

Registered number  
4310108

The Clarkson Hill Group PLC

Report and Accounts

31 July 2007

# The Clarkson Hill Group PLC

## Annual Report for the year ended 31 July 2007

### Contents

	<b>Page</b>
Company information	1
Chairman's Statement	2 to 4
Directors' report	5 to 7
Statement of directors' responsibilities	7
Independent auditors' report	8
Group Income Statement	9
Statement of total recognised gains and losses	9
Group Balance Sheet	10
Company Balance Sheet	11
Group Cash flow statement	12
Group Statement of changes in equity	13
Notes to the accounts	14 to 28

# **The Clarkson Hill Group PLC**

## **Company Information**

### **Directors**

J M Lacey

JP Milroy FCA

W Moncrieff

K T Prichard

R D Pritchard

M J Robinson

### **Secretary**

G Withey

### **Auditors**

UHY George Hay

### **Registered office**

Alexandra House

Alexandra Road

Wisbech

Cambridgeshire PE13 1HQ

### **Registered number**

4310108

## The Clarkson Hill Group PLC

### FINANCIAL YEAR ENDED 31 JULY 2007

#### HIGHLIGHTS

- Profit before tax £25,279 (2006: Loss (£323,998)).
- Turnover increased 36% to £18.3 million (2006: £13.4 million).
- Gross profit increased by 31% to £3.6 million (2006: £2.7 million).
- New single premium investments increased to £250 million (2006:£165 million).
- Total funds under management grew by 88% to approximately £712 million, an increase of 88% (2006: £378 million).
- Operating efficiency improved to 19.6% (2006: 22%). Plimsoll\* named the Group the 6th most efficient IFA (March 2007).
- The Group is now the 9th largest UK National IFA. Plimsoll\*.

\* Plimsoll Portfolio Analysis, March 2007

#### CHAIRMAN'S STATEMENT

I am delighted to announce the first full year profit for the company. This comes after four consecutive years of increased turnover and recruitment, resulting in the companies position in the top 10 of UK National IFA's.

Trading Highlights	Year to 31 July 2007	Year to 31 July 2006
Turnover	18,300,143	13,416,271
Gross Profit	3,651,013	2,784,849
Operating Costs (excluding development costs)	(3,595,257)	(2,956,088)
Profit/(Loss) before Tax	25,279	(323,998)
Profit/(Loss) after Tax	703	(229,032)

#### International Accounting Standards

The financial statements for the year ended 31 July 2007 have been prepared under EU endorsed International Financial Reporting Standards (IFRS) for the first time. The full effect of adopting IFRS is set out in note 2 to the financial statements. The directors have amended the income recognition policy to defer the recognition of commission for mortgage fees and protection due to the higher risk of transactions not taking place, the effect of which on the current year is to reduce profit before tax by £5,444 and net assets at the 31st July 2007 by £317,665.

## **The Clarkson Hill Group PLC**

### **Results**

As a result of both increased turnover and continued attention to operating efficiencies, the Group is able to report a profit of £25,279 (2006: (£323,998)).

Turnover has increased by 36% to £18.3 million (2006: £13.4 million) and operating efficiency improved to 19.6% (2006: 22%).

### **Funds under Advice**

New single premium investment business, both life and pensions, increased to £250million (2006: £165 million), with total funds under advice growing to approximately £712 million (2006: £378 million), an increase of 88%.

It should be noted that these figures are currently based on values at inception, not current fund values. As the Group develops its wrap platform approach, revaluation of these assets will take place, enabling a current fund value to be quoted.

The market has recognised that funds under advice form a major part of an IFA's value and as this aspect of Clarkson Hill's business grows, the Board believes this will be reflected in the Group's value.

### **Mortgage Business**

The Group now has 154 advisers (2006: 130) registered to give mortgage advice. This has resulted in an increase in earnings from mortgage business of 22% to £2.8 million (2006: £2.3 million).

The total Clarkson Hill mortgage book now stands at £2 billion (2006: £975 million).

Notwithstanding any future reduction in house sales, Clarkson Hill has significant existing clients who will require to remortgage over the next 12 months and business in this area is anticipated to continue at current levels.

