The Evolution Group Plc

Annual Report and Accounts
For the year ended 31 December 2009

Registered number: 03359425

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The Evolution Group Plc

Financial and Operational Highlights

- Record total Group income of £129 4m, up 103% on 2008
- Adjusted profit before tax from continuing operations[1] of £21 1m, up £19 2m from £1 9m in 2008
- Statutory profit before tax from continuing operations of £11 1m (2008 Statutory loss before tax £12 7m)
- Strong cash generation from operations of £33 8m – Balance Sheet remains strong with £109 5m of cash
- Dividend increased 24% year on year to 2 50p

Private Clients[2]

- Assets under management ("AUM") up 37% to a record level of £5 2bn (2008 £3 8bn)
- Income up 23% to £42 4m (2008 £34 5m)
- Adjusted operating profit[1] of £4 1m increased by 14% from £3 6m in 2008
- Philip Howell appointed Chief Executive Officer in March 2010

Investment Banking[3]

- Record income up 193% to £87 0m (2008 £29 7m)
- Strong profitability - Adjusted operating profit[1] of £18 5m compared with a loss of £5 4m
- Voted Top European Fixed Income Agency Broker of 2009 by Credit Magazine
- Voted Number 1 AIM advisor of 2009 by Growth Company Investor Magazine

Financial Highlights	**2009 £m**	**2008 £m**
Total income	**129.4**	**63.9**
Operating profit / (loss) from continuing operations	**11.1**	(17 3)
(Adjusted basis)	20 8	(2 7)
Profit / (loss) before tax	**11.1**	(12 7)
(Adjusted basis)	21 1	1 9
Diluted EPS	**3.87p**	(5 18)p
(Adjusted basis)	7 83p	1 17p
Dividend	**2.50p**	**2 02p**
Cash flow from operations	**33 8**	**15.6**

Key Performance Indicators

	2009	2008
Private Clients[2]		
Fund inflows (£m)	322	550
No of clients	14,343	11,803
Income per average head (£000)	163	160
Income per average front office head[4] (£000)	337	345
Core operating costs per average front office head (£000)	240	250
Adjusted operating profit[1] (£m)	4 1	3 6
Adjusted operating margin	10%	10%
AUM (£bn)	5 2	3 8
Net increase in year end headcount	8	80
Investment Banking[3]		
Market share by value traded		
LSE Market - FTSE 100 (%)	1 5%	0 6%
LSE Market - Total FTSE (%)	1 8%	0 7%
LSE Market - AIM (%)	5 4%	5 1%
Corporate clients	76	70
Transactional volumes (millions)	3 0	1 6
Institutional clients	942	586
Funds raised (£m)	451	157
Income per average head (£000)	486	217
Income per average front office head[5] (£000)	640	300
Core operating costs per average front office head (£000)	280	271
Adjusted operating profit / (loss)[1] (£m)	18 5	(5 4)
Adjusted operating margin	21%	-
Net increase / (decrease) in year end headcount	95	(33)

Notes

[1]Adjusted operating profit, Adjusted profit before tax from continuing operations, adjusted earnings from continuing operations and adjusted earnings per share are defined in the Financial Review section on pages 15 and 16

[2]The results of Private Clients are defined as those arising from Williams de Broe ("WDB") Limited, WDB Assetmaster Management Company Limited, WDB Asset Management Limited and WDB Capital Limited

[3]The results of Investment Banking are defined as those arising from Evolution Securities Limited ("ESL") and its subsidiary Evolution Securities (US) Inc ("ESUS")

[4] Front office head count for Private Clients is defined as including investment managers, dealers, financial planners and investment assistants

[5] Front office head count for Investment Banking is defined as including all client facing staff, including corporate finance executives, market makers, sales and sales traders, and research analysts

CHAIRMAN'S STATEMENT

I am delighted to report such excellent results for the Group In my report last year I said we believed the challenging market and economic conditions experienced in 2008 would continue throughout 2009 To a large extent, 2009 unfolded in line with this premise Financial markets stabilised after worldwide Government backed rescues of troubled banks combined with unprecedented injections of liquidity into financial markets by several Central Banks through the policy of quantitative easing

Risk appetite, almost non-existent at the end of 2008 and early in 2009, has somewhat returned as a result, although it has remained volatile throughout 2009 and indeed into the early months of this year, as investor sentiment remains highly sensitive to further shocks, such as Sovereign default risk

