Registered number
4310108

The Clarkson Hill Group PLC

Report and Financial Statements

31 December 2009

The Clarkson Hill Group PLC

Annual Report for the year ended 31 December 2009

Contents

The Clarkson Hill Group PLC

Company Information

Directors

J M Lacey (Resigned 6th November 2009)

J P Milroy (Resigned 6th May 2010)

W Moncrieff

K T Prichard (Resigned 14th January 2010)

R D Pritchard

M J Robinson

Secretary

G Withey

Auditors

George Hay

Registered office

Alexandra House

Alexandra Road

Wisbech

Cambridgeshire PE13 1HQ

Registered number

4310108

The Clarkson Hill Group PLC

Results

There was a group operating loss before exceptional costs of £(104,999) (2008 £(645,095)), reflecting both the continued impact of economic uncertainty on investment business and the costs incurred in reorganisation and additional regulatory requirements placed on the group Operating efficiency deteriorated to 21 7% (2008 17 7%) due largely to the reduction in turnover

The proportion of income derived from pension and investments increased by 9% over 2008 The proportion of protection remained broadly the same but mortgage related activities decreased by 47% down to just 8% of group income, as a result of the dramatic reduction in house sales and remortgages

Gross profit increased to 18 5% (2008 15 5%) this reflects the attention given to ensuring commission scale payments were in line with adviser production

Transition

In order to prepare the group for the impact of the Retail Distribution Review (RDR) the directors and advisers continue to focus on the creation of recurring income (trail and fees) Whilst RDR will not be implemented until the beginning of 2013, it is essential that this preparatory work is put in place now

As previously stated in the half year results, in order to establish recurring income, less initial commission is being received on single premium investment and pension sales This is reflected in the fact that the average single premium investment commission income received in 2009 was 3 7% of premium, 4 5% in 2008 and 5 36% in 2007

Whilst income from Assets under management (AUM) continues to grow and is now running at the rate of approximately £3 million per year, it takes some time for the accumulated trail to fully compensate for the loss of initial commission From the commencement of AUM in 2007 to December 2009 the effect of the decreased initial commission against the present increase in trail has caused a drop in gross profit of just over £300,000

Notwithstanding this transitional shortfall, the directors are clear that the work being done in this area is fundamental to the future strength of the group post RDR and its valuation

Regulatory Costs

During the second half of the year, the group was subject to a regulatory review of its systems and controls Independent consultants have reviewed the group's processes and revisions have taken place to bring them in line This has resulted in changes in the Compliance department and significant exceptional costs

In April of 2010 The Financial Services Compensation Scheme raised a levy of £80 million in respect of Pacific Continental Securities (UK) Ltd, Square Mile Securities Ltd and Keydata Investment Services As a consequence the group received an invoice, 75% of which, is backdated to the year 2009 This has been reflected in the accounts and identified as an exceptional item

In addition to the above costs the group met its regulatory and P I annual costs of £608,000 Clearly the additional costs incurred against a background of a recession hit income, has resulted in the group's loss for 2009

The Clarkson Hill Group PLC

Qualifications for RDR

The group continues to assist its advisers in reaching the necessary qualification levels to be able to continue to provide client advice in 2013

85% of advisers are either already qualified or completing the process of achieving the necessary level The recent clarifications provided will assist in advisers obtaining the necessary qualifications

The Group will continue to provide both in-house and provider supported training to enable advisers to pass the examination within the time frame

The directors are confident that the vast majority of our advisers will achieve the necessary qualifications For those advisers who chose not to pursue the examinations, plans are in place to enable them to continue to introduce clients to the group. It should be noted that some 7 5% of the CF30 advisers yet to proceed with the examination transact 90% of their business in the mortgage and protection market

The work already begun on moving Assets under Management will greatly assist both the group and advisers in meeting the challenge of RDR

Treating Customers Fairly

The group continues to pay attention to regulatory and consumer aspects of Treating Customers Fairly

Since inception the group has carried out 132,300 advisory transactions To date 30 complaints have been upheld, representing 0 022%

The directors continue to believe that the group's approach to compliance checking is the way to provide suitable advice to its clients and protect the group from future complaints

Outlook

2009 has been a difficult year for the group, however, substantial steps have been taken, in the areas of cost savings, and increased recurring income, which will assist in going forward
The directors believe that continued focus on developing and recruiting professional qualified advisers, available to provide appropriate advice on a wide range of financial issues, to clients on a face to face basis is the way forward
This approach allied to an ever increasing recurring income base for the group will enhance the value of the group
Following the losses incurred in 2009 and the increased regulatory costs, the group need to raise further capital to meet regulatory capital requirements The directors are currently in discussions with a number of parties and are confident that this objective will be achieved
In the meantime the group continues to trade as expected

RD Pritchard

RD Pritchard, Director
Acting Chairman
01 July 2010

The Clarkson Hill Group PLC
Directors' Report

The directors present their report and accounts for the year ended 31 December 2009