### **Retail Distribution Review**

The FSA has instigated a review into the future for the distribution of retail financial products in the UK. It is likely to be 18 months to 2 years before any concrete proposals start to appear.

What this review has done is to focus IFA's like Clarkson Hill on the 'real value' they represent as distributors of retail products.

The directors of the Group will continue to work on the realisation of this real value. Progress is being made in respect of realistic rates for investment advice, which reflect the work put in by the advisers and offer the potential for ongoing income as the value of the investment rises.

The Board believes that as 'funds under advice' grows this will enable the Group to retain a greater share of the annual management charge from fund providers. The Group is already experiencing this development.

It is too early to determine the outcome of this Review, but the Board see this Review as a further opportunity to develop and grow the Group – particularly as the Regulator is combining this review with a potential increase in solvency levels for the smaller IFA's. The Group continues to recruit 'Trading Styles', which now stand at 20 (2006:16).

## **The Clarkson Hill Group PLC**

### **Summary**

The Board continues to focus on profitability by way of recruitment of qualified and quality advisers, with currently 350 advisers.

The continued growth in both 'funds under advice and the mortgage book the Board believes will enhance the view taken by the market of the Group.

Since July the Group has continued to trade in line with the Board's expectations.

**RD Pritchard, CEO**

**10 January 2008**

## **The Clarkson Hill Group PLC**

### **Directors' Report**

The directors present their report and accounts for the year ended 31 July 2007.

#### **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 profit for the year after taxation was £703 (2006: loss restated £229,032).

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. Other than this, our use of financial instruments is not material for the assessment of the assets, liabilities, financial position and profit of the company.

#### **Future developments**

The directors aim to maintain the management policies which have resulted in the company's substantial growth in recent years. They consider that the next year will show a further significant growth in Income.

#### **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 July 2007 there were 30 (2006: 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-Jul-07	01-Aug-06 or date of appointment
J M Lacey	310,000	310,000
W Moncrieff	580,143	580,143
K T Prichard	345,650	345,650
R D Pritchard	6,106,678	6,285,250
M J Robinson	5,835,250	5,835,250
A Simcock (Resigned 24th September 2007)	553,050	553,050

All of the above interests of the directors are beneficial, save for 40,000 ordinary shares of A Simcock that are beneficially owned by his wife.

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.

JP Milroy FCA was appointed as finance director on 25 October 2007.

### Other Shareholdings

On the 3rd January 2008 other shareholders who held more than 3% of the issued share capital were as follows;

Mr J Pirie	1,709,600 shares
Brewin Nominees 92 Limited	1,113,573 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 year 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 1985. 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.

This report was approved by the board on 10 January 2008.

RD Pritchard  
Director

## **The Clarkson Hill Group PLC**

### **Independent auditors' report to the shareholders of The Clarkson Hill Group PLC**

We have audited the financial statements of The Clarkson Hill Group PLC for the year ended 31 July 2007 which comprise the Group Profit and Loss Account, the Group Balance Sheet, the Company Balance Sheet, the Group Cash Flow Statement, the Group Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the accounts. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

#### **Opinion**

In our opinion the financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the affairs of the group and company as at 31 July 2007 and of the group profit for the year then ended, have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS regulations and the information given in the Directors' Report is consistent with the financial statements for the year ended 31 July 2007.

UHY George Hay  
Chartered Accountants and Registered Auditors  
15 January 2008

**The Clarkson Hill Group PLC**  
**Group Income Statement**  
**for the year ended 31 July 2007**

	Notes	2007 £	2006 £
<b>Revenue from continuing operations</b>	3	18,300,143	13,416,271
Cost of sales		(14,649,130)	(10,631,422)
<b>Gross profit</b>		<u>3,651,013</u>	<u>2,784,849</u>
Net operating expenses		(3,595,257)	(3,063,748)
<b>Operating profit/(loss) from continuing operations</b>	4	<u>55,756</u>	<u>(278,899)</u>
Interest receivable and similar income		18,631	8,376
Finance costs	8	(49,108)	(53,475)
<b>Profit/(loss) on ordinary activities before taxation</b>		<u>25,279</u>	<u>(323,998)</u>
Tax on profit/(loss) on ordinary activities	9	(24,576)	94,966
<b>Profit/(loss) attributable to shareholders</b>		<u><u>703</u></u>	<u><u>(229,032)</u></u>
<b>Basic earnings/(loss) per share</b>	5	<u><u>0p</u></u>	<u><u>-1.06p</u></u>

**Continuing operations**

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

**Statement of total recognised gains and losses**

The company has no recognised gains or losses other than the profit/(loss) for the above two financial years.

