

**The Clarkson Hill Group Plc (the “Group”)**  
**Interim Report for the period 1 August 2007 to 31 July 2008**

**Chief Executive Officer's Statement**

I am pleased to present the interim statement for the twelve months to 31 July 2008.

**Highlights**

- Profit before tax £20,031 (2007 £25,279)
- Turnover increased by 21 per cent. to £22.139 million (2007 £18.300 million)
- Operating efficiency improved to 15.8 per cent.\* (2007 19.6%)
- Number of advisers increased by 4 per cent. to 364 as at 31 July 2008 (31 July 2007 350 advisers)

\*See operating efficiency below

**Financial Results**

	12 months to 31 July 2008 (£'000)	6 months to 31 Jan 2008 (£'000)	12 months to 31 July 2007 (£'000)
Turnover	22,139	10,681	18,300
Gross profit	3,527	1,809	3,651
Administrative Expenses	3,493	1,788	3,595
Operating Profit	34	21	56
Profit before tax for the group	20	6	25
Cash and cash equivalents	627	599	663

**Results**

**Profits**

The Group's progress has resulted in twelve month pre-tax profits of £20,031 compared with £25,279 for same period to 31 July 2007.

**Trading**

Turnover for the twelve months to 31 July 2008 increased by 21 per cent. to £22.139 million (2007 £18.300 million) with gross profit decreasing by 3 per cent. to £3.527 million (2007 £3.651 million).

## **Funds under Advice**

Continuing focus has been placed on introducing an overall 'Assets under Management' strategy, linking the 'Treating Customers Fairly' initiative with the provision of asset allocation and regular rebalancing in line with clients' risk/reward requirements.

In the twelve-month period to July 2008, £361 million of single premium business (both pension and investment) has been completed.

The new strategy is being rolled-out to advisers and clients during the third quarter 2008.

## **Operating Efficiency**

The Board continues to focus on operational efficiency; this has improved to 15.8 per cent. in the year (2007 19.6 per cent.). The Board determine this by way of the administration costs as a percentage of the gross income.

## **Dividends**

It is the intention of the Board to establish the payment of dividends to shareholders as soon as is appropriate. In last year's interim report it was stated that the Board was considering a proposal to reduce the company's share premium account thereby eliminating the deficit created by goodwill impairment and accumulated losses from previous years. This proposal is still under consideration.

## **Segmental Analysis**

The business segment performance highlights:

- Single Premium Investments up by 14 per cent.
- Pension Investments up by 22 per cent.
- Fees (including mortgages) up by 22 per cent.
- Protection up by 40 per cent.

## **Financial Year End**

The financial year-end of the Group has been changed from 31 July to 31 December, so that it falls in line with the budgeting, targeting and operational processes operated by the Group. The audited accounts will therefore be for the seventeen month trading period to 31 December 2008.

## **Treating Customers Fairly**

The Board continues to give full regard for the requirements determined by the FSA for Treating Customers Fairly.

## **Current Trading**

Trading continues in line with the Board's expectations.

## **Outlook**

The Group is now experiencing the impact of the 'credit crunch' as clients are experiencing difficulties in buying, selling and re-mortgaging their houses. However, this income represented less than 15% of the Group's revenue for the twelve months to July 2008.

It is anticipated that revenue will slow, but given a continued attention to administrative efficiency and regular client reviews, the impact on the Group will be minimised.

Ron Pritchard  
Chief Executive Officer  
20 October 2008

**Group Income Statement**  
**Unaudited Interim Results to 31 July 2008**

	<b>12 months to 31 July 2008</b>	<b>6 months to 31 January 2008</b>	<b>Year ended 31 July 2007</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Revenue from continuing operations</b>	22,139,157	10,681,852	18,300,143
Cost of sales	(18,612,424)	(8, 872,441)	(14,649,130)
<b>Gross profit</b>	<u>3,526,733</u>	<u>1,809,411</u>	<u>3,651,013</u>
Net operating expenses (see note 1)	(3,492,783)	(1,788,584)	(3,595,257)
<b>Operating profit from continuing operations</b>	33,950	20,827	55,756
Interest receivable and similar income	32,351	12,293	18,631
Finance costs	(46,270)	(26,681)	(49,108)
<b>Profit on ordinary activities before taxation</b>	<u>20,031</u>	<u>6,439</u>	<u>25,279</u>
Taxation on profit on ordinary activities	(9,326)	(6,298)	(24,576)
<b>Profit attributable to shareholders</b>	<u>10,705</u>	<u>141</u>	<u>703</u>
Earnings per share – basic	<u>0.04 p</u>	<u>0. p</u>	<u>0.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.