Against this backdrop the Group has begun to deliver impressive growth in income and profitability I said last year that our strategy would enable us to take advantage of opportunities as they arose, to continue to recruit quality people and to invest in new income streams The Group has been able to progress this strategy in 2009 and completed two significant investments in the development of the fixed income agency business and the large-cap equity business Both these investments add significant potential for the Group to grow further in the future

As I write, financial and economic conditions remain challenging with the additional uncertainty presented by the political agendas surrounding the elections in both the UK and the US in 2010 We do, however, see some signs that risk appetite is continuing to improve gradually We are hopeful that politicians and policy makers in general can maintain and encourage a stable and consistent macro environment, specifically with regard to inflation, interest rates, taxation and regulation conducive to continued growth in activity across all areas of the economy

I am pleased to announce that we have made further progress in strengthening the Group's Board Andrew Westenberger was appointed as Group Finance Director on 8 April 2009, Chris Chambers joined as a Non-Executive on 3 November 2009 and Roger Perkin joined as a Non-Executive on 27 January 2010 All three have made valuable contributions to the management of the Group Roger Perkin replaced Nick Irens who resigned on 31 December 2009 as Chairman of the Audit committee Andrew Umbers also resigned from the Board on 3 February 2010 We wish them both well and thank them for their significant contributions to the success of the Group over the past few years As well as these Group Board changes, a new Chief Executive Officer for Williams de Broe Limited, Philip Howell, joined the Group in March 2010

As ever, a key decision for us is how to reward (both to retain and motivate) the key people for the future success of the Group Accordingly, the Group has put in place new long term partnership equity plans, both for the Group Executives and senior employees within our operating divisions These plans were designed after extensive consultation with our major shareholders and were approved at an EGM on 22 January 2010 During the year we have continued to recruit very high calibre people and will continue to do so Our staff have managed our business in a very impressive way and once again I thank them all for their professionalism and their commitment

In summary, I believe the Group remains better placed than ever to face the challenges ahead and deliver continued growth to our shareholders

Martin Gray
Chairman
25 March 2010

CHIEF EXECUTIVE'S REPORT

Results

After the extraordinarily difficult business environment of 2008, 2009 presented no less a challenging period Equity market volumes continued to decline, whilst corporate fund raising activity continued for much of the year at the depressed levels seen in 2008, albeit beginning to tentatively recover in the second half of 2009 It is therefore very satisfying to report a return to profitability for the year

Group statutory profit before tax for the year increased substantially to £11 1m (2008 £12 7m loss) Group adjusted operating profit improved similarly to £20 8m for the period (2008 £2 7m loss) Adjusted diluted earnings per share was 7 83p (2008 1 17p) with statutory diluted earnings per share from continuing operations of 3 87p (2008 5 18p loss)

These results were achieved through a diversified mix of income which totalled £129 4m (2008 £63 9m) and a continued discipline on costs

Group full year dividend is up 24% year on year to 2 50p, more than covered by adjusted and statutory earnings

The Group has retained its Balance Sheet strength and strong liquidity position with year end cash and cash equivalents up £5 9m to £109 5m

Both principal operating businesses, Investment Banking (Evolution Securities Limited) and Private Clients (Williams de Broë Limited) traded profitably during 2009 with Investment Banking reporting a significant improvement in adjusted operating profit to £18 5m for 2009 (2008 £5 4m loss)

The results for 2009 reflect the transformation of the Group, achieved over the last three years The business mix is radically different today in terms of both the quality and breadth of income streams within the Group as shown below

	2003 - 2007 Total Income £m	%
Corporate Finance	142 3	42%
Private Clients	77 8	23%
Fixed Income	4 6	1%
Equity Sales	49 9	15%
Equity Trading	59 7	17%
Other	7 3	2%
	341 6	

	2008 - 2009 Total Income £m	%
Corporate Finance	24 7	13%
Private Clients	76 9	40%
Fixed Income	42 4	22%
Equity Sales	36 5	19%
Equity Trading	13 1	7%
Other	(0 3)	(1%)
	193 3	

The table below puts into context how these results have been achieved against a backdrop of a very challenging business environment and, in particular, illustrates how our strategy to diversify the business mix has begun to deliver results

Although rising equity market levels have clearly helped the performance of the Private Client business in the year, through increased management fee levels, the continued low level of small-cap fund raising and low equity market volumes have not prevented a record level of income for the Group as a whole