**The notes on pages 14 to 28 form an integral part of these financial statements.**

**The Clarkson Hill Group PLC**  
**Group Balance Sheet**  
**as at 31 July 2007**

	Notes	2007 £	2006 £
<b>ASSETS</b>			
<b>Non current assets</b>			
Intangibles	12	136,280	75,693
Property, Plant & Equipment	13	193,533	177,963
Investments	14	7,000	7,000
Deferred Tax		340,198	364,774
		<u>677,011</u>	<u>625,430</u>
<b>Current assets</b>			
Trade and other receivables	15	3,400,452	2,888,005
Cash and cash equivalents		663,026	546,637
		<u>4,063,478</u>	<u>3,434,642</u>
<b>Total assets</b>		<u><u>4,740,489</u></u>	<u><u>4,060,072</u></u>
<b>EQUITIES &amp; LIABILITIES</b>			
Called up share capital	16	482,154	482,154
Share premium	17	2,140,073	2,140,073
Merger reserve	18	(99,000)	(99,000)
Retained earnings	19	(1,391,966)	(1,392,669)
<b>Total equity</b>	20	<u>1,131,261</u>	<u>1,130,558</u>
<b>Non-current liabilities</b>			
Long term borrowings	21	206,584	341,213
<b>Current liabilities</b>			
Trade and other payables		2,631,468	2,283,431
Short term borrowings		555,457	96,094
Current portion of long term borrowings		125,000	136,453
Current taxes payable		90,719	72,323
		<u>3,402,644</u>	<u>2,588,301</u>
<b>Total equity and liabilities</b>		<u><u>4,740,489</u></u>	<u><u>4,060,072</u></u>

The financial statements were approved and authorised for issue by the Board on 10 January 2008 and signed on its behalf by

RD Pritchard & JP Milroy  
Directors

**The notes on pages 14 to 28 form an integral part of these financial statements.**

**The Clarkson Hill Group PLC**  
**Company Balance Sheet**  
**as at 31 July 2007**

	Notes	2007 £	2006 £
<b>ASSETS</b>			
<b>Non current assets</b>			
Intangibles	12	136,280	75,693
Property, Plant & Equipment	13	193,533	173,541
Investments	14	8,578	496,000
Deferred Tax		340,198	364,774
		<u>678,589</u>	<u>1,110,008</u>
<b>Current assets</b>			
Trade and other receivables	15	3,494,017	3,076,473
Cash and cash equivalents		662,186	542,228
		<u>4,156,203</u>	<u>3,618,701</u>
<b>Total assets</b>		<u><u>4,834,792</u></u>	<u><u>4,728,709</u></u>
<b>EQUITIES &amp; LIABILITIES</b>			
Called up share capital	16	482,154	482,154
Share premium	17	2,140,073	2,140,073
Retained earnings	19	(1,381,463)	(803,634)
<b>Total equity</b>	20	<u>1,240,764</u>	<u>1,818,593</u>
<b>Non-current liabilities</b>			
Long term borrowings	21	206,584	341,213
<b>Current liabilities</b>			
Trade and other payables		2,616,268	2,264,033
Short term borrowings		555,457	96,094
Current portion of long term borrowings		125,000	136,453
Current taxes payable		90,719	72,323
		<u>3,387,444</u>	<u>2,568,903</u>
<b>Total equity and liabilities</b>		<u><u>4,834,792</u></u>	<u><u>4,728,709</u></u>

The financial statements were approved and authorised for issue by the Board on 10 January 2008 and signed on its behalf by

