accordance with the Companies Act 2006, were 8 days and 144 days (2011: 22 days and 127 days) respectively. This represents the ratio, expressed in days, between the amounts invoiced to the Company and the Group in the period by its suppliers and the amounts due, at the year end, to suppliers 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, the approved scheme being operated within the Enterprise Management Incentive Scheme.

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

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

Frenkel Topping Group Plc

DIRECTORS' REPORT

For the year ended 31 December 2012

EMPLOYEE SHARE SCHEMES

Employee involvement in financial performance is encouraged through participation in the Company's share option schemes. At 31 December 2012, 24 employees (2011: 27), held options over 4,792,747 ordinary shares (2011: 6,066,558) in the Company under the approved and unapproved share option schemes. Further information on share options is shown in note 15 to the financial statements.

GOING CONCERN ASSUMPTION

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

CHARITABLE DONATIONS

During the year the Group made charitable contributions of £555 (2011: £2,320), principally to charities servicing the community in which the Group operates.

BUSINESS RISKS

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

The ongoing success of the Group is dependent on maintaining its level of income, controlling cost, 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 monitors client retention on a monthly basis and, during 2012, 1% (2011: 1%) of the FIMS was lost during the year. The Board agrees new business targets with the authorised individuals at the start of each year and the Board reviews delivery against these targets on a weekly basis. During 2012, 90% of the new business target was achieved (2011: 94%).

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 trading 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 retained cash supported by a bank overdraft facility. 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.

Frenkel Topping Group Plc
DIRECTORS' REPORT
For the year ended 31 December 2012

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

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 has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

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

AUDITORS

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

SUBSEQUENT EVENTS

On 11 February 2013 the Group purchased the minority interest held in its subsidiaries Frenkel Topping Limited and Frenkel Topping Structured Settlements Limited in exchange for the issue of 4,225,346 ordinary shares of the Company

OWN SHARE PURCHASE

During the year the Company acquired 1,054,487 (2011: 694,806) of its own shares, representing 1.8% of the total issued share capital, for consideration of £171,300, which are held by an employee benefit trust. These shares have been purchased in order to meet future commitments under the Company's share option scheme. At 31 December 2012 the Company held 1,749,293 of its own shares (2011: 694,806).

By order of the Board



J Dean
COMPANY SECRETARY
8 April 2013

Frenkel Topping Group Plc

DIRECTORS' REMUNERATION REPORT

For the year ended 31 December 2012

REMUNERATION COMMITTEE

The Group has a Remuneration Committee. The committee comprises the non-executive director, David Southworth who is currently the only non-executive director. The Board is 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 executives within a competitive market place.

The main elements of the remuneration package for executive directors are

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

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

ANNUAL BONUS

The committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid. The committee decides the minimum level of operating profit that must be delivered before any cash bonus will be attributable. The purpose of the bonus is to reward executive directors for delivery 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 2012 £
D Southworth	45,000	-	-	45,000
R Fraser	220,876	24,457	10,000	255,333
J Dean	105,295	-	5,000	110,295
	<u>371,171</u>	<u>24,457</u>	<u>15,000</u>	<u>410,628</u>

	Emoluments and compensation £	Bonus £	Pension £	Total 2011 £
D Southworth	45,000	-	-	45,000
R Fraser	158,293	30,000	10,964	199,257
J Dean	92,392	-	4,750	97,142
	<u>295,685</u>	<u>30,000</u>	<u>15,714</u>	<u>341,399</u>

Frenkel Topping Group Plc

DIRECTORS' REMUNERATION REPORT

For the year ended 31 December 2012

SHARE OPTIONS

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

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

During the year Julie Dean exercised 233,467 share options from options issued in 2008, on which a gain of £35,020 was made. During the year Julie Dean sold 137,313 shares. Details of the scheme 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

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 12.

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

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

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

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

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

INTERNAL CONTROL

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

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

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

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

There are no significant issues disclosed in the financial statements for the period ended 31 December 2012 and up to the date of approval of the report and financial statements that have required the Board to deal with any related material internal control issues.

RELATIONS WITH SHAREHOLDERS

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

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

Frenkel Topping Group Plc

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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 under company law to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and the profit or loss of the Group for that period

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FRENKEL TOPPING
GROUP PLC**
for the year ended 31 December 2012

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 12, 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

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 2012 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.

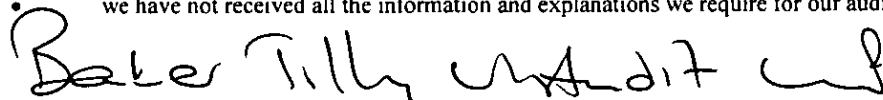
Opinion on other matters prescribed by the Companies Act 2006

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.



