



3 September 2019

Frenkel Topping Group plc
("Frenkel Topping" or "the Company" or "the Group")

Interim Results

Strategic Progress Delivers Robust Financial Performance

Frenkel Topping (AIM: FEN), a specialist independent financial advisor and asset manager focused on asset protection for vulnerable clients, announces its interim results for the six months ended 30 June 2019.

Financial Highlights

	HY 2019	HY 2018	% change
Revenue	£4.1m	£3.6m	+14%
Recurring revenue	£3.2m	£2.9m	+10%
Gross profit	£2.2m	£2.1m	+5%
Profit from operations¹	£0.8m	£0.4m	+100%
Statutory pre-tax profit	£596k	£282k	+111%
Basic EPS	0.6p	0.32p	+88%
Cash from operations²	£0.5m	£0.5m	-
Interim dividend	0.32p	0.32p	-

¹ Profit from operations before share based compensations

² Cash from operations before corporation tax

Operational Highlights and Outlook

- Assets Under Management of £851m, up 12% (as at 30 June 2018: £759m)
- £44m of new investment mandates in H1, in line with management's expectations
- Assets on a DFM Mandate of £345m, up 11% (as at 30 June 2018: £312m)
- New business income 30% higher at £0.9m than the comparative period in 2018 (£0.69M)
- Client retention rate remained high at 98%
- All model portfolio strategies achieved positive returns; H1 growth between 4%-12% according to the risk criteria set for the fund
- Current trading is in line with management's expectations

Paul Richardson, Chairman of Frenkel Topping said:

"I am pleased to report an excellent set of results and a period of significant progress. Despite challenging financial markets over the period, we have delivered a 14% increase in revenue, a 111% rise in pre-tax profit and made considerable progress against our strategic commitments. New business income increased by 30% over the comparative period whilst client retention remained high at 98% - reflecting our ability to conservatively manage our clients' money and generate returns. Our growth has been supported by strategic investments made in developing talent and marketing which has invigorated and strengthened the business for the long term.

"The Company has built a strong platform to generate further growth and current trading is line with management expectations."

CEO Statement

Overview

I am pleased to report an excellent set of results, building on the progress announced in our 2018 financial accounts. We have made significant progress financially and operationally, underpinned by our strategic investments in the Frenkel Topping Academy, marketing and technology, enabling us to report solid growth across our key performance indicators.

The Group's revenue increased by 14% to £4.1m (HY 2018: £3.6m), predominantly driven by new business income which at £896k was 30% higher than the comparative period in 2018. Recurring revenue is a healthy 78% of total revenue and our client retention rate remains high at 98%, reflecting positive performances from our portfolios and a focus on excellent customer service.

The Company delivered £44m of new investments mandates, reflecting our strong competitive position and trusted brand. AUM amounted to £851m, an increase of £72m or 9% since the year end. The Group's assets on a Discretionary Fund Management basis through Ascencia Investment Management ("Ascencia") were up 11% to £345m (as at 30 June 2018: £312m).

Operating profit before share based compensation was £0.8m, doubling from the £0.4m reported in HY2018, and EBITDA before share based compensation was £905k, up 105%, reflecting the Group's revenue growth. In the first half of 2019, £383K was invested in marketing and developing talent compared to £449K in the comparable period which included reorganisation costs. Our disciplined cost control has ensured that a larger proportion of the growth in sales flows through to the bottom line, delivering a disproportionate increase in operating profit and profit before tax.

Despite the increase in operating profit and EBITDA, the cash generated from operating activities of £328,000 in the half year was lower than the £474,000 generated in the equivalent period in 2018. This was due to a £373,000 increase in working capital which resulted from the Group's new business generation.

Progress against our strategy

In 2018, we delivered good results, with solid execution, and outlined three core strategic aims for growing the business. I am pleased to report that the Company is making good progress on these commitments to generate further growth over the long term:

1. To grow organically our core business of independent financial advice for personal injury and clinical negligence awards.