**Group Balance Sheet**  
**Unaudited Interim Results at 31 July 2008**

	<b>31 July 2008</b> Unaudited £	<b>31 January 2008</b> Unaudited £	<b>31 July 2007</b> Audited £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangibles (see note 1)	120,055	174,217	136,280
Property, plant and equipment	167,504	181,084	193,533
Investments	7,000	7,000	7,000
Deferred tax	332,816	333,900	340,198
	<u>627,375</u>	<u>696,201</u>	<u>677,011</u>
<b>Current Assets</b>			
Trade and other receivables	4,229,948	3,294,894	3,400,452
Cash and cash equivalents	626,607	599,004	663,026
	<u>4,856,555</u>	<u>3,893,898</u>	<u>4,063,478</u>
<b>Total Assets</b>	<b><u>5,483,930</u></b>	<b><u>4,590,099</u></b>	<b><u>4,740,489</u></b>
<b>EQUITIES &amp; LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Called-up share capital	482,154	482,154	482,154
Share premium	2,138,011	2,140,073	2,140,073
Merger reserve	(99,000)	(99,000)	(99,000)
Retained earnings (see note 1)	(1,381,261)	(1,391,825)	(1,391,966)
<b>Total equity</b>	<u>1,139,904</u>	<u>1,131,402</u>	<u>1,131,261</u>
<b>Non-current liabilities</b>			
Long-term borrowings	140,000	200,000	206,584
<b>Total non-current liabilities</b>	<u>140,000</u>	<u>200,000</u>	<u>206,584</u>
<b>Current liabilities</b>			
Trade and other payables	3,917,631	2,933,429	2,631,468
Short term borrowings	112,500	160,430	555,457
Current portion of long-term borrowings	120,000	120,000	125,000
Current tax payable	53,895	44,838	90,719
<b>Total current liabilities</b>	<u>4,204,026</u>	<u>3,258,697</u>	<u>3,402,644</u>
<b>Total equity &amp; liabilities</b>	<b><u>5,483,930</u></b>	<b><u>4,590,099</u></b>	<b><u>4,740,489</u></b>

**Group Cash Flow Statement**  
**Unaudited Interim Results to 31 July 2008**

	<b>12 months to 31 July 2008 Unaudited</b>	<b>6 months to 31 January 2008 Unaudited</b>	<b>Year ended 31 July 2007 Audited</b>
<b>Cash flows from operating activities</b>			
	<b>£</b>	<b>£</b>	<b>£</b>
Profit before taxation	20,031	6,439	25,279
Adjustments for :			
Depreciation	54,000	25,200	52,994
Impairment	(1,775)	(1,775)	31,242
Interest net	13,919	14,388	30,477
Operating profit before working capital changes	86,175	44,252	139,992
Decrease/(Increase) in trade and other receivables	(829,496)	105,558	(514,177)
Increase in trade and other payables	1,247,395	256,080	366,433
Cash generated from operations	504,074	405,890	(7,752)
Interest paid	(46,270)	(26,681)	(49,108)
<b>Net cash outflow from operating activities</b>	<b>457,804</b>	<b>379,209</b>	<b>(56,860)</b>
<b>Cash flows from investing activities</b>			
Taxation	-	-	1,730
Purchase of intangibles	(42,000)	(36,162)	(91,829)
Disposal of intangibles	60,000	-	-
Purchase of property, plant and equipment	(27,971)	(12,751)	(68,564)
Interest received	32,351	12,293	18,631
<b>Net cash used in investing activities</b>	<b>22,380</b>	<b>(36,620)</b>	<b>(140,032)</b>
<b>Cash flows from financing activities</b>			
Proceeds from long term borrowing	350,000	360,000	-
(Repayment of) long term borrowings	(421,584)	(375,046)	(134,629)
Movement in short term borrowings	(434,495)	(385,899)	460,167
Payment of hire purchase and finance liabilities	(8,462)	(5,666)	(12,257)
Share premium costs	(2,062)	-	-
<b>Net cash (used in)/from financing activities</b>	<b>(516,603)</b>	<b>(406,611)</b>	<b>313,281</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(36,419)</b>	<b>(64,022)</b>	<b>116,389</b>
Cash and cash equivalents at the beginning of the period	663,026	663,026	546,637
<b>Cash and cash equivalents at the end of the period</b>	<b>626,607</b>	<b>599,004</b>	<b>663,026</b>