The figures below illustrate how the Group's total income is no longer dependent on the levels of AIM market fund raising activity

Income Trend	2003	2004	2005	2006	2007	2008	2009
Total Net Income (£m)	38 1	63 1	72 0	83 0	85 5	63 9	129 4
Total AIM Market Funds Raised (£bn)	2 1	4 7	8 9	15 7	16 2	4 3	5 5

Prior to the transformation of the Group's business mix such difficult market conditions would have continued to have had a detrimental impact on the Group's overall income and profitability

CHIEF EXECUTIVE'S REPORT (continued)

2009 strategic developments

Our strategy for some time has been to achieve sustainable earnings growth by diversifying our business base and building recurring revenue streams The Group has a long track record of acquiring financial assets and businesses at reasonable prices to create shareholder value The Group was well placed going into the downturn in financial markets

- The Group had already begun to diversify its revenue mix towards recurring fee income through the acquisition of Williams de Broe, and

- The Group took early and decisive action to adjust its cost base and preserve balance sheet strength and liquidity

As a result of the Group being well positioned going into and through the downturn relative to many peers, we were able to complete three significant business initiatives in the space of nine months

- The acquisition of the investment management team of Singer & Friedlander Investment Management Limited ("SFIM") has brought over £1billion of new assets under management,

- The development of our fixed income agency business within Evolution Securities which has significantly expanded the range of products the Group covers and the number of institutional clients the Group services, and

- The build out of a large-cap Pan-European equity research and sales business resulted in net hires of 56 people within the business during the year

The Group's focus in 2009 has been on these three key initiatives, while continuing to develop the Group's other businesses in accordance with the strategic aims and core principles, namely

Financial Strength,

- Underpinned by our disciplined approach to investment,
- Focus on an agency model, and
- High balance sheet liquidity

Partnership Culture,

- Proper alignment and reward sharing between employees and shareholders, and
- Long term view focused on relationships not transactions

The Group has stayed true to these values throughout the downturn of 2008 and 2009, both in growing our existing businesses and in developing new ones

The Group aims to maintain a high cash generation and low fixed cost agency model to deliver high margin, low risk returns

The heart of the Group's business is building long term client relationships and developing a true partnership culture

CHIEF EXECUTIVE'S REPORT (continued)

Operational Review

Private Clients

Private Clients activities comprises Williams de Broë Limited, one of the UK's leading and fastest growing retail investment managers, WDB Capital limited, the investment manager to WDB Capital UK Equity Fund Limited, and WDB Assetmaster, the investment manger of our multi manager collectives

Williams de Broe Limited continues to increase in significance to the Group, both in terms of current performance, and in terms of business development momentum it is now displaying Organic growth over the last five years, together with the successful integration in 2009 of the new teams in Edinburgh and from Singer & Friedlander Investment Management Limited ("SFIM") in London, has created a market leading business of scale in its sector

Income and AUM Trend	2004	2005	2006	2007	2008	2009
Total Net Income (£m)	9 1	11 1	20 1	31 8	34 5	42 4
Assets Under Management (£bn)	0 6	0 8	2 2	2 8	3 8	5 2

The Private Client business performed robustly in 2009 despite the uncertain market conditions Total net income for the year of £42 4m was up 23% on the prior period (2008 £34 5m) Recurring management fee income of £24 4m (2008 £17 4m) accounted for 58% of total net income, compared with 50% in the comparative period Transactional volumes increased 47% to 167,000 (2008 114,000) driving transactional income to £17 0m in the year (2008 £14 1m) Adjusted operating profit increased by 14% to £4 1m (2008 £3 6m), with a strong performance in the second half of 2009 as new teams started to register and margin improvement initiative began to deliver

Growth in assets under management remained a core focus within Williams de Broë during 2009 At 31 December 2009, total assets under management reached a record level of £5 2bn, an increase of 37% from £3 8bn at the end of 2008 This represents an excellent performance for a period that saw the recruitment of no new investment managers or acquisitions of businesses, whilst management focused on completing the integration of the prior year Headcount remained largely unchanged during the year at 268 (2008 260) Net fund sales were achieved solely from organic growth Net fund inflows of £322m (2008 £550m) were achieved by our discretionary sales team together with our investment managers