We achieved good organic growth in the period under review and, as highlighted above, this has been supported by the investments we made over the past two years. We are proud of our graduate and apprenticeship programme which was launched to ensure talent is regularly introduced to the business. This has been an excellent investment with newly qualified consultants winning new business, adding to AUM and, importantly, maintaining existing client relationships. Investments in marketing has also been key to driving this excellent set of results.

2. To increase the strength of our Discretionary Fund Management through Ascencia and expand its services to a wider audience.

Despite economic headwinds, all our model portfolios in the investment management business achieved positive returns, each posting growth of between 4% and 12% according to the risk criteria set for the fund. The performance reflects our expertise and the conservative approach we have to take in protecting our clients' money and generating returns. In June, we appointed Tatton Asset Management Limited as investment manager for Ascencia's core and passive products as part of our strategy to expand its asset

management capabilities. This, together with Wellian Investment Solutions Limited as its portfolio research partner, will enable the Group to further scale the business and offer a broader range of products. In the period under review, we launched the Ascencia Islamic Portfolio, a Sharia Law compliant investment portfolio which was developed to support the needs of our Muslim clients. The Ascencia Islamic Portfolio is essentially multi-asset and consists of a blend of Shariah compliant equity focused exchange traded funds, managed fixed income solutions, together with an element of physically backed gold exposure. The new portfolio complements our existing Socially Responsible Investment Portfolios as there are number of synergies between the two.

3. To grow the business through selective acquisitions to widen our market reach and position Obiter Wealth Management (“Obiter”) as a Challenger Generalist IFA Brand.

Obiter was established in response to demand from the solicitors and clients we work with to widen our expert witness services to include divorce cases, wills and probates and MBOs (Management Buy Outs). We are actively sourcing M&A opportunities which complement Obiter and align themselves with our stated strategy. The Group has considered several businesses over the last six months, but we have a strict acquisition policy and will not make any acquisitions unless they meet our criteria. We continue to have active discussions with firms and, if acquired, they will benefit from the back-office and technical support we have built in Manchester, while allowing us to extend the territories into which our core specialist service is offered.

Ogden Rate

In previous announcements we have commented on the impact of the Ogden Rate (Personal Injury Discount Rate (“PIDR”)) when it was cut to -0.75% from the then long standing 2.5% and the likelihood of an increase in lump sum settlements. We believe that these settlements have and will continue to filter through to larger investments for claimants, particularly given the latest government announcement to increase the rate upwards, but only to -0.25% following a number of consultations. Mark Holt, the Group’s Commercial Director has been heavily involved in the consultation process and comments:

“The incremental increase in the PIDR will not see claimants rush back to settling claims with the inclusion of Periodical Payments, moreover the trend to settle for once and for all lump sums will continue, somewhat unaffected by this latest rate increase”

As previously announced, the change in the Ogden Rate is not predicted to have a significant impact on Frenkel Topping. The Company views the change as an opportunity for potential clients and solicitors to seek its expertise.

Dividend

In June 2019 the Company paid a final dividend in respect of FY18 of £668,000 or 0.97 pence per share. This represents a total dividend for 2018 of 1.29 pence per share (2017: 1.203 pence) to shareholders. The Board has reviewed the dividend and is mindful of the Group’s earnings growth potential and future expansion plans. With this in mind, the Company will maintain an interim dividend of 0.32 pence per share which amounts to £220,492 (2018 Interim Dividend: 0.32 pence and £220,701). The interim dividend will be paid on 26 September 2019 to shareholders on the register at close of business on 13 September 2019 and the shares will trade on an ex-dividend basis from 12 September 2019.

Outlook

We are trading in line with management’s expectations and expect to continue to invest in the business to ensure future growth. The Board is mindful of the broader political and economic uncertainty but remains confident that our strong platform, together with our high client retention rate and ability to generate new business will enable us to deliver growth in the second half of 2019 and beyond. I would like to thank all of

our staff for their hard work and steadfast focus on delivering for our clients and creating excellence in everything we do. It is very encouraging to see how hard everyone is working to deliver on our strategic commitments and position Frenkel Topping for success over the longer term.