RD Pritchard & JP Milroy  
Directors

**The notes on pages 14 to 28 form an integral part of these financial statements.**

**The Clarkson Hill Group PLC**  
**Group Cash Flow Statement**  
**for the year ended 31 July 2007**

	Notes	2007 £	2006 £
<b>Cash flows from operating activities</b>			
Profit before taxation		25,279	(323,998)
Depreciation		52,994	47,408
Amortisation		31,242	11,645
Interest net		30,477	45,099
Operating profit before working capital changes		<u>139,992</u>	<u>(219,846)</u>
Increase in trade and other receivables		(514,177)	(615,009)
Increase in trade and other payables		366,433	742,458
Cash generated from operations		<u>(7,752)</u>	<u>(92,397)</u>
Interest paid		<u>(49,108)</u>	<u>(53,475)</u>
<b>Net cash outflow from operating activities</b>		<u>(56,860)</u>	<u>(145,872)</u>
<b>Cash flows from investing activities</b>			
<b>Taxation</b>		1,730	-
Purchase of intangibles		(91,829)	(87,338)
Purchase property, plant & equipment		(68,564)	(60,134)
Interest received		18,631	8,376
		<u>(140,032)</u>	<u>(139,096)</u>
<b>Cash flows from financing activities</b>			
Net proceeds of issue of shares		-	1,118,735
Proceeds from (repayment of) long term borrowings		(134,629)	448,551
Movement in short term borrowings		460,167	(740,384)
Payment of hire purchase and finance liabilities		<u>(12,257)</u>	<u>(11,668)</u>
<b>Net cash used in financing operations</b>		<u>313,281</u>	<u>815,234</u>
<b>Net Increase in cash and cash equivalents</b>		116,389	530,266
Cash and cash equivalents at the beginning of the period		<u>546,637</u>	<u>16,371</u>
<b>Cash and cash equivalents at the end of the period</b>		<u><u>663,026</u></u>	<u><u>546,637</u></u>

**The Clarkson Hill Group PLC**  
**Group Statement of Changes in Equity**  
**for the year ended 31 July 2007**

	<b>Share capital</b>	<b>Share Premium</b>	<b>Merger reserve</b>	<b>Retained earnings</b>	<b>Total equity</b>
<b>Balance at 31 July 2005</b>	393,039	1,110,453	(99,000)	(403,187)	1,001,305
Goodwill impairment	-	-	-	(542,400)	(542,400)
Income recognition	-	-	-	(218,050)	(218,050)
As restated	<u>393,039</u>	<u>1,110,453</u>	<u>(99,000)</u>	<u>(1,163,637)</u>	<u>240,855</u>
<b>Changes in equity for 2006</b>					
Loss for the period	-	-	-	(169,977)	(169,977)
Goodwill impairment	-	-	-	30,410	30,410
Income recognition	-	-	-	(89,465)	(89,465)
<b>Total recognised income and expense for the period</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(229,032)</u>	<u>(229,032)</u>
Issue of share capital	89,115	1,029,620	-	-	1,118,735
<b>Balance at 31 July 2006 carried forward</b>	<u>482,154</u>	<u>2,140,073</u>	<u>(99,000)</u>	<u>(1,392,669)</u>	<u>1,130,558</u>
<b>Changes in equity for 2007</b>					
Profit for the period	-	-	-	703	703
<b>Balance at 31 July 2007 carried forward</b>	<u><u>482,154</u></u>	<u><u>2,140,073</u></u>	<u><u>(99,000)</u></u>	<u><u>(1,391,966)</u></u>	<u><u>1,131,261</u></u>

**The Clarkson Hill Group PLC**  
**Notes to the Accounts**  
**for the year ended 31 July 2007**

**1 Summary of significant accounting policies**

The particular accounting policies adopted by the Directors in preparation of these financial statements are described below.

***Basis of preparation***

The financial statements have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRS), ITRIC interpretations and the Companies Act 1985 applicable to Companies reporting under IFRS. The company has adopted IFRS for the first time in its financial statements for the year ended 31 July 2007. Note 2 provides further details.

The financial statements have been prepared under the historical cost convention.

***Basis of consolidation***

The group financial statements consolidate the financial statements of The Clarkson Hill Group Plc and all its subsidiary undertakings made up to 31 July each year, 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.