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

8 April 2013

Frenkel Topping Group Plc
GROUP STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2012

	Notes	2012 £	2011 £
REVENUE	1	4,783,714	4,567,436
Direct staff costs		(1,900,697)	(1,906,323)
GROSS PROFIT		2,883,017	2,661,113
ADMINISTRATIVE EXPENSES			
Share based compensation		(67,966)	(26,967)
Other		(1,774,064)	(1,770,507)
TOTAL ADMINISTRATIVE EXPENSES		(1,842,030)	(1,797,474)
Profit from operations before share based compensation		1,108,953	890,606
- share based compensation		(67,966)	(26,967)
PROFIT FROM OPERATIONS	2	1,040,987	863,639
Finance costs	3	(10,459)	(10,202)
PROFIT BEFORE TAX		1,030,528	853,437
Income tax expense	6	(275,027)	(98,836)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		755,501	754,601
PROFIT AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Owners of the parent undertaking		602,270	607,490
Non controlling interest		153,231	147,111
		755,501	754,601
Earnings per ordinary share – basic (pence)	7	1 09p	1 11p
Earnings per ordinary share – diluted (pence)	7	1 05p	1 05p

The results for the period are derived from continuing activities

Frenkel Topping Group Plc
GROUP STATEMENT OF FINANCIAL POSITION
as at 31 December 2012

Company registration number 4726826

		2012	2011
	Notes	£	£
ASSETS			
NON CURRENT ASSETS			
Goodwill	8	5,095,287	5,095,287
Property, plant and equipment	9	47,232	22,515
Intangible assets	22	-	25,000
Deferred taxation	13	56,850	81,957
		<u>5,199,369</u>	<u>5,224,759</u>
CURRENT ASSETS			
Accrued income		1,006,842	912,729
Trade receivables	19	748,307	343,913
Other receivables	10	113,810	68,270
Cash and cash equivalents		1,435,217	958,252
		<u>3,304,176</u>	<u>2,283,164</u>
TOTAL ASSETS		<u><u>8,503,545</u></u>	<u><u>7,507,923</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	290,447	283,668
Share premium account		-	-
Own shares reserve		(270,656)	(99,356)
Retained earnings		6,058,406	5,499,736
		<u>6,078,197</u>	<u>5,684,048</u>
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT UNDERTAKING			
Non controlling interests	14	597,375	432,429
TOTAL EQUITY		<u>6,675,572</u>	<u>6,116,477</u>
NON CURRENT LIABILITIES			
Obligations under finance lease	20	22,130	-
		<u>22,130</u>	<u>-</u>
CURRENT LIABILITIES			
Bank overdrafts	17	1,082,942	722,891
Current taxation		100,675	47,866
Trade and other payables	11	612,570	610,904
Provisions	12	9,656	9,785
		<u>1,805,843</u>	<u>1,391,446</u>
TOTAL LIABILITIES		<u>1,827,973</u>	<u>1,391,446</u>
TOTAL EQUITY AND LIABILITIES		<u><u>8,503,545</u></u>	<u><u>7,507,923</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 8 April 2013 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 2012

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

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

The own shares reserve represents the cost of 1,749,293 (2011: 694,806) shares held by an employee benefit trust. The open market value of the shares held at 31 December 2012 was £310,500 (2011: £102,484).

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

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

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

Frenkel Topping Group Plc
GROUP CASHFLOW STATEMENT
for the year ended 31 December 2012

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

Cash and cash equivalents are held at National Westminster Bank Plc

Frenkel Topping Group Plc

GROUP ACCOUNTING POLICIES

BASIS OF PREPARATION

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

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

GOING CONCERN

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

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 2012

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

Standards adopted early by the Group

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

Frenkel Topping Group Plc

GROUP ACCOUNTING POLICIES

INTERPRETATIONS OF STANDARDS (continued)

Standards, amendment and interpretations effective in 2012 but not relevant

The following standards, amendments and interpretations were effective during 2012 but not relevant to the Group

- IAS 1 Presentation of financial statements – amendment, presentation of items of other comprehensive income
- IFRS13 Fair Value Measurement
- IFRS 7 Financial Instruments – Disclosure – Amendment, Offsetting Financial Assets and Financial Liabilities
- IAS 32 Offsetting Financial Assets and Financial Liabilities
- IAS 28 Investments in Associates and Joint Ventures (amended 2011)
- IFRS 10 Consolidated Financial Statements
- IFRS 12 Disclosure of Interests

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

- IAS 1 Presentation of Other Comprehensive Income
- IFRS 10 Consolidated Financial Statements
- IFRS 12 Disclosure of Interest
- IAS 12 (Revised) “Income Taxes”
- IAS 27 (Improvements) “Consolidated and Separate Financial Statements”
- IAS 34 (Improvements) “Interim Financial Reporting”
- IAS 32 Offsetting Financial Assets and Financial Liabilities
- IFRS 9 “Financial Instruments”
- IFRS 11 Joint Arrangements
- IFRIC 13 (Improvements) “Customer Loyalty Programmes”