Principal activities and review of the business

The group is principally engaged in providing independent financial services advice and is registered under the Financial Services & Markets Act 2000 as an FSA member

The company is domiciled and was incorporated in England

A review of the business and key performance indicators are given in the Chief Executive Officer's Statement

Results and dividends

The loss for the period after taxation was £704,699 (2008 loss £505,486)

The directors do not recommend payment of a dividend

Principal risks and uncertainties

The sector in which the group operates is very competitive and there is no certainty that the group will be able to achieve growth targets or that the market it intends to exploit can be exploited to the extent indicated by the group Competition may come from companies which have greater development, marketing, financial and personnel resources than the group The regulatory environment for much of the group's activities is complex and subject to revision There can be no assurance that the group will have the resources or ability to comply with changes in relevant regulations If the group is unable to keep up with regulatory developments, it may be prohibited from competing for new work Additionally, there can be no assurance that the group will not breach the regulatory requirements of its areas of business Sanctions arising from such breaches may have a material adverse impact on the group's business

Use of financial instruments

Our financial risk management objectives are to ensure sufficient working capital for the company This is achieved by careful management of our cash balances Financial instruments are discused in detail in note 26

Future developments

The directors aim to refocus the management policies towards quality of earnings and profitability following a sustained period of substantial growth in business over recent years

Payments of creditors

The group's policy is to negotiate payment terms on an individual basis with suppliers and are abided with wherever possible At 31 December 2009 there were 30 (31 December 2008 30) trade creditor days outstanding

The Clarkson Hill Group PLC
Directors' Report

Directors
The directors who served during the year and their interests in the share capital of the company were as follows

	Ordinary shares of 2p each	
	31-Dec-09 or date of resignation	**31-Dec-08**
J M Lacey (Resigned 6th November 2009)	310,000	310,000
W Moncrieff	700,143	580,143
K T Prichard (Resigned 14th January 2010)	345,650	345,650
R D Pritchard	6,141,678	6,106,678
M J Robinson	5,835,250	5,835,250
J P Milroy (Resigned 6th May 2010)	50,000	50,000

All of the above interests of the directors are beneficial

The shares of MJ Robinson are held in a nominee account and 57,143 of the shares of W Moncrieff are beneficially held within a pension scheme

Other Shareholdings
On the 31st December 2009 other shareholders who held more that 3% of the issued share capital were as follows,

WJ Pirie	1,709,600 shares
Brewin Nominees 92 Limited	1,470,959 shares
Pershing Nominees	3,100,000 shares

The Clarkson Hill Group PLC
Directors' Report

Directors' responsibilities
The directors are responsible for preparing the report and accounts in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that period In preparing those accounts, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts,
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Disclosure of information to auditors
So far as each director at the date of approval of this report is aware
- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Auditors
George Hay have expresed their willingness to continue as auditors to the company and a resolution to reappoint them as auditors to the company will be proposed at the forthcoming AGM

This report was approved by the board on 1 July 2010

RD Pritchard
Director

The Clarkson Hill Group PLC

Independent auditors' report to the Members of The Clarkson Hill Group PLC

We have audited the financial statements of The Clarkson Hill Group PLC for the year ended 31 December 2009 which comprise the Statement of Comprehensive Income, the Statement of Financial Position and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 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 auditors' 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 explained more fully in the Statement of Directors' Responsibilities 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 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the affairs of the company and the group as at 31 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with International Financial Reporting Standards, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter 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

Emphasis of Matter - Going Concern

In forming our conclusion we have considered the adequacy of the disclosures made in Note 2 of the financial statements in respect of the material uncertainty associated with the need to acquire further capital to meet the requirements of the Financial Services Authority The validity of the going concern basis depends on the revised capital being obtained The financial statements do not include any adjustments that would result from failure to secure sufficient funds through the financing negotiations Our conclusion is not modified in respect of this material uncertainty

Barry Jefferd FCA CTA (Senior Statutory Auditor)
for and on behalf of George Hay
1 July 2010

The Clarkson Hill Group PLC
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2009

	Notes	12 months ended 31 December 2009 £	17 months ended 31 December 2008 £
Revenue	3	17,551,520	29,093,190
Cost of sales		(14,300,750)	(24,590,999)
Gross profit		3,250,770	4,502,191
Net operating expenses		(3,355,769)	(5,147,286)
Operating loss	4	(104,999)	(645,095)
Exceptional items	6	(465,107)	-
		(570,106)	(645,095)
Interest receivable and similar income		1,962	47,159
Finance costs	9	(68,555)	(71,271)
Loss on ordinary activities before taxation		(636,699)	(669,207)
Tax on loss on ordinary activities	10	(68,000)	163,721
Total comprehensive income for the year		(704,699)	(505,486)
Basic loss per share	5	-2 6p	-2 11p

Total comprehensive income is attributable to the owners of the parent

None of the group's activities were acquired or discontinued during the above two financial periods.