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 of goodwill is determined by reference to the discounted future cash flows expected to be derived from the cash generating unit to which it is allocated.

An impairment review at 31 July 2005 resulted in the restatement of the carrying value of goodwill, the effect of which is set out in Note 2.

The cost of acquiring renewal commission and databases is capitalised as a separate item and recognised as an intangible asset. Amortisation is calculated on the cost in each instance and is designed to write off the cost over its estimated useful life of five years.

***Investments***

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

**The Clarkson Hill Group PLC**  
**Notes to the Accounts**  
**for the year ended 31 July 2007**

***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 on a reducing balance basis 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 25% reducing balance

***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.

***Deferred taxation***

Deferred taxation represents the tax expected to be repayable or recoverable on differences between the carrying amounts of the 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 taxation liabilities are generally recognised on all taxable temporary differences. Deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences may be utilised.

Deferred tax is calculated at the tax rates which are expected to apply in the periods when the liability is settled or the asset is realised. The carrying value of deferred taxation assets is reviewed at each balance sheet date and reduced to the extent that suitable taxable profits, will no longer be available against which temporary differences may be utilised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

**The Clarkson Hill Group PLC**  
**Notes to the Accounts**  
**for the year ended 31 July 2007**

***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 business is when a commitment from the client is received to proceed with the transaction. 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 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.

**The Clarkson Hill Group PLC**  
**Notes to the Accounts**  
**for the year ended 31 July 2007**

**2 Transition to International financial Reporting Standards (IFRS)**

The transition from United Kingdom GAAP to IFRS has been made in accordance with IFRS 1 'First-time adoption of International Reporting Standards'.

The Group's consolidated financial statements for the year ended 31 July 2007 and comparatives comply with the presentation and disclosure requirements of IFRS applicable for accounting periods commencing on or after 1 February 2005.

The following reconciliations and notes describe the effects of the transition on the IFRS opening balance sheet as at 1 August 2005 and for the year ended 31 July 2006.

<b>At 1 August 2005</b>	<b>£ '000</b>
Total equity under UK GAAP (as previously stated)	1,001,305
Income Recognition	(218,050)
Share based payment	-
Goodwill impairment	(542,400)
Total equity under IFRS	<u>240,855</u>

<b>At 31 July 2006</b>	Notes	<b>£ '000</b>
Total equity under UK GAAP (as previously stated)		1,950,063
Income Recognition		(307,515)
Share based payment	2(a)	-
Goodwill impairment		(511,990)
Total equity under IFRS		<u>1,130,558</u>

The following reconciliation describes the effect of the transition for IFRS for the year ended 31 July 2006.

	<b>£ '000</b>
Loss after taxation under UK GAAP	(169,977)
Income Recognition	(89,465)
Share based payments	-
Goodwill amortisation	30,410
Loss after taxation under IFRS	<u>(229,032)</u>

(a) Share-based payments

Under IFRS 2, 'Share-based Payments' the cost of employee share schemes is based on the fair value of the awards. The awards granted during the year had a £1 fair value (see note 16) Under UK GAAP no such cost was recognised.

(b) Cash flow statement

The conversion from UK GAAP to IFRS does not change any of the cashflows of the Group. The IFRS cash flow format is similar to UK GAAP but presents various cash flows in different categories and in a different order from the UK GAAP cash flow statement.

**The Clarkson Hill Group PLC**  
**Notes to the Accounts**  
**for the year ended 31 July 2007**

**3 Segmental reporting**

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>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	Turnover	Gross Profit	Turnover	Gross Profit
	£	£	£	£
Investments	6,879,808	1,252,627	4,481,554	929,826
Pensions	5,314,499	966,659	3,684,149	671,183
Fees/Mortgages	2,673,924	560,037	2,315,616	439,561
Protection	3,185,577	625,355	2,794,221	603,548
Other	246,335	246,335	140,731	140,731
	<u>18,300,143</u>	<u>3,651,013</u>	<u>13,416,271</u>	<u>2,784,849</u>

**4 Operating loss**

**2007**

**2006**

£

£

Operating loss is stated after charging:

Development costs	-	107,660
Depreciation of owned fixed assets	45,367	37,239
Depreciation of assets held under finance leases and hire purchase contracts	7,627	10,169
Amortisation	31,242	11,645
Operating lease rentals - land & buildings	325,591	248,688
Auditors' remuneration		
Audit fee (current auditors)	23,500	-
Audit fee (previous auditors)	-	26,702
Other services (previous auditors)	<u>19,447</u>	<u>10,926</u>

**The Clarkson Hill Group PLC**  
**Notes to the Accounts**  
**for the year ended 31 July 2007**

**5 Earnings per share**

The earnings per share is calculated on the profit attributable to ordinary shareholders of £703 (2006:restated loss £229,032) divided by 24,107,677 (2006: 21,558,510) being the weighted average number of ordinary shares in issue during the year.

During 2007 and 2006, the share warrants and options disclosed in note 19 were antidilutive and accordingly there is no dilution of loss per share. However, they could potentially dilute basic earnings per share in the future

<b>6 Directors' emoluments</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Emoluments	627,247	484,834
Company contributions to defined contribution pension scheme	3,836	2,773
	<u>631,083</u>	<u>487,607</u>
Highest paid director:		
Emoluments	142,162	134,802
Company contributions to defined contribution pension scheme	1,317	1,141
	<u>143,479</u>	<u>135,943</u>
<b>Number of directors in company pension schemes:</b>	<b>2007</b>	<b>2006</b>
	<b>Number</b>	<b>Number</b>
Defined contribution pension scheme	<u>3</u>	<u>3</u>
<b>7 Staff costs</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Wages and salaries	1,394,057	1,229,943
Social security costs	133,430	104,191
Other pension costs	25,820	20,864
	<u>1,553,307</u>	<u>1,354,998</u>
<b>Average number of employees during the year</b>	<b>Number</b>	<b>Number</b>
Administration	62	62
Management	6	6
	<u>68</u>	<u>68</u>
<b>8 Finance costs</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Bank overdrafts and loans	47,281	51,060
Finance leases and hire purchase contracts	1,827	2,415
	<u>49,108</u>	<u>53,475</u>

**The Clarkson Hill Group PLC**  
**Notes to the Accounts**  
**for the year ended 31 July 2007**

<b>9 Taxation</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>Analysis of charge for the period</b>		
Current tax:		
Adjustments in respect of previous periods	-	(513)
Deferred tax:		
Origination and reversal of timing differences	24,576	(94,110)
Increase in discount	-	(343)
	<u>24,576</u>	<u>(94,453)</u>
Tax on profit/(loss) on ordinary activities	<u>24,576</u>	<u>(94,966)</u>

**Factors affecting tax charge for period**

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

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Profit/(loss) on ordinary activities before tax	<u>25,279</u>	<u>(323,998)</u>
Standard rate of corporation tax in the UK	30%	30%
	<b>£</b>	<b>£</b>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax	7,584	(97,199)
Effects of:		
Expenses not deductible for tax purposes	1,808	75,756
Capital allowances for period in excess of depreciation	(548)	(3,265)
Utilisation of tax losses	(8,844)	(92,657)
Adjustments to tax charge in respect of previous periods	-	(513)
Marginal/lower rate relief	-	-
Losses carried forward	-	117,365
Current tax charge for period	<u>-</u>	<u>(513)</u>

The deferred tax charge (2006: credit recognised) in the year to 31 July 2007 represents the change in the expected utilisation of tax losses at 31 July 2007 against future taxable profits. The deferred tax asset recognised is £340,198 (2006: £364,774) and is shown in non-current assets.

**The Clarkson Hill Group PLC**  
**Notes to the Accounts**  
**for the year ended 31 July 2007**

**10 Pension Costs**

The pension charge represents contributions due from the company and amounted to £25,820 (2006: £20,864).

**11 Loss for the year attributable to shareholders**

As permitted by Section 230 of the Companies Act 1985 the profit and loss account of The Clarkson Hill Group Plc has not been presented with the financial statements.

The results after taxation of the parent undertaking for the year showed a loss of £577,829 (2006: loss £217,530), after the exceptional writedown of investments of £487,422 (2006: £Nil).