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

REVENUE

Revenue is derived from net fees and charges on initial advice and from recurring income from the clients' Funds in the Investment Management Service, excluding value added tax

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

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

BASIS OF CONSOLIDATION

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

The acquisition method of accounting is used for the acquisition of subsidiaries. The cost of acquisition is measured at the aggregate fair values of assets given, equity instruments issued and liabilities incurred or assumed by the Group to obtain control. A separate profit and loss account for the parent company is omitted from the Group financial statements by virtue of section 408 of the Companies Act 2006. The company loss for the year was £97,003 (2011: £98,294).

Frenkel Topping Group Plc

GROUP ACCOUNTING POLICIES

GOODWILL

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

Goodwill on acquisition of subsidiaries is separately disclosed

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

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

IMPAIRMENT

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

INTANGIBLE ASSETS

Intangible assets comprise rights to an income stream arising from a contract acquired from a third party. Amortisation is charged to administrative expenses in the income statement and provided at rates calculated to write off the cost less residual value of the asset over its expected useful life of two years.

Frenkel Topping Group Plc

GROUP ACCOUNTING POLICIES

EMPLOYEE SHARE OWNERSHIP PLANS

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

PROVISIONS

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

SHARE-BASED COMPENSATION

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

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

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

LEASING

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

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

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

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

FINANCIAL INSTRUMENTS

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

Trade and other receivables

Trade receivables are categorised as loans and receivables in accordance with IAS 39. 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.

Frenkel Topping Group Plc

GROUP ACCOUNTING POLICIES

Trade payables

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

Equity Instruments

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

Financial liabilities

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

Cash and cash equivalents

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

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

Borrowings

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

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

EMPLOYEE BENEFITS

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

TAXATION

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

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

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

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

Frenkel Topping Group Plc

GROUP ACCOUNTING POLICIES

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

NON-CONTROLLING INTERESTS

Profit or loss and each component of other comprehensive income are allocated between the owners of the parent and non-controlling interests even if this results in the non-controlling interest having a deficit balance, with the exception of the non-controlling interest in Frenkel Topping Structured Settlements Limited.

The non-controlling element of the losses in the dormant subsidiary Frenkel Topping Structured Settlements Limited has 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.

OWN SHARES HELD

Where the Company or any subsidiary undertaking has purchased shares in the Company from the market, the purchase price of the shares is deducted from retained earnings.

Frenkel Topping Group Plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2012

1 REVENUE AND SEGMENTAL REPORTING

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

2 PROFIT FROM OPERATIONS	2012	2011
	£	£
Profit from operations is stated after charging		
Share based compensation	67,966	26,967
Depreciation and amortisation	43,179	36,991
Operating lease rentals - Motor vehicles	49,329	49,210
Operating lease rentals – Land & buildings	68,874	64,420
Auditor's remuneration – audit	32,700	31,425
Auditor's remuneration – tax	9,200	8,850

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

	2012	
	£	%
Audit Services		
- Statutory audit	15,700	37.47
Other Services		
The auditing of accounts of associates of the company pursuant to legislation		
- Audit of subsidiaries where such services are provided by Baker Tilly UK Audit LLP and their associates	17,000	40.57
Tax Services		
- Compliance services	9,200	21.96
	<u>41,900</u>	

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

	2011	
	£	%
Audit Services		
- Statutory audit	14,950	37.12
Other Services		
The auditing of accounts of associates of the company pursuant to legislation		
- Audit of subsidiaries where such services are provided by Baker Tilly UK Audit LLP and their associates	16,475	40.91
Tax Services		
- Compliance services	8,850	21.97
	<u>40,275</u>	

Frenkel Topping Group Plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2012

2 PROFIT FROM OPERATIONS (continued)

The following table analyses the nature of expenses -

	2012 £	2011 £
Staff costs (see note 4)	2,479,242	2,348,018
Depreciation, amortisation and impairment	43,179	36,991
Premises costs	102,672	99,155
Marketing expenses	70,108	109,982
Professional fees	250,688	233,414
Share based payments	67,966	26,967
Other expenses	728,872	849,270
Total operating expenses	3,742,727	3,703,797

3 FINANCE COSTS

	2012 £	2011 £
Bank interest	8,785	10,202
Hire Purchase	1,674	-
	10,459	10,202

4 EMPLOYEES

NUMBER OF EMPLOYEES

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

	2012 Number	2011 Number
Directors	3	3
Sales	17	18
Administration	31	23
	51	44

EMPLOYMENT COSTS

	2012 £	2011 £
Wages and salaries	2,001,279	1,916,540
Social security costs	238,025	248,387
Pension costs	79,607	76,851
Other benefits	92,365	79,273
Share based compensation – equity settled	67,966	26,967
	2,479,242	2,348,018