Movement in assets under management and administration	£bn	%
Assets under management and administration – 31 December 2008	**3.8**	
Assets under administration – 31 December 2008	(0 4)	
Managed assets under management – 31 December 2008	**3.4**	
AUM performance	0 6	17 6%
Fund sales	0 3	8 8%
Redemptions	(0 1)	(2 9)%
Managed assets under management – 31 December 2009	**4.2**	
Assets under administration – 31 December 2009	1 0	
Assets under management and administration – 31 December 2009	**5.2**	

CHIEF EXECUTIVE'S REPORT (continued)

Private Clients (continued)

With a heritage dating back to 1869, Williams de Broë has always prided itself on the quality of its people and the service it gives to clients Its reputation has been founded on the following core values

- Personal service – we have a personal service driven culture and our ethos is to maintain investment managers dedicated to our individual client's needs,

- Bespoke by nature – we tailor our services to fulfil our individual client's specific investment objectives and risk criteria,

- Sound investment process – we maintain a significant resource in our investment process and have a strong focus to achieve investment excellence,

- True independence – we select "best of breed" investments, which are appropriate for our clients, without conflicts of interest We also develop close relationships with our professional intermediary partners, and

- Quality business infrastructure, back office and compliance departments

In summary, 2009 represents a year of significant achievement for Williams de Broë with the successful integration of new teams in London and Edinburgh combining with organic sales momentum across the business to deliver sound investment performance and record results

Whilst management initiatives to improve operating margins are now beginning to deliver, we have also ensured that there has been a commensurate investment in new systems and governance processes to anticipate the increased demands of our current growth ambitions

The potent combination of a high quality team of investment professionals, a differentiated product, a respected brand and a highly scalable infrastructure together with sound financial strength of the Group has firmly positioned Williams de Broe as an engine for significant further growth in the short and medium term

CHIEF EXECUTIVE'S REPORT (continued)

Investment Banking

2009 saw a significant expansion to our investment banking division Overall headcount grew significantly from 125 to 220 (up 76%) as a result of our two key business initiatives the significant expansion of the agency fixed income team and the significant large-cap equities team The business was able to instigate these transforming initiatives for modest upfront investment in the midst of the continued market upheavals experienced in the early part of 2009

As a result of these initiatives the investment banking division produced a record level of income in the period of £87 0m (2008 £29 7m), nearly three times (up 193%) from the level of income achieved in 2008 As a result adjusted operating profit increased £23 9m to £18 5m from a loss of £5 4m in 2008

All areas of the business contributed to this significant growth in the period, however, the main drivers were our agency equities and fixed income businesses Equity sales commission income of £23 2m recorded a £9 9m (up 74%) increase on the prior year (2008 £13 3m) and fixed income commission of £35 3m recorded a £28 2m (up 397%) increase on the prior year (2008 £7 1m) Our equity market making team achieved income of £13 0m compared with £0 1m in the prior period an increase of £12 9m Corporate finance achieved income of £15 5m (2008 £9 2m), up £6 3m (up 68%) through the successful raising of £451m for our corporate clients (2008 £157m)

Equities

2009 was a transformational year for our equities business, our existing UK mid market equities platform was repositioned to include increased coverage of UK and European large-cap equities We made significant hires across the equities platform, increasing the client facing staff by 108% over the year

Research
The strength and quality of our research lies at the heart of our equities offering and we now cover 312 companies compared with 176 in the prior year (up 77%) In 2009, we expanded our research coverage to include Banks, Beverages, Consumers and Food Producers, Economics and Strategy, Food Retail, General Financials, Income Service, Luxury Goods Pharmaceuticals and Biotech, Property, Support Services, Telecoms and Tobacco We have also added more resource to our existing sector strengths in Aerospace, Industrials and Engineering, Mining, Oils, Travel and Leisure, Utilities and Growth companies

Our research team now has significant coverage of UK and Pan-European large cap and UK mid and growth companies The build-out of our research team is now largely complete, although we anticipate some selective hires in the current year, particularly where we can emphasise our key strengths of industry knowledge, sector expertise and research experience As a result of the investment made in research through 2009, we have experienced a significant re-rating of our research product from our institutional clients through the second half of 2009 and into the current year We are confident that this momentum will continue