The notes on pages 13 to 27 form an integral part of these financial statements

The Clarkson Hill Group PLC
Consolidated Statement of Financial Position
as at 31 December 2009

	Notes	31 December 2009 £	31 December 2008 £
ASSETS			
Non current assets			
Intangibles	13	120,055	120,055
Property, Plant & Equipment	14	133,733	153,978
Investments	15	7,000	7,000
Deferred Tax	10	435,919	503,919
		696,707	784,952
Current assets			
Trade and other receivables	16	3,509,013	3,189,357
Cash and cash equivalents		277,658	586,640
		3,786,671	3,775,997
Total assets		4,483,378	4,560,949
EQUITIES & LIABILITIES			
Called up share capital	17	591,005	479,154
Share premium	18	2,205,159	2,087,011
Merger reserve	19	(99,000)	(99,000)
Retained earnings	20	(2,602,151)	(1,897,452)
Total equity	21	95,013	569,713
Non-current liabilities			
Long term borrowings	22	458,333	534,444
Current liabilities			
Trade and other payables		3,448,293	3,077,838
Short term borrowings		346,745	142,258
Current portion of long term borrowings		53,066	187,031
Current taxes payable		81,928	49,665
		3,930,032	3,456,792
Total equity and liabilities		4,483,378	4,560,949

The financial statements were approved and authorised for issue by the Board on 1 July 2010 and signed on its behalf by

RD Pritchard & MJ Robinson
Directors

The notes on pages 13 to 27 form an integral part of these financial statements.

The Clarkson Hill Group PLC
Company Statement of Financial Position
as at 31 December 2009

	Notes	31 December 2009 £	31 December 2008 £
ASSETS			
Non current assets			
Intangibles	13	120,055	120,055
Property, Plant & Equipment	14	133,733	153,978
Investments	15	8,578	8,578
Deferred Tax	10	435,919	503,919
		698,285	786,530
Current assets			
Trade and other receivables	16	3,641,750	3,280,529
Cash and cash equivalents		276,730	585,645
		3,918,480	3,866,174
Total assets		4,616,765	4,652,704
EQUITIES & LIABILITIES			
Called up share capital	17	591,005	479,154
Share premium	18	2,205,159	2,087,011
Retained earnings	20	(2,490,325)	(1,902,365)
Total equity	21	305,839	663,800
Non-current liabilities			
Long term borrowings	22	458,333	534,444
Current liabilities			
Trade and other payables		3,372,193	3,077,838
Short term borrowings		346,745	142,258
Current portion of long term borrowings		53,066	187,031
Current taxes payable		80,589	47,333
		3,852,593	3,454,460
Total equity and liabilities		4,616,765	4,652,704

The financial statements were approved and authorised for issue by the Board on 1 July 2010 and signed on its behalf by

RD Pritchard & MJ Robinson
Directors

The notes on pages 13 to 27 form an integral part of these financial statements

The Clarkson Hill Group PLC
Consolidated Statement of Cash Flows
for the year ended 31 December 2009

	Notes	12 months ended 31 December **2009** £	17 months ended 31 December **2008** £
Cash flows from operating activities			
Loss before taxation		(636,699)	(669,207)
Depreciation		73,500	80,200
Impairment		-	(1,775)
Interest net		66,593	24,112
Operating loss before working capital changes		(496,606)	(566,670)
(Increase)/decrease in trade and other receivables		(319,656)	211,095
Increase in trade and other payables		402,718	405,316
Cash generated from operations		(413,544)	49,741
Interest paid		(68,555)	(71,271)
Net cash outflow from operating activities		(482,099)	(21,530)
Cash flows from investing activities			
Net Disposals of intangibles		-	18,000
Purchase property, plant & equipment		(53,255)	(40,645)
Interest received		1,962	47,159
		(51,293)	24,514
Cash flows from financing activities			
Share issue / Forfeiture of shares		229,999	(56,062)
Proceeds from (repayment of) long term borrowings		(4,444)	350,000
Movement in short term borrowings		(1,145)	(364,846)
Payment of hire purchase and finance liabilities		-	(8,462)
Net cash used in financing operations		224,410	(79,370)
Net decrease in cash and cash equivalents		(308,982)	(76,386)
Cash and cash equivalents at the beginning of the period		586,640	663,026
Cash and cash equivalents at the end of the period		277,658	586,640

The Clarkson Hill Group PLC
Consolidated Statements of Changes in Equity
for the year ended 31 December 2009

	Share capital	Share Premium	Merger reserve	Retained earnings	Total equity
At 1 January 2009	479,154	2,087,011	(99,000)	(1,897,452)	569,713
Total comprehensive income for the year	-	-	-	(704,699)	(704,699)
Share issues	111,851	118,148	-	-	229,999
Balance at 31 December 2009 carried forward	591,005	2,205,159	(99,000)	(2,602,151)	95,013
At 1 August 2007	482,154	2,140,073	(99,000)	(1,391,966)	1,131,261
Total comprehensive income for the year	-	-	-	(505,486)	(505,486)
Share forfeiture	(3,000)	(53,062)	-	-	(56,062)
Balance at 31 December 2008 carried forward	479,154	2,087,011	(99,000)	(1,897,452)	569,713