Frenkel Topping Group Plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2012

4 EMPLOYEES (continued)

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 8 to 9

	2012 £	2011 £
Short-term employee benefits	381,669	315,581
Post-employment benefits	15,000	15,715
Other long-term benefits	13,959	10,103
Share based payments	33,705	4,940
	<u>444,333</u>	<u>346,339</u>
	Number	Number
Number of Directors to whom retirement benefits are accruing under a money purchase scheme	<u>2</u>	<u>2</u>

	2012 £	2011 £
The remuneration in respect of the highest paid director was		
Emoluments	245,333	188,293
Pension costs	10,000	10,964
	<u>255,333</u>	<u>199,257</u>

The highest paid director did not exercise any share options in the period (2011: nil)

5 PENSION COSTS

The Group operates a defined contribution pension scheme. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the Group and amounted to £79,607 (2011: £76,851)

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

Frenkel Topping Group Plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2012

6 TAXATION (continued)

FACTORS AFFECTING TAX CHARGE FOR YEAR

The tax assessed for the period is higher than the main rate of corporation tax in the UK of 24.5% (2011 26.5%) The differences are explained below

	2012 £	2011 £
Profit before taxation	1,030,528	853,437
Profit multiplied by main rate of corporation tax in the UK of 24.5% (2011 26.5%)	252,479	226,161
EFFECTS OF		
Expenses not deductible	19,557	28,140
Exercise of share options	(25,620)	(91,102)
Share based payments	16,652	(54,136)
Other charges/(deductions) in period	11,959	(10,227)
Total tax expense for year	275,027	98,836

7 EARNINGS PER SHARE

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

	2012 £	2011 £
<i>Earnings</i>		
Earnings for the purposes of basic earnings per share (net profit for the year attributable to equity holders of the parent)	602,270	607,490
Earnings for the purposes of diluted earnings per share	602,270	607,490
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purposes of basic earnings per share		
Weighted average shares in issue	57,186,784	55,481,199
Less own shares held	(1,749,292)	(694,807)
Effect of dilutive potential ordinary shares	55,437,492	54,786,392
- Share options	1,731,385	2,986,416
Weighted average number of ordinary shares for the purposes of diluted earnings per share	57,168,877	57,772,808

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

Frenkel Topping Group Plc
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 for the year ended 31 December 2012

8 GOODWILL

	£
COST	
At 31 December 2012, 31 December 2011 and at 1 January 2012	5,095,287
	<u>5,095,287</u>
NET BOOK VALUES	
At 31 December 2012 and 31 December 2011	5,095,287
	<u>5,095,287</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 2013. Cashflows beyond the budgeted period are extrapolated using the estimated growth rate per the table. In accordance with IAS 36, the growth rate for beyond the budgeted period does not exceed the long-term average growth rate for the industry.

The key assumptions applied in the calculation were

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

The growth rates are based on anticipated future growth in revenue over a five year period from FIMS and the contractual returns based on current contracts. The directors have performed sensitivity analysis on this figure which shows that there is no indication of impairment even if a growth figure of Nil% is used. The discount rate used is based on the weighted average cost of capital of the Group at the accounting reference date. The directors have performed sensitivity analysis on the discount rate which shows that there is no indication of impairment at discounted rates up to 33%.

Frenkel Topping Group Plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2012

9 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £	Cars £	Fixtures, fittings and equipment £	Computer equipment £	Total £
Cost					
At 1 January 2011	32,619	-	8,326	17,402	58,347
Additions	-	-	-	13,378	13,378
Disposals	-	-	-	(4,503)	(4,503)
At 31 December 2011	32,619	-	8,326	26,277	67,222
Additions	-	33,500	-	9,396	42,896
Disposals	-	-	-	(2,329)	(2,329)
At 31 December 2012	32,619	33,500	8,326	33,344	107,789
Depreciation					
At 1 January 2011	19,677	-	6,672	10,870	37,219
Charge for the year	6,524	-	1,394	4,073	11,991
Disposals	-	-	-	(4,503)	(4,503)
At 31 December 2011	26,201	-	8,066	10,440	44,707
Charge for the year	6,333	4,892	260	6,694	18,179
Disposals	-	-	-	(2,329)	(2,329)
At 31 December 2012	32,534	4,892	8,326	14,805	60,557
Net book values					
At 31 December 2012	85	28,608	-	18,539	47,232
At 31 December 2011	6,418	-	260	15,837	22,515
At 1 January 2011	12,942	-	1,654	6,532	21,128