Sales & Trading
Our clients have an increasing requirement for high quality sales, sales trading and trading services 2009 saw the transformation of our offering, our new colleagues have increased the strength and capability of our distribution strengths and execution services During the second half of 2009, we began to experience the income opportunity that is available to our new platform, notwithstanding, the well documented concerns over market volumes and market values in 2009 We have added to our mid and small cap UK trading expertise by now providing market making and distribution in the Euro Stoxx 300, and through our algorithmic trading functionality we have access to a large number of different pools of liquidity both light and dark, on behalf of our clients, in addition to all primary exchanges enabling us to offer our clients a first class execution capability We have established offices in New York, Boston and Madrid in the second half of 2009 and continue to grow our distribution expertise at the local level, and although only 10 months into our expansion plans, we continue to see growing evidence and validation from our clients that the product offering is of the highest quality

During 2009 income within our equities business grew by £22 8m to £36 2m, an increase of 170%, and the number of institutional clients' accounts grew by 89 to 597 an increase of 18%

	2009	2008
Headcount	108	52
LSE Market - FTSE 100 (%)	1 5%	0 6%
LSE Market - Total FTSE (%)	1 8%	0 7%
LSE Market - AIM (%)	5 4%	5 1%
Research stocks covered	312	176
Institutional clients	597	508
Equity sales commission (£m)	23 2	13 3
Equity market making (£m)	13 0	0 1

CHIEF EXECUTIVE'S REPORT (continued)

Investment Banking (continued)

Fixed Income

During 2009, our fixed income business saw significant upgrades in headcount and quality of product The business was able to recruit a range of high quality specialists, with wide ranging experience and track records of providing their clients with well priced liquidity Strategically, we have set out to develop our fixed income service to be "best in league" to offer genuinely un-conflicted research with no principal client conflicts This provides a real focus on the buyer and seller, solving their liquidity requirements and providing transparent pricing The fixed income business now principally covers six product areas across UK and Europe, Investment Grade Bonds, Asset Backed Securities, Emerging Markets, Government Bonds, High Yield and Distressed Bonds, and Illiquids (prefs and Pibs) Importantly Evolution Securities Fixed Income team has been rated for 2009 as the No 1 UK and European fixed Income agency house by Credit Magazine, polling over 52% of the vote

During the year fixed income revenues grew by £28 2m to £35 3m, an increase of 397%, whilst the number of institutional client accounts grew by 267 to 345, an increase of 342%

	2009	2008
Headcount	35	13
Institutional / client accounts	345	78
Fixed income revenue (£m)	35 3	7 1
Bonds priced	3,500+	200+

Corporate Finance

Equity Corporate Finance and Corporate Broking
In 2009 we successfully completed 20 (2008 9) placings on behalf of our clients, raising £451m (2008 £157m), which together with other advisory fees and retainers generated income of £15 5m up 68% in the year (2008 £9 2m) Overall retained corporate clients grew from 70 to 76 during the course of 2009, and our efforts on the AIM market were recognised by Growth Company Investor Magazine (as voted by Directors of public companies) who voted Evolution Securities Ltd, No 1 AIM advisor for 2009

Debt Capital Markets
Strategically, the core offering of strength in distribution was complemented during 2009 by the recruitment of key professionals in both Debt Advisory and Debt Capital Markets teams It is already clear that there is a real requirement for corporates to look at a range of financing alternatives including Investment Grade and Non-Investment Grade bonds as well as private placement strategies, as traditional lending channels have become less obvious The team are currently working on a range of mandates for potential transactions in 2010, enhancing upon the global distribution strengths that have been built during the year, and providing depth and clarity on pricing to our corporate clients

In 2010 we will further recruit into our corporate finance division to continue the momentum of growth in new corporate client capture, but also to make sure that the coverage of our significantly expanded equities and fixed income business is suitably aligned with the strengths required in our corporate finance department

	2009	2008
Headcount	27	25
Corporate clients	76	70
Corporate finance revenue (£m)	15 5	9 2
Funds raised (£m)	451	157

Investment banking - Outlook

Evolution Securities has made significant progress in 2009, both quantitatively and qualitatively, and we intend to continue to build on that growth in 2010 The distribution strengths that have been established in both equities and fixed income securities have been remarkable A key opportunity is to marry these strengths with our capital markets services in both equity and debt, allowing us to find new and innovative financing solutions for our clients in a changing financing environment

CHIEF EXECUTIVE'S REPORT (continued)

Group - Outlook

The core of the Group strategy since early 2007 has been principally based around risk avoidance, combined with tight control of costs and a highly liquid and unencumbered Balance Sheet This allowed the Group to capture significant optionality at the end of 2008 and into the beginning of 2009, in both the Investment Banking and Private Clients businesses Already in 2009 we are beginning to see the returns and momentum that these actions have produced A key part of our strategy is to continue to increase our strategic risk appetite within the parameters that we have laid out in this report, in order to continue to develop our recurring revenue and profit potential, and to drive further shareholder returns