1 Accounting policies and presentation

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (as approved for use in the European Union) applied in accordance with the provisions of the Companies Act 2006 under the historical cost convention, except where otherwise indicated, and on a going concern basis

Accounting Standards and interpretations adopted during the year

The following standards, amendments and interpretations became effective and were adopted during the current year

IAS 1 (revised) – Presentation of financial statements

The standard sets out the overall requirements for the presentation of financial statements but has no effect on the reporting of the Group's financial performance or position The revised standard introduces a statement of comprehensive income and makes changes to the presentation of equity

IFRS 8- Operating segments

This standard requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker as defined therein, to allocate resources to the segments and to assess their performance The standard supersedes IAS 14 Segment Reporting

The following further standards became effective during the year but had no impact on the Group's results, assets or liabilities

Amendments to IFRS 1 and IAS 27 – First time adoption of International Financial Reporting Standards and Consolidated and Separate Financial Statements

Amendment to IFRS 2 – Share-based payments

Amendments to IFRS 7 – Financial instruments Disclosures

Revision of IAS 23 – Borrowing costs

Amendment to IAS 32 – Financial instruments Presentation

IFRIC 15 – Agreements for the construction of real estate

Accounting standards and interpretations that are not yet effective

Certain new standards, amendments and interpretations of existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods but which the Group has not adopted early

These include

Revision of IFRS 3 – Business combinations

Amendment to IAS 27 – Consolidated and separate financial statements

Revision of IFRS 1 – First time adoption of International Financial Reporting Standards

IFRS 9 – Financial instruments Classification and measurement

Amendment to IAS 39 – Financial instruments Recognition and measurement

IFRIC 17 – Distributions of non-cash assets to owners

IFRIC 18 – Transfers of assets from customers

The Directors are currently assessing the impact of these but they are not expected to have a material impact on the Group's results, assets or liabilities

Accounting policies and presentation (continued)

Basis of consolidation
The group financial statements incorporate the financial statements of The Clarkson Hill Group Plc and all its subsidiary undertakings made up to the relevant accounting reference date for each period, under the acquisition method of accounting for Advised Mortgages Limited and under the merger method of accounting for FPR Group Limited The directors have elected not to apply IFRS 3 Business combinations retrospectively to past business combinations Balances between group companies and turnover and profit arising on transactions between group companies are eliminated

Intangible fixed assets
Goodwill arises on the acquisition of subsidiaries and represents the excess of cost of the acquired entity over the Group's interest in the fair value of the entity's assets and liabilities acquired and is capitalised as a separate item Goodwill is recognised as an intangible asset Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses
The cost of acquiring renewal commission and databases is capitalised as a separate item and recognised as an intangible asset and is stated at original cost less provision for impairment in value An impairment loss is recognised to the extent that an asset's carrying value exceeds its recoverable amount, which represents the higher of the asset's fair value less costs to sell and its value in use The recoverable amount is determined by reference to the discounted future cash flows expected to be derived from the cash generating unit to which it is allocated

Investments
Fixed asset investments are recognised at original cost less provision for impairment in value

Tangible fixed assets
The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition Depreciation is calculated on the cost of each tangible fixed asset individually at rates designed to write off the cost, less estimated residual value, of the assets over their expected useful lives, as follows

Fixtures, fittings and equipment 20% - 33%pa straight line

Employee benefits
Pensions are provided to employees through a defined contribution scheme A defined contribution scheme is a scheme under which the Group pays fixed contributions into an independent entity The Group has no legal obligations to pay further contributions after payment of the fixed contribution The contributions recognised in respect of defined contribution schemes are expensed as they fall due

Share based remuneration
In accordance with IFRS 2 'share-based payment' the Group reflects the economic cost of awarding share options to advisors by recording an expense in the income statement equal to the fair value of the benefit awarded, fair value being estimated using a proprietary binomial probability model The expense is recognised in the income statement over the vesting period of the award

Accounting policies and presentation (continued)

Taxation

The tax expense represents a combination of the corporation tax currently payable and any deferred tax

The tax currently payable is based on the taxable profit for the year Taxable profit differs from profit before tax as reported in the statement of comprehensive income as it excludes items of income or expense that are taxable or deductible in other years as well as items that are not taxable or deductible The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes Deferred tax liabilities are generally recognised for all temporary timing differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised

Deferred tax relating to changes made directly to equity is recognised in equity

Leasing and hire purchase commitments

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if they bear substantially all the risks and rewards related to the ownership of the leased asset The related asset is recognised at the time of inception of the lease at the fair value of the leased asset, or if lower, the present value of the lease payments plus incidental payments, if any, to be borne by the lessee The depreciation method and useful lives adopted for subsequent accounting for assets held under finance lease agreements correspond to those applied for comparable acquired assets The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed to finance costs Finance charges represent a constant periodic rate of interest on the outstanding balance of the finance leasing liability

All other leases are treated as operating leases Rentals paid under operating lease agreements are recognised as an expense on a straight line basis over the lease term

Income Recognition

Income comprises commission received or receivable from business transacted in the ordinary course of the Group's activities wholly undertaken in the UK

The Group recognises income when the amount of income can be reliably measured and it is probable that future economic benefits will flow to the entity The point at which income is recognised on all new business is, when a commitment from the client is received to proceed with the transaction Fund based commissions are recognised on an accruals basis according to the level of funds under the influence of the Group Income represents the value of the work done in the year and is stated net of appropriate provisions for clawback and wastage Income from the periodic renewal of contracts is recognised on receipt

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on demand deposits

Borrowings

Borrowings are initially recognised at fair value plus any transaction costs associated with the issue of the relevant financial liability Subsequent to initial measurement, borrowings are measured at amortised cost with the borrowing costs being accounted for on an accruals basis in the income statement using the effective interest method At the balance sheet date accrued interest is recorded separately from the associated borrowings within current liabilities

2 Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses Actual results may differ from these estimates Estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected

Information about significant areas of uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is as set out below or is included in the following notes

* Going concern - see below
* utilisation of tax losses - note 10
* measurement of the recoverable amounts of cash-generating units containing intangible assets - note 13
* measurement of the recoverable amount of trade receivables - note 16
* measurement of potential clawbacks and complaints by customers - see below
* valuation of financial instruments - see below

Going Concern
The directors have acknowledged the latest guidance on going concern and liquidity risk published by the Financial Reporting Council Whilst the current uncertainty in financial markets has created general uncertainty, the group has well established trading and client relationships
The directors recognise that in order to meet regulatory capital requirements, an injection of capital is required Currently the directors are in discussions with a number of parties and are confident that this objective will be achieved, however if it is not forthcoming the company may not continue as a going concern If the company did not continue as a going concern some assets would need to be revalued, in particular the amount of £435,919 shown in non current assets as deferred tax recoverable would not exist After making enquiries the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the group will have adequate resources to continue in operational existence for the foreseeable future For this reason, the directors continue to adopt the going concern basis in preparing the annual report and financial statements

Lapse and wastage provisions
In the event of a clawback of indemnity commission in respect of policies cancelled during the indemnity period the Group has an obligation to settle the liability The provisions are calculated by reference to historical data referenced to present day sales of indemnity products Wastage arises where a client withdraws the proposal or exercises their option to cancel during the cooling off period The provisions are calculated by reference to historical data

Complaints provision
The Group has an obligation to settle upheld complaints Any complaint is recorded and assessed as to its validity and financial quantum Save for the excess, the amount payable in redress is recoverable from Professional Insurance cover The Group's exposure is therefore limited to the insurance excess

Bad debt provision
A small number of advisers are indebted to the Group This debt ordinarily arises from advances, clawbacks or complaint insurance excesses applied to the adviser's account Each one of these is reviewed regularly in conjunction with the amounts retained from advisers to cover potential clawbacks and provision made where recovery is deemed necessary

3 Segmental analysis

During the year the group adopted IFRS 8 "Operating Segments" IFRS 8 replaces IAS 14 "Segmental reporting" and requires operating segments to be identified based on reporting to the Chief operating decision maker, which is the plc Board
The group operates as a National IFA, with all its advisers regulated through the company with the FSA The clients advised and the products utilised are similar for all advisers Therefore there is not considered to be any material difference in the identification of operating segments on the revised basis and accordingly the determination of the Group's operating segment continues to be by business type and as all business is carried out in the UK a secondary geographical segment is not considered relevant The business segments can be analysed to the gross profit level, other costs, assets and liabilities are not directly attributable to any of the segments and apportionment is not considered meaningful

	12 months ended 31 December 2009 Turnover £	12 months ended 31 December 2009 Gross Profit £	17 months ended 31 December 2008 Turnover £	17 months ended 31 December 2008 Gross Profit £
Investments	6,744,914	1,234,993	10,121,105	1,551,437
Pensions	5,548,766	1,063,345	8,675,232	1,313,374
Fees/Mortgages	1,327,285	245,107	4,337,616	624,187
Protection	3,771,080	597,850	5,783,488	873,750
Other	159,475	109,475	175,749	139,443
	17,551,520	3,250,770	29,093,190	4,502,191

4 Operating loss

	31 December 2009 £	31 December 2008 £
Operating loss is stated after charging		
Depreciation of owned fixed assets	73,500	72,573
Depreciation of assets held under finance leases and hire purchase contracts	-	7,627
Amortisation	-	(1,775)
Operating lease rentals - land & buildings	299,427	481,192
Auditors' remuneration		
Audit fee	42,400	27,050