**12 Intangible fixed assets**

Group and company	Renewals, commissions & databases £
<b>Cost</b>	
At 1 August 2006	87,338
Additions	91,829
At 31 July 2007	<u>179,167</u>
<b>Amortisation</b>	
At 1 August 2006	11,645
Provided during the year	31,242
At 31 July 2007	<u>42,887</u>
<b>Net book value</b>	
At 31 July 2007	<u>136,280</u>
At 31 July 2006	<u>75,693</u>

**The Clarkson Hill Group PLC**  
**Notes to the Accounts**  
**for the year ended 31 July 2007**

**13 Property, Plant & Equipment**

	<b>Plant &amp; Equipment</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
<b>Cost</b>		
At 1 August 2006	302,938	302,938
Additions	68,564	68,564
Disposals	<u>(8,000)</u>	<u>(8,000)</u>
At 31 July 2007	<u>363,502</u>	<u>363,502</u>
<b>Depreciation</b>		
At 1 August 2006	124,975	124,975
Charge for the year	52,994	52,994
On disposals	<u>(8,000)</u>	<u>(8,000)</u>
At 31 July 2007	<u>169,969</u>	<u>169,969</u>
<b>Net book value</b>		
At 31 July 2007	<u>193,533</u>	<u>193,533</u>
At 31 July 2006	<u>177,963</u>	<u>177,963</u>
<b>Company</b>		
<b>Cost</b>		
At 1 August 2006	260,455	260,455
Additions	71,843	71,843
At 31 July 2007	<u>332,298</u>	<u>332,298</u>
<b>Depreciation</b>		
At 1 August 2006	86,914	86,914
Charge for the year	51,851	51,851
At 31 July 2007	<u>138,765</u>	<u>138,765</u>
<b>Net book value</b>		
At 31 July 2007	<u>193,533</u>	<u>193,533</u>
At 31 July 2006	<u>173,541</u>	<u>173,541</u>
<b>Group and Company</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Net book value of Fixtures, Fittings and Equipment included above held under finance leases and hire purchase contracts	<u>22,880</u>	<u>30,506</u>

**The Clarkson Hill Group PLC**  
**Notes to the Accounts**  
**for the year ended 31 July 2007**

**14 Investments**

<b>Group and company</b>	<b>Other investments</b>	
		<b>£</b>
<b>Cost</b>		
At 1 August 2006		7,000
At 31 July 2007		<u>7,000</u>
<b>Other investments</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Listed investments	<u>7,000</u>	<u>7,000</u>
Valuation:		
Listed investments - market value	<u>7,800</u>	<u>8,300</u>
The above listed investment is in Arsenal Holdings plc.		
<b>Company</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Subsidiary undertakings	1,578	489,000
Listed investments	<u>7,000</u>	<u>7,000</u>
	<u>8,578</u>	<u>496,000</u>

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

<b>Company</b>	<b>Principal Activity</b>	<b>Country of incorporation or operation</b>	<b>Holding</b>	<b>Proportion Held</b>
FPR Group Limited	Insurance Brokers, Consultants & Financial Advisers	England and Wales	Ordinary	100%
*Barwick Associates Limited	Insurance Brokers, Consultants & Financial Advisers	England and Wales	Ordinary	100%
Advised Mortgages Limited	Mortgage Advice	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.

**The Clarkson Hill Group PLC**  
**Notes to the Accounts**  
**for the year ended 31 July 2007**

<b>15 Trade and other receivables</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
Trade receivables	2,676,641	2,240,025
Other receivables	263,321	435,763
Prepayments and accrued income	460,490	212,217
	<u>3,400,452</u>	<u>2,888,005</u>
 <b>Company</b>		
Trade receivables	2,669,042	2,163,669
Amounts owed by group undertakings	101,164	272,324
Other receivables	263,321	428,263
Prepayments and accrued income	460,490	212,217
	<u>3,494,017</u>	<u>3,076,473</u>