Richard Fraser, CEO

Frenkel Topping Group plc Group Income Statement	6 Months Jun-19 Unaudited £'000	6 Months Jun-18 Unaudited £'000	Yr Ended Dec-18 Audited £'000
Note			
Revenue	4,071	3,624	7,661
Direct Staff Costs	(1,838)	(1,560)	(2,943)
Gross Profit	2,232	2,064	4,718
Administrative Expenses			
Share Based Compensation	(270)	(159)	(386)
Development and Reorganisation Costs	(383)	(449)	(701)
Formal Sales	-	-	(165)
Other	(1,034)	(1,209)	(2,309)
Total Administrative Expenses	(1,687)	(1,817)	(3,561)
Profit from Operations before share based compensation and formal sale process	815	406	1,708
Share Based Compensation	(270)	(159)	(386)
Formal Sales	-	-	(165)
Profit from Operations	546	247	1,157
Other Gains & Losses			
Finance income	53	24	(13)
Finance Costs	(3)	-	-
Share of profits from investments accounted for using the equity method	-	11	-
Profit Before Tax	596	282	1,144
Taxation	(143)	(60)	(349)
Profit for Period	453	222	795
Gains on property revaluation arising net of Tax	-	-	27
	453	222	822
Minority interest	(39)	-	(29)
Profit and Total Comprehensive Income			
Attributable to:			
Owners of Parent Undertakings	414	222	793
Earnings per share - basic (pence)	3 0.60	0.32	1.11
Earnings per share - diluted (pence)	3 0.60	0.32	1.11

The results for the period are derived from continuing activities.

Frenkel Topping Group plc**Group Statement of Financial Position**

	30-Jun-19	30-Jun-18	31-Dec-18
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
ASSETS			
NON-CURRENT ASSETS			
Goodwill	7,020	7,020	7,020
Property, Plant and equipment	1,672	1,402	1,424
Investments	-	25	-
Deferred tax	30	53	10
	<u>8,722</u>	<u>8,500</u>	<u>8,454</u>
CURRENT ASSETS			
Accrued income	864	822	982
Trade receivables	1,547	1,358	1,535
Other receivables	686	210	160
Investments	751	1,202	1,136
Cash at bank and in hand	620	558	848
	<u>4,469</u>	<u>4,150</u>	<u>4,661</u>
TOTAL ASSETS	<u><u>13,192</u></u>	<u><u>12,650</u></u>	<u><u>13,115</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	393	393	393
Share Premium	400	400	400
Merger reserve	5,315	5,315	5,315
Revaluation reserve	178	151	178
Own share reserve	(4,579)	(4,449)	(4,567)
Other reserve	(341)	(341)	(341)
Retained earnings	10,576	9,989	10,553
Non-controlling interest	82	-	43
TOTAL EQUITY	<u>12,024</u>	<u>11,458</u>	<u>11,974</u>
CURRENT LIABILITIES			
Current taxation	354	223	216
Trade and other payables	745	969	926
	<u>1,098</u>	<u>1,192</u>	<u>1,142</u>
LIABILITIES > 1 YEAR	<u>69</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,167</u>	<u>1,192</u>	<u>1,142</u>
TOTAL EQUITY AND LIABILITIES	<u><u>13,192</u></u>	<u><u>12,650</u></u>	<u><u>13,115</u></u>