5 Loss per share

The earnings per share is calculated on the loss attributable to ordinary shareholders of £704,699 (2008 loss £505,486) divided by 27,115,161 (2008 23,957,677) being the weighted average number of ordinary shares in issue during the year

During 2009 and 2008, the share warrants and options disclosed in note 17 were antidilutive and accordingly there is no dilution of loss per share However, the share options could potentially dilute basic earnings per share in the future

6 Exceptional items

	2009 £	2008 £
Exceptional costs	(465,107)	-

As highlighted in the Interim report, £129,320 of exceptional costs were incurred in a combination of redundancies and the renegotiation of office contracts
In order to meet the requirements of the FSA, Independent consultants were employed to review and then revise the groups processes and procedures resulting in an exceptional cost of £230,787

In April of 2010 The Financial Services Compensation Scheme raised a levy of £80 million in respect of Pacific Continental Securities (UK) Ltd, Square Mile Securities Ltd and Keydata Investment Services As a consequence the group received an invoice, £105,000 of which, is backdated to the year 2009 This has been reflected in the accounts and identified as an exceptional item, as this is now subject to a judicial review

7 Directors' emoluments

	31 December 2009 £	31 December 2008 £
Emoluments	578,136	844,083
Company contributions to defined contribution pension scheme	3,035	4,475
	581,171	848,558
Highest paid director		
Emoluments	159,492	215,922
Company contributions to defined contribution pension scheme	1,332	1,887
	160,824	217,809

Number of directors in company pension schemes.	2009 Number	2008 Number
Defined contribution pension scheme	4	4

8 Staff costs

	2009 £	2008 £
Wages and salaries	1,296,372	2,143,935
Social security costs	127,748	209,086
Other pension costs	22,465	35,642
	1,446,585	2,388,663

Average number of employees during the year	Number	Number
Administration	52	64
Management	6	6
	58	70

9 Finance costs

	2009 £	2008 £
Bank overdrafts and loans	30,815	59,796
Other loans	37,740	11,475
	68,555	71,271

10 Taxation

	31 December 2009 £	31 December 2008 £
Analysis of charge for the period		
Deferred tax		
Origination and reversal of timing differences	68,000	(163,721)
Tax on profit/(loss) on ordinary activities	68,000	(163,721)

Factors affecting tax charge for period

The tax assessed for the period is less than the standard rate of corporation tax in the UK (28/30 per cent) The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows

	2009 £	2008 £
Loss on ordinary activities before tax	(636,699)	(669,207)
Average standard rate of corporation tax in the UK	28 00%	28 94%
	£	£
Profit/(loss) on ordinary activities multiplied by the average standard rate of corporation tax	(178,276)	(193,669)
Effects of		
Utilisation of tax losses	-	(6,279)
Effect of tax rate differences	-	12,773
Losses carried forward	178,276	187,175
Current tax charge for period	-	-

The deferred tax charge of £68,000 (2008 tax credit £163,721) in the year ending 31 December 2009 represents the change in the expected utilisation of tax losses at 31 December 2009 against future taxable profits

The deferred tax asset recognised is £435,919 (2008 £503,919) and is shown in non-current assets It is considered appropriate to recognise the asset at 31 December 2009 as corporation tax losses carried forward of that amount are expected to be utilised within a three year period, however taking a prudent approach nothing is expected to be recovered in respect of the year ending 31 December 2010 During 2009 the group underwent a period of consolidation and restructuring which substantially reduced the cost base of the business, aligning the business to the lower commission levels experienced at the worst of the economic downturn and further cost savings have been identified and will be implemented during 2010 The renewed focus on profitability after a sustained period of growth further supports this policy

11 Pension Costs

The pension charge represents contributions due from the company and amounted to £22,465 (2008 £35,642)

12 Loss for the period attributable to shareholders

The Company has taken advantage of the exemption from presenting its own statement of comprehensive income The amount of the consolidated loss dealt with in the financial statements of the company is £587,960 (2008 loss for the 17 months £520,902)

13 Intangible fixed assets

Group and company	Renewals, commissions & databases £
Cost	
At 1 August 2007 and 1 January 2009	133,829
Additions	-
Disposals	-
At 1 January 2009	133,829
At 31 December 2009	133,829
Impairment	
At 1 August 2007 and 1 January 2009	13,774
Provided during the year	-
At 1 January 2009	13,774
At 31 December 2009	13,774
Net book value	
At 31 December 2009	120,055
At 31 December 2008	120,055

The intangible assets relating to renewals, commissions and databases, arise in respect of two cash generating units The recoverable amount of each remaining unit is determined by a value in use calculation, using discounted cash flow projections, based on the group's latest approved budget for the year and its estimate of future cash flows after that date

