

The Clarkson Hill Group Plc (the “Group”)
Interim Report for the period 1 January 2009 to 30 June 2009

HIGHLIGHTS

- Operating loss before exceptional reorganisation costs and tax was £16,074 (2008 Profit: £173,552).
- Turnover decreased 28% to £8.5 million (2008 £11.8 million).
- Gross profit decreased by 8% to £1.65 million (2008: £1.796 million).
- Operating efficiency deteriorated to 19.4% (2008: 13.7%). Operating efficiency is calculated as being the operating costs as a percentage of turnover

CHAIRMAN'S STATEMENT

Trading Highlights	6 months to 30 June 2009	6 months to 30 June 2008
Turnover	8,558,381	11,839,240
Gross Profit	1,650,841	1,796,597
Net Operating Costs	(1,666,915)	(1,623,045)
Exceptional reorganisation costs	(129,320)	-
Operating (loss)/profit excluding exceptional costs	(16,074)	173,552
Profit/(loss) before Tax	(178,479)	145,999

Results

There was a group operating loss before exceptional reorganisation costs of £16,074 (2008: Profit £173,552), reflecting the impact of the unfavourable economic conditions during the six month period. Turnover reduced by some 28% to £8.5 million (2008: £11.8 million). Operating efficiency deteriorated to 19.4 % (2008: 13.7%) largely due to the reduction in turnover.

Impact of recession

It is only to be expected that uncertainty over financial markets and the impact of global recession has had an adverse impact on investment and mortgage activities throughout the group. This was particularly evident during the last quarter of 2008 and the first quarter of 2009, as clients and advisers got to grips with the decline in equity and property markets and the far reaching impact of the failure of companies such as Lehman Brothers, which has significantly undermined confidence in the financial sector.

There has been some recovery coming through in the second quarter 2009 as the benefits of the financial rebuilding of banks worldwide and quantitative easing have been seen. The resultant improvements in equity markets have given clients more confidence to invest on the upswing. Clearly there is still some way to go, the continuing increase in unemployment and the likely future cutbacks in government expenditure will slow down the economic recovery.

Group response to the Impact of recession

In recognition of the impact of the recession, the group began a restructuring programme in the first quarter 2009. Various cost reduction activities have been put in place, and are continuing and will result in the reduction in annual costs of approximately £1m.

This has been achieved by a combination of redundancies, cost savings and renegotiated contracts, which resulted in exceptional reorganisational costs of some £130,000 in the six month period which is shown on a separate line within the financial statements.

The full benefits of these cost reductions have not been immediately seen. Redundancy payments and lease exit payments have an immediate impact. In the main these costs savings have now fed through the system and the benefit will be seen both in the second half of this year and in future years.

The directors believe that these cost savings have not in anyway reduced the group's ability to develop and take advantage of future opportunities in the market place.

The cost review that has taken place has sharpened our focus and the company will benefit from this exercise.

It is important to note that these cost reductions have not impacted on our commitment or resources in the area of compliance and Treating Customers Fairly.

Move to Assets under Management

This continues to be a significant driver in the activities of both the company and its advisers.

However, the impact of recession has been exacerbated by the reduction in initial commissions received on single premium business, as the company and advisers move towards the new regulatory model.

The drive to increase Assets under Management by generating ongoing trail income to reflect the ongoing advice given, has resulted in a 20% reduction in initial commission taken on this business.

Trail income is now growing at an annualised rate in excess of 25%.

The benefit of this fundamental shift in company and adviser remuneration will be seen in future years, as the trail income reflecting the value of the investments, will continue to be received. This in itself will bring more certainty of income both for the company and the adviser.

Further developments are planned in this area, to consolidate the value to the group of its total Assets under influence as Assets under Management.

Treating Customers Fairly (TCF)

The group continues to pay attention to regulatory and consumer aspects of TCF.

Since inception the group has carried out 113,913 advisory transactions. To date 30 complaints have been upheld, this represents 0.026%

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.

Retail Distribution Review (RDR)

The group continues to plan for the introduction of RDR.

As described above, the move to capture ongoing trail income from Assets under Management continues to be a main focus of the group. This is very much in line with the proposed post 2012 situation.

Many of the group's advisers have already begun the process of adding qualifications and their progress towards an as yet ill-defined qualification will be aided by plans to be implemented later in 2009.

Whilst the group is confident that its advisers will meet the new qualification levels, and put the group in a strong position, we remain concerned that the impact of this regulatory driven change will be a significant reduction in the number of IFA's available to advise clients.

Whilst this will offer the group potentially wider opportunities post 2012, it is difficult to see how the savings gap will be reduced, when fewer financial advisers will be available to the general public.