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

10 OTHER RECEIVABLES

	2012 £	2011 £
Prepayments	108,724	64,237
Other receivables	5,086	4,033
	<u>113,810</u>	<u>68,270</u>

11 TRADE AND OTHER PAYABLES

	2012 £	2011 £
Trade payables	235,277	233,753
Other tax and social security	93,347	77,712
Other payables	22,949	20,932
Finance lease obligations	4,370	-
Accruals	256,627	278,507
	<u>612,570</u>	<u>610,904</u>

Frenkel Topping Group Plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2012

12	PROVISIONS	2012	2011
	Professional indemnity claims provision	£	£
	At beginning of the period	9,785	69,152
	New claims provided	1,000	22,000
	Release of prior year provision	-	(16,591)
	Utilisation of existing provision	(1,129)	(64,776)
	At the end of the period	<u>9,656</u>	<u>9,785</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**

	2012	2011
	£	£
Accelerated capital allowances	-	(3,550)
Share-based payments	(56,850)	(78,407)
Tax losses carried forward	(454,387)	(454,387)
At 31 December	<u>(511,237)</u>	<u>(536,344)</u>
Included in non current assets	(56,850)	(81,957)
Unrecognised deferred taxation asset	(454,387)	(454,387)
At 31 December	<u>(511,237)</u>	<u>(536,344)</u>
Movement in the period	£	£
At 1 January	(81,957)	(20,675)
Deferred tax charge/(credit)	25,107	(61,282)
At 31 December	<u>(56,850)</u>	<u>(81,957)</u>

The Group has unrecognised deferred tax assets of £454,387 at 31 December 2012 and 31 December 2011, 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 (2011: 12,144) ordinary £1 shares in Frenkel Topping Limited and 207 (2011: 207) ordinary £1 shares in Frenkel Topping Structured Settlements Limited. These shares do not entitle the holder to any rights against other group companies. On 11 February 2013 the Group entered into an agreement to purchase the non controlling interest of Frenkel Topping Limited and Frenkel Topping Structured Settlements Limited.

Frenkel Topping Group Plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2012

15 SHARE CAPITAL

	Number of shares £	2012 £	Number of shares £	2011 £
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				
As at 1 January	56,733,662	283,668	54,852,391	274,262
New shares issued	1,355,646	6,779	1,881,271	9,406
As at 31 December				
Ordinary shares of £0.005 each	58,089,308	290,447	56,733,662	283,668

At 31 December 2012 the Company held 1,749,293 of its own shares (2011: 694,806). During the year the Company acquired 1,054,487 (2011: 694,806) of its own shares, representing 1.8% of the total issued share capital, for consideration of £171,300, which are held by an employee benefit trust. These shares have been purchased in order to meet future commitments under the Company's share option scheme.

During the period employees exercised share options and as a result 1,355,646 new shares were issued at a price of £0.005 per share. Dividends of £188,875 in aggregate, being 0.3 pence per share, was proposed before the financial statements were authorised for issue but not treated as a distribution to equity.

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

Grant date	Subscription price per share	Number of shares for which rights exercisable	Earliest date on which options can be exercised
Approved Scheme			
10 May 2007	0.5p	115,620	10 May 2010 to 10 May 2012
13 August 2007	0.5p	100,000	13 August 2010 to 13 August 2012
9 June 2008	0.5p	466,479	9 June 2011 to 9 June 2013
10 September 2008	0.5p	97,467	31 May 2010 to 31 May 2012
10 September 2008	0.5p	16,490	9 June 2011 to 9 June 2013
26 May 2009	0.5p	1,064,580	31 May 2012 to 31 May 2014
23 November 2011	13.5p	2,682,116	23 November 2014
17 September 2012	14.0p	250,000	17 Sept 2015 to 17 September 2017
Employee share options in issue		<u>4,792,747</u>	

Frenkel Topping Group Plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2012

15 SHARE CAPITAL (continued)

	2012 Options	2012 Weighted average exercise price (pence)	2011 Options	2011 Weighted average exercise price (pence)
Outstanding at 1 January	6,066,558	6.25	5,796,948	0.47
Granted during the year	250,000	14.0	2,682,116	13.5
Lapsed during the year	(168,160)	0.5	-	-
Exercised during the year	(1,355,646)	0.5	(2,412,506)	0.908
Outstanding at 31 December	<u>4,792,752</u>	<u>8.45</u>	<u>6,066,558</u>	<u>6.25</u>
Exercisable at 31 December	<u>553,192</u>		<u>503,743</u>	

The options outstanding at 31 December 2012 had a weighted average remaining contractual life of 8 years (2011: 8 years). The fair value of options granted in the period was 6.77 pence each.