**Group Statement of Changes in Equity**  
**Unaudited Interim Results to 31 July 2008**

	Share Capital £	Share Premium £	Merger Reserve £	Retained Reserves £	Total £
<b>At 31 July 2006</b>	482,154	2,140,073	(99,000)	(1,392,669)	1,130,558
<b>Changes in equity for 2007</b>					
Profit for the period	-	-	-	703	703
At 31 July 2007	482,154	2,140,073	(99,000)	(1,391,966)	1,131,261
<b>Changes in equity for 2008</b>					
Profit for the period	-	-	-	10,705	10,705
Additional share issue costs	-	(2,062)	-	-	(2,062)
As at 31 July 2008	482,154	2,138,011	(99,000)	(1,381,261)	1,139,904

**1. Basis of Preparation and Accounting Policies**

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. The accounting reference date has been changed to 31 December and, accordingly, full details of the accounting policies adopted will be included in the financial figures for the seventeen months period ending 31 December 2008 and are not expected to be materially different from those set out in the Audited Financial Statements for the year ended 31 July 2007.

**2. Nature of Financial Information**

The financial information contained in this report does not constitute the Group's Statutory Accounts within the meaning of Section 240 of The Companies Act 1985. The financial information shown in respect of the year ended 31 July 2007 has been extracted from the Audited Financial Statements which have been filed with the Registrar of Companies. The Auditors' Report on those Financial Statements was unqualified and did not contain any statement under Section 273 of the Companies Act 1985.

**3. Earnings per share**

The earnings per share is calculated on the profit attributable to ordinary shareholders of £10,705 (6 months to 31 Jan 2008: profit £141, year ended 31 July 2007: profit £703) divided by 24,107,677 being the weighted average number of ordinary shares in issue during each of these periods.

During the periods reported on, the share warrants and options in issue were antidilutive and accordingly there is no dilution of profit per share. However, they could potentially dilute basic earnings per share in the future.

#### 4. Segment Analysis

The Group's primary reporting segment is 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.

	<b>12 months to 31 July 2008</b>	<b>12 months to 31 July 2008</b>	<b>6 months to 31 January 2008</b>	<b>6 months to 31 January 2008</b>	<b>Year ended 31 July 2007</b>	<b>Year ended 31 July 2007</b>
	<b>Unaudited Turnover £'000</b>	<b>Unaudited Gross Profit £'000</b>	<b>Unaudited Turnover £'000</b>	<b>Unaudited Gross Profit £'000</b>	<b>Audited Turnover £'000</b>	<b>Audited Gross Profit £'000</b>
Investments	7,820	1,234	4,035	709	6,880	1,253
Pensions	6,480	973	2,992	479	5,314	967
Fees/mortgages	3,257	606	1,765	270	2,674	560
Protection	4,471	629	1,804	266	3,186	625
Other	111	85	85	85	246	246
	<b>22,139</b>	<b>3,527</b>	<b>10,681</b>	<b>1,809</b>	<b>18,300</b>	<b>3,651</b>

#### 5. Copies of the Interim Report

Copies of the Interim Report will be sent to shareholders and are also available from the Company Secretary at the company's registered office: Alexandra House, 33 Alexandra Road, Wisbech, Cambridgeshire, PE13 1HQ and may be downloaded from the Company's website at [www.theclarksonhillgroup.co.uk](http://www.theclarksonhillgroup.co.uk)

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