The timescale for the implementation of "professional" qualifications needs to be reviewed otherwise the loss of advisers will have an adverse impact on the availability of quality advice.

Capital Raising

5,000,000 ordinary shares of 2p nominal value were placed on 27 May 2009 at a price of 4p per share, raising net proceeds of £190,000 to provide additional working capital. Following the placing the enlarged share capital increased to 28,957,677 ordinary shares of 2p each.

Outlook

The directors continue to recognise that we need to focus both on cost efficiencies to ensure the group fully benefit from the programme established and the continued recruitment of quality advisers, which is considered essential and will continue.

Since June the group has continued to trade in line with the board's expectations.

RD Pritchard, CEO
24 September 2009

Consolidated Income Statement
Unaudited Interim Results to 30 June 2009

	6 months to 30 June 2009	6 months to 30 June 2008	17 months ended 31 December 2008
	Unaudited	Unaudited	Audited
	£	£	£
Turnover	8,558,381	11,839,240	29,093,190
Cost of sales	(6,907,540)	(10,042,643)	(24,590,999)
Gross profit	<u>1,650,841</u>	<u>1,796,597</u>	<u>4,502,191</u>
Net operating expenses	(1,666,915)	(1,623,045)	(5,147,286)
Exceptional reorganisation costs	(129,320)	-	-
Group operating (loss)/profit	<u>(145,394)</u>	<u>173,552</u>	<u>(645,095)</u>
Interest receivable and similar income	1,699	(3,761)	47,159
Interest payable and similar charges	(34,784)	(23,792)	(71,271)
(Loss)/profit on ordinary activities before taxation	<u>(178,479)</u>	<u>145,999</u>	<u>(669,207)</u>
Tax on (loss)/profit on ordinary activities	0	6,298	163,721
(Loss)/retained profit for the group	<u>(178,479)</u>	<u>139,701</u>	<u>(505,486)</u>
Basic earnings/(loss) per share	<u>(0.74)p</u>	<u>0.58p</u>	<u>(2.11)p</u>

There are no recognised gains or losses other than the profit or loss for the above financial periods.
None of the group's activities were acquired or discontinued during the above financial periods.

Consolidated Balance Sheet
Unaudited Interim Results at 30 June 2009

	30 June 2009	30 June 2008	31 December 2008
	Unaudited	Unaudited	Audited
	£	£	£
ASSETS			
Non current assets			
Intangible assets	120,055	180,055	120,055
Property, Plant & Equipment	156,021	169,364	153,978
Investments	7,000	7,000	7,000
Deferred Tax	503,919	333,900	503,919
	<u>786,995</u>	<u>690,319</u>	<u>784,952</u>
Current Assets			
Trade and other receivables	3,523,126	3,954,904	3,189,357
Cash and cash equivalents	455,993	694,666	586,640
	<u>3,979,119</u>	<u>4,649,570</u>	<u>3,775,997</u>
Total Assets	<u>4,766,114</u>	<u>5,339,889</u>	<u>4,560,949</u>
EQUITIES AND LIABILITIES			
Called up share capital	579,154	482,154	479,154
Share premium account	2,177,011	2,140,073	2,087,011
Merger reserve	(99,000)	(99,000)	(99,000)
Retained earnings	(2,075,931)	(1,362,166)	(1,897,452)
Total Equity	<u>581,234</u>	<u>1,161,061</u>	<u>569,713</u>
Non-current liabilities			
Long term borrowings	530,000	150,000	534,444
Current Liabilities			
Trade and other payables	3,149,291	3,733,791	3,077,838
Short term borrowings	276,448	125,000	142,258
Current portion of long term borrowings	121,963	120,000	187,031
Current taxes payable	107,178	50,037	49,665
	<u>3,654,880</u>	<u>4,028,828</u>	<u>3,456,792</u>
Total equity and liabilities	<u>4,766,114</u>	<u>5,339,889</u>	<u>4,560,949</u>