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

	2012	2011
Weighted average share price	14.0p	13.5p
Weighted average exercise price	8.45p	6.25p
Expected volatility	46.9%	50%
Expected life	6 years	6 years
Risk free rate	5%	5%
Expected dividends	£0	£0

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

Options exercised have been satisfied as follows:

	2012	2011
Issue of new shares	1,355,646	1,881,271
Transfer from employee share trust	-	531,235
Total Exercised	<u>1,355,646</u>	<u>2,412,506</u>

The weighted average share price at the date of exercise was 15.62 pence.

The company recognised total expenses of £67,966 (2011: £26,967) relating to equity-settled share-based payment transactions.

Frenkel Topping Group Plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2012

16 RELATED PARTY TRANSACTIONS

J 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, from whom the company is due £nil (2011 owes £2,193) During the year professional services charges of £6,000 (2011 £6,000) were invoiced from Frenkels Chartered Accountants

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

Details of key management compensation are included in note 4 Key management are considered to be the directors of the Group Key management received £21,990 in dividends in aggregate

17 FINANCIAL INSTRUMENTS

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

Interest rate risk

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

Liquidity risk

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

Credit risk

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

Foreign currency risk

The Group has no overseas assets or liabilities

Frenkel Topping Group Plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2012

17 FINANCIAL INSTRUMENTS (continued)

The interest rate profile of the financial assets of the Group as at 31 December 2012 is as follows

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

	Fixed rate financial assets £	Floating rate financial assets £	Financial assets on which no interest is paid £	Total £
2011				
Cash in hand	-	-	39	39
Cash at bank	-	958,213	-	958,213
Trade receivables	-	-	343,913	343,913
Accrued income	-	-	912,729	912,729
Other receivables	-	-	4,033	4,033
Total	-	958,213	1,260,714	2,218,927

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the Group as at 31 December 2012 is as follows

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

Frenkel Topping Group Plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2012

17 FINANCIAL INSTRUMENTS (continued)

	Fixed rate financial liabilities	Floating rate financial liabilities	Financial liabilities on which no interest is paid	Total
	£	£	£	£
2011				
Amounts due to banks	-	722,891	-	772,891
Trade and other payables	-	-	533,192	533,192
	<u>-</u>	<u>722,891</u>	<u>533,192</u>	<u>1,306,083</u>
Sterling	-	722,891	533,192	1,306,083

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 £3,520 (2011 £2,354).

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities as at 31 December 2012 was as follows

	2012 £	2011 £
Payable within one year	1,602,167	1,306,083
Payable in two to five years	22,130	-
	<u>1,624,297</u>	<u>1,306,083</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 £0 was drawn down at 31 December 2012 (2011 £nil), 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 2012, the Group had total gross commitments under non-cancellable operating leases as follows

	Land & Building 2012 £	Land & Building 2011 £
Amounts due		
Within one year	-	-
Between one and five years	235,585	-
In greater than five years	-	282,702
	<u>235,585</u>	<u>282,702</u>

Frenkel Topping Group Plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2012

18 FINANCIAL COMMITMENTS (continued)

	Motor Vehicles 2012 £	Motor Vehicles 2011 £
Amounts due		
Within one year	38,404	17,403
Between one and five years	20,655	13,163
	<u>59,059</u>	<u>30,566</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.

The Group shares a VAT registration with its subsidiary Frenkel Topping Limited. Both Group and Frenkel Topping Limited are joint and severally liable for amounts due. As at 31 December the amount due to HMRC is £31,004 (2011: £13,946).

19 TRADE RECEIVABLES

Trade receivables are non-interest bearing. Trade receivable average debtor days has been calculated as 170 (2011: 83). Debtor days has been calculated as the balance in trade receivables against new business income recorded in the year. The trade receivables represent fees due from investment of initial FIMS or Expert Witness Reports.

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

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

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

	2012 £	2011 £
Up to three months	210,927	15,834
Greater than six months	367,980	168,843
	<u>578,907</u>	<u>184,677</u>

Frenkel Topping Group Plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2012

20 FINANCE LEASE

	2012 £	2011 £
Amounts payable under finance lease		
Within one year	4,370	-
In the second to fifth year inclusive	22,130	-
After five years	-	-
	<u>31,337</u>	<u>-</u>
Less future finance charge	(4,837)	-
Present value of lease obligation	<u>26,500</u>	<u>-</u>
Less Amounts due for settlement within 12 months (shown Under current liabilities)	4,370	-
Amounts payable under finance lease		
In the second to fifth year inclusive	22,130	-
After five years	-	-
Amount due for settlement after 12 months	<u>22,130</u>	<u>-</u>

21 CAPITAL MANAGEMENT

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

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

The Group considers its capital to include share capital, share based payment reserve, own shares reserve, other reserve and retained earnings and net debt. The Group has no net external borrowing and hence the gearing ratio is 0% (2011: 0%).