Consolidated Statement of Changes in Equity For the period to 30 June 2019

	Share Capital	Share Premium	Merger Reserve	Other Reserve	Own share Reserve	Retained Earnings	Revaluation reserve	Total controlling Interests	Non- controlling Interests	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance 1 January 2018	393	400	5,315	(341)	(4,449)	10,253	151	11,722		11,722
Share based payments	-	-	-	-	-	159	-	159		159
Dividend Paid	-	-	-	-	-	(640)	-	(640)		(640)
Tax Charge Relating to the Share Option Scheme	-	-	-	-	-	(5)	-	(5)		(5)
Total transactions with owners recognised in equity	-	-	-	-	-	(486)	-	(486)		(486)
Profit for the period	-	-	-	-	-	222	-	222		222
Balance 30 June 2018	393	400	5,315	(341)	(4,449)	9,989	151	11,458	0	11,458
New shares issued	-	-	-	-	-	-	-	0		0
Purchase of own shares	-	-	-	-	(118)	-	-	(118)		(118)
Share based payments	-	-	-	-	-	245	-	245		245
Tax credit relating to share option scheme	-	-	-	-	-	(6)	-	(6)		(6)
Dividend paid to shareholders	-	-	-	-	-	(220)	-	(220)		(220)
Acquisition of Subsidiary	-	-	-	-	-	-	-	-	14	14
Total transactions with owners recognised in equity	-	-	-	-	(118)	19	-	(99)	14	(85)
Profit and total comprehensive income for the period	-	-	-	-	-	545	-	545	29	574
Other comprehensive income	-	-	-	-	-	-	27	27		27
Balance 31 December 2018	393	400	5,315	(341)	(4,567)	10,553	178	11,931	43	11,974
Share based compensation	-	-	-	-	-	261	-	261		261
Dividend paid to shareholders	-	-	-	-	-	(668)	-	(668)		(668)
Building Depreciation	-	-	-	-	-	13	-	13		13
Share option scheme	-	-	-	-	-	3	-	3		3

Total transaction with owners recognised in equity	-	-	-	-	-	(391)	-	(391)	0	(391)
Purchase of own shares	-	-	-	-	(12)	-	-	(12)		(12)
Profit and total comprehensive income for the period	-	-	-	-	-	414	-	414	39	453
Balance 30 June 2019	393	400	5,315	(341)	(4,579)	10,576	178	11,942	82	12,024

- The share capital represents the number of shares issued at nominal price.
- The merger reserve represents the cost of the shares issued to purchase the non-controlling interest at market value at the date of the acquisition and the excess of fair value over nominal value of shares issued to acquire Ascencia Investment Management (formerly Frenkel Topping Investment Management Limited.)
- The other reserve represents the excess paid for the non-controlling interest over the book value at the date of the acquisition.
- The own shares reserve represents the cost of 3,105,708 (31 December 2018: 3,067,576) shares held by the company and the 6,648,016 (31 December 2018: 6,648,016) held by the Frenkel Topping Group Employee Benefit Trust. The open market value of the shares held at 30 June 2018 was £4,331,442 (31 December 2018: £3,784,445).
- Retained earnings represents the profit generated by the Company since trading commenced, together with dividends paid, share premium cancelled and share based payment and credits.
- The Company has conformed with all capital requirements as imposed by the FCA.

Frenkel Topping Group plc
Group Cash Flow Statement
For the period to 30 June 2019

	6 Months ended 30-Jun-19	6 Months ended 30-Jun-18	Year ended 31-Dec- 18
	Unaudited £'000	Unaudited £'000	Audited £'000
Profit before tax	596	282	1,144
<i>Adjustments to reconcile profit for the period to cash generated from operating activities:</i>			
Unrealised (Gains / Losses) on Investments	(53)	(24)	13
Share based compensation	270	159	404
Depreciation	90	36	95
(Increase)/Decrease in accrued income, trade and other receivables	(495)	83	(292)
Increase/ (Decrease)/ in trade and other payables	122	(62)	32
Cash generated from operations	530	474	1,396
Income Tax paid	(202)	-	(268)
Cash generated from operating activities	328	474	1,128
Investing Activities			
Acquisition of property, plant and equipment	(143)	(31)	(87)
IFRS 16 Implementation	(183)	-	-
Net Investment Disposals / (Purchases)	438	(1,061)	(1,031)
Cash (used) / generated in investing activities	112	(1,092)	(1,118)
Financing activities			
Own shares purchased	-	-	(118)
Dividend paid	(668)	(640)	(860)
Cash used in financing	(668)	(640)	(978)
(Decrease)/ increase in cash	(228)	(1,258)	(968)
Opening cash	848	1,816	1,816
Closing cash	620	558	848
Closing Cash and Cash Equivalents			
Cash	620	558	848
Cash equivalents	751	1,202	1,136
Closing cash and cash equivalents	1,372	1,760	1,984