Consolidated Cash Flow Statement
Unaudited Interim Results to 30 June 2009

	6 months ended 30 June 2009 Unaudited £	6 months ended 30 June 2008 Unaudited £	17 months ended 31 December 2008 Audited £
Cash flows from operating activities			
(Loss)/Profit before taxation	(178,479)	139,701	(669,207)
Depreciation	36,300	28,200	80,200
Impairment	-	-	(1,775)
Interest net	33,085	7,122	24,112
Operating (loss)/profit before working capital changes	(109,094)	175,023	(566,670)
Decrease/(Increase) in trade and other receivables	(333,769)	33,152	211,095
Increase in trade and other payables	128,966	179,268	405,316
Cash generated from operations	(313,897)	387,443	49,741
Interest paid	(34,784)	(19,861)	(71,271)
Net cash outflow from operating activities	(348,681)	367,582	(21,530)
Cash flows from investing activities			
Net disposals of intangibles	-	(58,706)	18,000
Purchase of property, plant and equipment	(38,343)	(15,786)	(40,645)
Interest received	1,699	12,739	47,159
	(36,644)	(61,753)	24,514
Cash flows from financing activities			
Share issue / Forfeiture of shares	190,000	-	(56,062)
Proceeds from (repayment of) long term borrowings	(4,444)	(60,000)	350,000
Movement in short term borrowings	69,122	(87,512)	(364,846)
Payment of hire purchase and finance liabilities	-	-	(8,462)
	254,678	(147,512)	(79,370)
Net (decrease)/increase in cash and cash equivalents	(130,647)	158,317	(76,386)
Cash and cash equivalents at the beginning of the period	586,640	536,349	663,026
Cash and cash equivalents at the end of the period	455,993	694,666	586,640

Consolidated Statement of Changes in Equity
Unaudited Interim Results to 30 June 2009

	Share capital	Share premium	Merger reserve	Retained earnings	Total equity
Balance at 31 December 2007	482,154	2,140,073	(99,000)	(1,496,048)	1,027,179
Changes in equity for 2008					
Share forfeiture	(3,000)	(53,062)	-	-	(56,062)
(Loss) / Profit for the period	-	-	-	(401,404)	(401,404)
Balance at 31 December 2008 carried forward	479,154	2,087,011	(99,000)	(1,897,452)	569,713
Changes in equity for 2009					
Share Issue	100,000	90,000	-	-	190,000
Loss for the period	-	-	-	(178,479)	(178,479)
Balance at 30 June 2009 carried forward	579,154	2,177,011	(99,000)	(2,075,931)	581,234

Basis of preparation

The interim financial information has been prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). It does not include all the information required for full annual financial statements. Full details of the accounting policies adopted are presented in the Financial Statements for the seventeen months ended 31 December 2008. IFRS 8 Operating Segments applies for accounting periods commencing from 1 January 2009 and has been adopted replacing IAS 14 Segment Reporting. The group changed its accounting reference date from 31 July to 31 December 2008, with the audited figures being for a seventeen month period. In order to provide information on a consistent basis the unaudited comparative figures shown are for the six month period to 30 June 2008. These have not been independently reviewed and are not as reported previously in the last published interim statement which was for the year to 31 July 2008.

Earnings/(loss) per share

The earnings per share is calculated on the loss attributable to ordinary shareholders of £178,479 (6 months to 30 June 2008: profit £139,701, 17 months to 31 December 2008: loss £505,486) divided by 23,957,677 (6 months to 30 June 2008: 24,107,677, 17 months to 31 December 2008: 23,957,677) being the weighted average number of ordinary shares in issue during the period. During 2009 and 2008, the share warrants and options 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.

Analysis of changes in net debt

	Opening balance 1 January 2009	Cash flows	Closing Balance 30 June 2009
	£	£	£
Cash at bank and in hand	586,640	(130,647)	455,993

Segment Analysis

The Group's primary reporting segment is by business type and all business is carried out in the UK. 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.

	6 months to 30 June 2009 Unaudited Turnover £'000	6 months to 30 June 2009 Unaudited Gross Profit £'000	6 months to 30 June 2008 Unaudited Turnover £'000	6 months to 30 June 2008 Unaudited Gross Profit £'000	17 Months ended 31 December 2008 Audited Turnover £'000	17 Months ended 31 December 2008 Audited Gross Profit £'000
Investments	2,838	530	3,901	535	10,121	1,551
Pensions	2,928	558	3,594	504	8,675	1,313
Fees/mortgages	799	153	1,538	342	4,338	624
Protection	1,852	319	2,748	370	5,783	874
Other	141	91	58	46	176	140
	8,558	1,651	11,839	1,797	29,093	4,502

Financial Information

The financial information set out above does not constitute the Company's statutory financial statements for the period ended 31 December 2008 (but is derived from those financial statements). Statutory financial statements for 2008 have been delivered to the Registrar of Companies. The auditors have reported on those financial statements; their report was unqualified and did not contain statements under section 237 (2) or (3) of the Companies Act 1985.

Report and financial statements

Copies of the Interim Report for the 6 months ended 30 June 2009 will be sent to shareholders shortly. Further copies will be available from the Company's registered office at Alexandra House, Alexandra Road, Wisbech, Cambridgeshire PE13 1HQ. The financial statements are also available on the Company's website www.theclarksonhillgroup.co.uk.

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