Frenkel Topping Limited is authorised by The Financial Services Authority (FSA) and Frenkel Topping Wealth Solutions Limited is an appointed representative. The FSA sets capital requirements for the Group on this basis. Our policy is to maintain adequate readily realisable assets at a level in excess of those determined by the 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 that the Group has sufficient resources to meet this uplift in capital.

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

Frenkel Topping Group Plc
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2012

22	INTANGIBLE ASSETS	2012	2011
		£	£
	At 1 January	25,000	-
	Acquisitions	-	50,000
	Amortisation during year (within administrative expenses)	(25,000)	(25,000)
	At 31 December	-	25,000

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

23 **SUBSEQUENT EVENTS**

On 11 February 2013 the Group purchased the minority interest held in its subsidiaries Frenkel Topping Limited and Frenkel Topping Structured Settlements Limited in exchange for the issue of 4,225,346 ordinary shares of the Company having a market value of £950,703

Frenkel Topping Group Plc
COMPANY BALANCE SHEET
as at 31 December 2012

Company registration no 4726826

	Notes	2012 £	2011 £
FIXED ASSETS			
Investments	2	4,970,746	4,902,780
CURRENT ASSETS			
Debtors amounts falling due within one year	3	5,149	5,851
Cash at bank and in hand		-	-
		<u>5,149</u>	<u>5,851</u>
CREDITORS amounts falling due within one year	4	(479,060)	(110,949)
NET CURRENT LIABILITIES		<u>(473,911)</u>	<u>(105,098)</u>
CREDITORS amounts falling due after one year	5	(714,984)	(722,422)
NET ASSETS		<u>3,781,851</u>	<u>4,075,260</u>
CAPITAL AND RESERVES			
Called up share capital	7	290,447	283,668
Own shares reserve	8	(270,656)	(99,356)
Share premium account	8	-	-
Profit and loss account	8	3,762,060	3,890,948
EQUITY SHAREHOLDERS' FUNDS		<u>3,781,851</u>	<u>4,075,260</u>

The financial statements were approved by the Board of Directors and authorised for issue on ⁸~~2~~ April 2013 and are signed on its behalf by



JULIE DEAN
FINANCE DIRECTOR

Frenkel Topping Group Plc

ACCOUNTING POLICIES

as at 31 December 2012

ACCOUNTING CONVENTION

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

SHARE-BASED COMPENSATION

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

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

EMPLOYEE SHARE OWNERSHIP PLANS

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

DEFERRED TAXATION

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

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

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

INVESTMENTS

Investments are stated at cost.

Frenkel Topping Group Plc
NOTES TO THE COMPANY FINANCIAL STATEMENTS
as at 31 December 2012

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 £97,003 (2011: £98,294)

2 FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings £
COST	
As at 1 January 2012	4,902,780
FRS 20 Adjustment	67,966
At 31 December 2012	<u>4,970,746</u>
NET BOOK VALUES	
At 31 December 2012	<u>4,970,746</u>
At 31 December 2011	<u>4,902,780</u>

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

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

<i>Company</i>	<i>Country of registration or incorporation</i>	<i>Nature of business</i>	<i>Shares held class</i>	<i>Proportion of shares held</i>
Frenkel Topping Limited	England	Financial services	Ordinary	83%
Frenkel Topping Structured Settlements Limited	England	Provision of advice on structured settlements	Ordinary	83 %
Frenkel Topping Wealth Solutions Limited	England	Financial services	Ordinary	100%
Frenkel Topping Services Limited	England	Dormant	Ordinary	100%

As at 11 February 2013 the company entered into an agreement to purchase 17% of Frenkel Topping Limited and Frenkel Topping Structured Settlements Limited

3 DEBTORS

	2012 £	2011 £
Other debtors	<u>5,149</u>	<u>5,851</u>

Frenkel Topping Group Plc
NOTES TO THE COMPANY FINANCIAL STATEMENTS
as at 31 December 2012

4	CREDITORS amounts falling due within one year	2012	2011
		£	£
	Trade creditors	1,751	4,941
	Other creditors	28,308	17,058
	Bank loans and overdraft	449,001	88,950
		<u>479,060</u>	<u>110,949</u>
5	CREDITORS amounts falling due after one year	2012	2011
		£	£
	Amounts due to group undertakings	714,984	722,422
		<u>714,984</u>	<u>722,422</u>
6	DEFERRED TAXATION	2012	2011
		£	£
	Tax losses brought forward	60,650	60,650
	Loss for year	-	-
	Change in rate	-	-
	At 31 December	<u>60,650</u>	<u>60,650</u>
	Unrecognised deferred taxation asset at 31 December	60,650	60,650

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

Frenkel Topping Group Plc
NOTES TO THE COMPANY FINANCIAL STATEMENTS
as at 31 December 2012

7 SHARE CAPITAL

	Number of shares £	2012 £	Number of shares £	2011 £
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	58,089,308	290,447	56,733,662	283,668

During the period an employee exercised share options and 1,355,646 (2011: 1,881,271) new shares were issued at a price of £0.005 per share.