14 Property, Plant & Equipment

Group and company	Plant & Equipment £	Total £
Cost		
At 1 August 2007	363,502	363,502
Additions	40,645	40,645
Disposals	(31,204)	(31,204)
At 31 December 2008	372,943	372,943
Additions	53,255	53,255
At 31 December 2009	426,198	426,198
Depreciation		
At 1 August 2007	169,969	169,969
Charge for the period	80,200	80,200
Disposals	(31,204)	(31,204)
At 31 December 2008	218,965	218,965
Charge for the year	73,500	73,500
At 31 December 2009	292,465	292,465
Net book value		
At 31 December 2009	133,733	133,733
At 31 December 2008	153,978	153,978

15 Investments

Group	Other investments £
Cost	
At 1 January 2009	7,000
At 31 December 2009	7,000

	31 December 2009 £	31 December 2008 £
Listed investments	7,000	7,000
Valuation		
Listed investments - market value	6,000	7,300

The above listed investment is in Arsenal Holdings plc

Company	2009 £	2008 £
Subsidiary undertakings	1,578	1,578
Listed investments	7,000	7,000
	8,578	8,578

The company holds 20% or more of the share capital of the following companies

Company	Principal Activity	Country of incorporation or operation	Holding	Proportion Held
FPR Group Limited	Group Training & support services	England and Wales	Ordinary	100%
*Barwick Associates Limited	Dormant	England and Wales	Ordinary	100%
Advised Mortgages Limited	Dormant	Scotland	Ordinary	100%
The Clarkson Hill Mortgage Company Limited	Dormant	England and Wales	Ordinary	100%

*Held by FPR Group Limited

The results of all the subsidiaries are included in the group financial statements

16 Trade and other receivables

	31 December 2009 £	31 December 2008 £
Group		
Trade receivables	3,371,964	2,995,426
Other receivables	57,128	60,037
Prepayments and accrued income	79,921	133,894
	3,509,013	3,189,357
Company		
Trade receivables	3,371,964	2,992,426
Amounts owed by group undertakings	132,737	94,172
Other receivables	57,128	60,037
Prepayments and accrued income	79,921	133,894
	3,641,750	3,280,529

17 Share capital

	2009 No	2008 No	31 December 2009 £	31 December 2008 £
Authorised				
Ordinary shares of 2p each	50,000,000	50,000,000	1,000,000	1,000,000
	2009 No	**2008 No**	**2009 £**	**2008 £**
Allotted, called up and fully paid				
Ordinary shares of 2p each	29,550,270	23,957,677	591,005	479,154

In May 2009 5,000,000 ordinary shares of 2p each were placed at a price of 4p each, raising £190,000 net of expenses

In October 2009 592,593 ordinary shares of 2p each were issued at a price of 6 75p each in settlement of a debt

In November 2005, a contract was entered into for the issue of 150,000 ordinary shares of 2p each at 36p each, as part of the cost of the acquisition of the renewals commission and database of Rickards' Financial Services The share certificate was never issued, the contract was rescinded in 2008 and the shares were forfeited at the same time The premium in this respect has been adjusted against the share premium account

Share capital (continued)

Share options

On 31 March 2003, the company adopted the The Clarkson Hill Group PLC IFA Share Option Scheme This gives its IFAs the opportunity of being granted share options if they meet their given performance targets
Options will be granted at a subscription price per ordinary share which is at least the greater of (i) the average middle market quotation of an ordinary share on the day immediately preceding the grant, and (ii) 28 pence
The number of ordinary shares over which options may be granted is limited The aggregate number of ordinary shares which may be utilised under all option schemes adopted or operated by the company shall not exceed 10% of the issued ordinary share capital of the company within any 10 year period, 5% within any 5 year period or 3% within any 3 year period

Options over Nil (2008, 206,320) ordinary shares of 2p each, were earned and issued during the period, at a price of 28p each The total number of options in existence as at 31 December 2009 and 2008 was 524,640 No charge to the P&L account was necessary

18 Share premium	31 December **2009** £	31 December **2008** £
Group and company		
Brought forward	2,087,011	2,140,073
Shares issued (forfeited)	128,148	(51,000)
Expenses of issue	(10,000)	(2,062)
Carried forward	2,205,159	2,087,011

19 Merger Reserve	**2009** £	**2008** £
Group		
Brought forward	(99,000)	(99,000)
Carried forward	(99,000)	(99,000)

20 Profit and loss account	**2009** £	**2008** £
Group		
Brought forward	(1,897,452)	(1,391,966)
Loss for the financial year	(704,699)	(505,486)
Carried forward	(2,602,151)	(1,897,452)

Company	**2009** £	**2008** £
Brought forward	(1,902,365)	(1,381,463)
Loss for the financial year	(587,960)	(520,902)
Carried forward	(2,490,325)	(1,902,365)