**The Clarkson Hill Group PLC**  
**Notes to the Accounts**  
**for the year ended 31 July 2007**

<b>17 Share premium</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>Group and company</b>		
At 1 August	2,140,073	1,110,453
Shares issued	-	1,471,886
Expenses of issue	-	(442,266)
At 31 July	<u>2,140,073</u>	<u>2,140,073</u>
<b>18 Merger Reserve</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
At 1 August	<u>(99,000)</u>	<u>(99,000)</u>
At 31 July	<u>(99,000)</u>	<u>(99,000)</u>
<b>19 Profit and loss account</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
At 1 August	(1,392,669)	(1,163,637)
Profit/(loss) for the financial year	703	(229,032)
At 31 July	<u>(1,391,966)</u>	<u>(1,392,669)</u>
	<b>2007</b>	<b>2006</b>
<b>Company</b>	<b>£</b>	<b>£</b>
At 1 August	(803,634)	(586,104)
Loss for the financial year	(577,829)	(217,530)
At 31 July	<u>(1,381,463)</u>	<u>(803,634)</u>
<b>20 Reconciliation of movement in shareholders' funds</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
At 1 August	1,130,558	240,855
Profit/(loss) for the financial year	703	(229,032)
Shares issued	-	1,118,735
At 31 July	<u>1,131,261</u>	<u>1,130,558</u>
<b>Company</b>		
At 1 August	1,818,593	917,388
Loss for the financial year	(577,829)	(217,530)
Shares issued	-	1,118,735
At 31 July	<u>1,240,764</u>	<u>1,818,593</u>

**The Clarkson Hill Group PLC**  
**Notes to the Accounts**  
**for the year ended 31 July 2007**

<b>21 Creditors: amounts falling due after one year</b>	<b>2007</b>	<b>2006</b>
	£	£
<b>Group and Company</b>		
Bank loans	206,584	331,947
Obligations under finance lease and hire purchase contracts	-	9,266
	<u>206,584</u>	<u>341,213</u>

The bank loan is secured by a debenture.

<b>22 Loans</b>	<b>2007</b>	<b>2006</b>
	£	£
<b>Group and Company</b>		
Analysis of maturity of debt:		
Within one year or on demand	671,995	221,094
Between one and two years	125,000	125,000
Between two and five years	81,584	206,947
	<u>878,579</u>	<u>553,041</u>

The loan with BoS is secured by a debenture against the assets of the company.

<b>23 Obligations under finance leases and hire purchase contracts</b>	<b>2007</b>	<b>2006</b>
	£	£
<b>Group and Company</b>		
Amounts payable:		
Within one year	8,462	11,453
Within two to five years	-	9,266
	<u>8,462</u>	<u>20,719</u>

<b>24 Analysis of changes in net debt</b>	<b>At 1 August</b>	<b>Cash flows</b>	<b>Non-cash</b>	<b>At 31 July</b>
	<b>2006</b>		<b>changes</b>	<b>2007</b>
	£	£	£	£
Cash at bank & in hand	546,637	116,389	-	663,026
Total	<u>546,637</u>	<u>116,389</u>	<u>-</u>	<u>663,026</u>

**The Clarkson Hill Group PLC**  
**Notes to the Accounts**  
**for the year ended 31 July 2007**

**25 Other financial commitments**

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

	<b>Land and buildings 2007 £</b>	<b>Land and buildings 2006 £</b>
Operating leases which expire:		
within one year	74,660	5,053
within two to five years	192,995	103,699
in over five years	40,000	57,650
	<u>307,655</u>	<u>166,402</u>

**26 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.

The 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.

Mandrake Associates Limited ("Mandrake") repaid the whole of the amount owed to Barwick Associates Limited (2006:owed £75,856) included within other receivables in note 15.

At 31 July 2007, Mandrake owed the company £213,284 (2006: £428,263). The loan is interest free and is shown in note 15 to the accounts as other receivables.

The company entered into a new loan agreement with Mandrake for £210,000 with effect from 15 June 2007 whereby it made available to Mandrake a loan to be repaid without interest upon receipt by Mandrake of the costs claim when agreed on its court proceedings which were successfully concluded during the year. Failing repayment on the date when the costs claim is settled, Mandrake has agreed to transfer to the company sufficient of the ongoing renewal and trail income of Mandrake to satisfy the debt.

The Clarkson Hill compliance officer is dual registered with Mandrake and assists with their administration. 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 (2006: £33,498).