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

Grant date	Subscription price per share	Number of shares for which rights exercisable	Earliest date on which options can be exercised
Approved Scheme			
10 May 2007	0.5p	115,620	10 May 2010 to 10 May 2012
13 August 2007	0.5p	100,000	13 August 2010 to 13 August 2012
9 June 2008	0.5p	466,479	9 June 2011 to 9 June 2013
10 September 2008	0.5p	97,467	31 May 2010 to 31 May 2012
10 September 2008	0.5p	16,490	9 June 2011 to 9 June 2013
26 May 2009	0.5p	1,064,580	31 May 2012 to 31 May 2014
23 November 2011	13.5p	2,682,116	23 November 2014
17 September 2012	14.0p	250,000	17 Sept 2015 to 17 September 2017

Employee share options in issue 4,792,752

Frenkel Topping Group Plc
NOTES TO THE COMPANY FINANCIAL STATEMENTS
as at 31 December 2012

7 SHARE CAPITAL (continued)

	2012 Options	2012 Weighted average exercise price (pence)	2011 Options	2011 Weighted average exercise price (pence)
Outstanding at 1 January	6,066,558	6 25	5,796,948	0 47
Granted during the year	250,000	14 0	2,682,116	13 5
Lapsed during the year	(168,160)	0 5	-	-
Exercised during the year	(1,355,646)	0 5	(2,412,506)	0 908
Outstanding at 31 December	<u>4,792,752</u>	8 45	<u>6,066,558</u>	6 25
Exercisable at 31 December	<u>553,192</u>		<u>503,743</u>	

The options outstanding at 31 December 2012 had a weighted average remaining contractual life of 8 years (2011 8 years) The fair value of options granted in the period was 6 77 pence each

No charge has been made in respect of options granted in the year as, due to the timing of issue, their impact is considered to be immaterial

The inputs in to the Black Scholes model were as follows

	2012	2011
Weighted average share price	14 0p	13 5p
Weighted average exercise price	8 45p	6 25p
Expected volatility	46 9%	50%
Expected life	6 years	6 years
Risk free rate	5%	5%
Expected dividends	£0	£0

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

Options exercised have been satisfied

	2012	2011
Issue of new shares	1,355,646	1,881,271
Transfer from own shares reserve	-	531,235
Total Exercised	<u>1,355,646</u>	<u>2,412,506</u>

The weighted average share price at the date of exercise was 15 62 pence

The Group recognised total expenses of £67,966 (2011 £26,967) relating to equity-settled share-based payment transactions all of which was recognised in the subsidiary of the Group

Frenkel Topping Group Plc
NOTES TO THE COMPANY FINANCIAL STATEMENTS
as at 31 December 2012

8 EQUITY RESERVES

	Own shares reserve £	Profit and loss account £
Company		
At 1 January 2012	(99,356)	3,890,948
Share based compensation	-	67,966
Own shares purchased	(171,300)	-
Dividend paid	-	(99,851)
Loss for the year	-	(97,003)
	<u> </u>	<u> </u>
At 31 December 2012	<u>(270,656)</u>	<u>3,762,060</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 2012 amounted to £633,941 (2011 – £633,941)

The company has a Group VAT registration with a connected company, Frenkel Topping Limited, liability for which at 31 December 2012 amounted to £28,557 (2011 - £13,946)

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 2012 various recharges passed through the intercompany loan account and at 31 December 2012 the Company owed £714,984 (2011 £722,422) to Frenkel Topping Limited which is included in creditors in the Company balance sheet

Frenkel Topping Group Plc

SHAREHOLDER INFORMATION

SUBSTANTIAL SHAREHOLDING AS AT 12 FEBRUARY 2013

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)	7,220,000	11.59
R C Fraser (Director)	4,312,553	6.92
J Dean (Director)	1,039,154	1.67
S A Ashcroft (Employee)	5,000,000	8.02
R J Hughes	7,856,699	12.61
I W Currie	5,508,773	8.84
John Frenkel	4,225,352	6.78
Newton Specialist Fund	4,172,760	6.70
James Brearley & Sons	3,428,572	5.50
Employee Benefit Trusts	1,749,294	2.81

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 2012 are as follows

D R Southworth	Non-Executive Chairman
R C Fraser	Director
J Dean	Finance Director