21 Reconciliation of movement in shareholders' funds

	2009 £	2008 £
Group		
Brought forward	569,713	1,131,261
Loss for the financial year	(704,699)	(505,486)
Shares issued (cancelled)	229,999	(56,062)
Carried forward	95,013	569,713
Company		
Brought forward	663,800	1,240,764
Loss for the financial year	(587,960)	(520,902)
Shares issued (cancelled)	229,999	(56,062)
Carried forward	305,839	663,800

22 Creditors: amounts falling due after one year

	31 December 2009 £	31 December 2008 £
Group and Company		
Bank loans (see note 23)	458,333	534,444

23 Loans

	2009 £	2008 £
Group and Company		
Analysis of maturity of debt		
Within one year or on demand	399,811	329,289
Between one and two years	166,668	256,668
Between two and five years	291,665	277,776
	858,144	863,733

The loans are secured by debentures against the assets of the company

24 Analysis of changes in net debt

	At 1 January 2009 £	Cash flows £	Non-cash changes £	At 31 December 2009 £
Cash at bank & in hand	586,640	(308,982)	-	277,658
Total	586,640	(308,982)	-	277,658

25 Other financial commitments

At the year end the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2009 £	Land and buildings 2008 £
Operating leases which expire		
within one year	30,839	50,095
within two to five years	112,998	128,520
	143,837	178,615

26 Financial risk management objectives and policies

The Group's financial instruments comprise an available-for sale investment, cash, receivables and payables The Group have financed their operations principally from equity share issues, borrowings and operational cash flows

Credit risk
The Group trades only with established third party financial institutions In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant The maximum exposure is the carrying amount as disclosed in Note 16

With respect to credit risk arising from the other financial assets of the Group, which comprise an available-for-sale asset, cash and cash equivalents, the Group's exposure to credit risk arises from the possibility of default of the relevant regulated financial institution or authorised deposit taker, with a maximum exposure equal to the carrying amount of these instruments The Group monitors such risks by reviewing the length and disposition of its deposits on a regular basis

Liquidity risk
The Group's liquidity risk is that it would not have sufficient financial resources, even whilst solvent, to enable it to pay its obligations as they fall due or only at excessive cost The Group manages its liquidity risk by ensuring that commissions payable to advisers are not remitted until funds have been received by the Group, and by monthly treasury management where projected cash flow requirements are monitored and reviewed In addition, the Group retains sufficient working capital and ready cash balances to ensure that its requirements are met on a day-to-day basis

Market price risk
The Group's income is directly aligned to the external economic conditions in the markets in which it operates, namely the distribution of retail financial products in the UK Lower market returns may reduce investors' appetite for investment products, and reduce the income derived from funds-based products In order to manage this risk the Group reviews the spread of its income and average adviser production on a regular basis, enabling it to take corrective action to mitigate the impact of such market variations

Financial risk management objectives and policies (continued)

Fair value of financial instruments
There is no significant difference between the book values and fair values of the financial assets and liabilities and the latter are reviewed on a regular basis to ensure that no such exposure arises or, if it does, to enable the Group to take action to mitigate or eliminate any such potential loss

Currency risk
The Group is not exposed to currency risk as it does not trade in foreign currencies

Capital management
The primary objective of the Group's capital management policy is to ensure that it maintains a credit rating and satisfactory regulatory and group capital ratios in order to support its business and maximise shareholder value The Group has financed its operations principally from equity shares and external borrowing The Board regularly monitors the position based on regular management information in the light of changes in economic conditions

Treasury management
The most significant treasury matters dealt with by the Group are raising finance and investing surplus cash The Board have not sanctioned the use of derivatives or hedges but monitor the policy through regular reports and reviews Clear parameters have been established, including authority levels on the type and use of financial instruments to manage these exposures

27 Transactions with directors and related parties

The company has taken advantage of the exemption conferred by IAS 24 from the requirement to disclose intra group transactions

Two directors, M J Robinson and R D Pritchard, own 25% each of the issued share capital of Mandrake Holdings Limited During the year the group had the following transactions with a subsidiary of this company,

At 31 December 2009, Mandrake owed the company £10,734 (2008 £10,000) The loan is interest free and is shown in note 15 to the accounts as other receivables

The company entered into a new interest free loan agreement with Mandrake in June 2007 to assist Mandrake, pending its receipt of the costs claim on its court proceedings, which were successfully concluded earlier that the year £200,000 of that loan has been repaid leaving £10,000 which is secured against the ongoing renewal and trail income of Mandrake

One of the Clarkson Hill compliance officers also undertakes administrative tasks for Mandrake Clarkson Hill receive compensation for this through IT support from Mandrake as they have an identical back office system These have a neutral effect on both companies' costs

The company rents premises at an agreed open market rental under a lease from a joint partnership between R Pritchard (director), M Robinson (director) and J Pirie (a notifiable shareholder) During the year the rent under this lease was £39,996 (2008 17 month period £56,661)

In September 2009, a significant shareholder in the group, made a loan to the company of £80,000 No interest is payable on this loan and it will be repaid 12 months from the loan date