Cash is held at National Westminster Bank Plc.
Cash equivalents are held in liquid investments.

Notes to the Interim Financial Statements

1. Basis of preparation and accounting policies

Basis of preparation

The Company's interim result consolidates the results of the Frenkel Topping and its subsidiary undertakings up to 30 June 2019. Frenkel Topping is a limited liability company incorporated and domiciled in England & Wales and whose shares are quoted on AIM, a market operated by The London Stock Exchange. The consolidated financial information of Frenkel Topping is presented in Pounds Sterling (£), which is also the functional currency of the parent.

The financial information contained in this interim report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. It does not therefore include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at 31 December 2018 which have been prepared in accordance with IFRS's as adopted by the European Union.

The financial information for the 6 months ended 30 June 2019 and 30 June 2018 is unaudited.

The Company's statutory accounts for the year ended 31 December 2018 have been delivered to the Registrar of Companies. The report of the auditors on these accounts was unqualified and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

The Company has not applied IAS 34, Interim Financial Reporting, which is not mandatory for UK Companies, in the preparation of these interim financial statements.

The Company has considered the provisions of IFRS 9 Financial Instruments and has concluded that it has no effect on the valuation of its assets and its liabilities shown in its balance sheet.

The Company has also considered the provisions of IFRS 15 Revenue from Contracts with Customers and has concluded that it has no significant effect on the Company's approach to revenue recognition.

The Company has implemented the provisions of IFRS 16 Leases and has applied the modified retrospective approach.

Significant accounting policies

The accounting policies used in the preparation of the financial information for the six months ended 30 June 2019 are in accordance with the recognition and measurement criteria of International Financial Reporting Standards ('IFRS') as adopted by the European Union and are consistent with those which will be adopted in the annual statutory financial statements for the year ended 31 December 2018.

2. Revenue Segmental Reporting

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

3. Earnings per ordinary share

	6 months June 2019	6 months June 2018	Year ending December 2018
<i>Earnings</i>			
Earning for the purpose of basic earnings per share (net profit for the period attributable to equity holder of the parent)	£414,440	£222,186	£766,735
Earning for the purpose of diluted earnings per share	£414,440	£222,186	£766,735
<i>Number of shares</i>			
Purpose for basic earnings per share	78,657,349	78,657,349	78,657,349
Less: own shares held	(9,753,724)	(9,388,016)	(9,715,592)
	<u>68,903,625</u>	<u>69,269,333</u>	<u>68,941,757</u>
Purpose of diluted earnings per share	<u>68,903,625</u>	<u>69,269,333</u>	<u>68,941,757</u>
Basic EPS pence	<u>0.60</u>	<u>0.32</u>	<u>1.11</u>
Diluted EPS	<u>0.60</u>	<u>0.32</u>	<u>1.11</u>

4. Dividend

A final dividend of £668,365 representing 0.97 pence per share was approved by the Shareholders at the AGM on 30th May 2019. The final dividend was paid on 28th June 2019. The total dividend paid in relation to 2018 being 1.29 (2017: 1.2203) pence per share.

5. The Board of Directors approved the interim report on 2 September 2019.

6. Copies of this report are available from the company website on www.frenkeltopping.co.uk

7. The information communicated in this announcement is inside information for the purposes of Article 7 of Regulation 596/2014

- Ends -