We note the regulatory dislocation beginning within the Investment Banking sector and the inevitable exit of capital deployed, and continue to see opportunities for increasing our risk appetite and potential returns Our emphasis on agency skills, wherever possible, and a partnership structure achieved through shared future equity returns, allows flexibility of remuneration to play a key role in the retention of our talent and the attraction of new partners In the future this should be at the core of further real and sustained growth

The Group is very well positioned, and aims to continue to develop the strong momentum in revenue and profit growth in 2009 from all our activities Although there is much uncertainty in global markets which provides challenges to short term trading, this only goes to underpin the long term stability that the markets require to operate more effectively, and in fact reflects an underestimation of the global economic recovery and the beneficial impact of the robust nature of the capitalist model

We look forward to further opportunities for growth in 2010, and I would like to thank all our employees for the extraordinary efforts to deliver the transformations to the Group over the course of 2009

Alex Snow
Chief Executive Officer
25 March 2010

FINANCIAL REVIEW – GROUP RESULTS

Group Results

The Group returned to profitability in 2009 with statutory operating profit of £11 1m, increasing by £28 4m from the £17 3m loss reported in 2008 Adjusted operating profit[1] (the Group's principal performance measure) also increased significantly to £20 8m

The increase in profitability was principally due to the Investment Banking division generating a much improved performance, resulting in its adjusted operating profit growing to £18 5m (2008 £5 4m loss)

	Adjusted Basis[1]		Statutory	
	2009 £m	2008 £m	2009 £m	2008 £m
Total income	**129.4**	**63.9**	**129 4**	**63.9**
Net loss from available-for-sale financial assets	-	-	(1 7)	-
Operating expenses	(108 6)	(66 6)	(116 6)	(81 2)
Operating profit / (loss) from continuing operations	**20 8**	**(2.7)**	**11 1**	**(17 3)**
Net finance income	0 3	4 6	0 3	4 6
Associates	-	-	(0 3)	-
Profit / (loss) before tax	**21.1**	**1 9**	**11 1**	**(12.7)**
Tax (expense) / credit	(2 7)	1 0	(1 9)	1 7
Profit / (loss) after tax	**18.4**	**2.9**	**9 2**	**(11 0)**
Discontinued operations	-	-	(2.3)	(2.5)
Profit / (loss) for the year	**18 4**	**2.9**	**6.9**	**(13.5)**
Diluted earnings per share				
Continuing operations	7 8p	1 2p	3 9p	(5 2)p
Discontinued operations	-	-	(0 8)p	(0 9)p

[1]An explanation of the adjusted basis performance measurement, details of the adjusted items and reconciliation between adjusted earnings and statutory earnings is given on pages 15 and 16 Analysis and commentary below within the financial review is based upon the adjusted basis unless otherwise indicated

Total Income

Total Group income for the year more than doubled to £129 4m reflecting record levels in both divisions Investment Banking income grew by 193% to £87 0m, as a result of strong growth across all areas of its business, in particular the institutional markets businesses (equities and fixed income) Private Client income grew by 23% to £42 4m, as a result of continued strong growth in assets under management ("AUM"), up 37% to £5 2 billion

FINANCIAL REVIEW – GROUP RESULTS (continued)

Operating Expenses

Adjusted operating expenses in 2009 were £108 6m (2008 £66 6m) made up as follows

	2009 £m	2008 £m	Change
Core operating costs			
Staff costs	30 7	22 1	
Transaction related costs	8 2	5 9	
IT costs (market data, systems, communications)	8 9	6 1	
Property related costs	6 1	4 8	
Other costs	13 7	11 9	
Core operating costs	**67 6**	**50 8**	**33%**
Performance costs	41 0	15 8	159%
Total costs	**108 6**	**66 6**	**63%**

Core operating costs increased by 33% to £67 6m (2008 £50 8m) This was driven by the expansion of headcount in the year Average front office headcount increased by 32% in the year with total average headcount increasing by 25% to 457

Headcount – Average	**2009**	**2008**	**Change**
Front office	262	199	32%
Back office	195	167	17%
	457	**366**	**25%**
Core operating cost per front office head £000	258	255	

Core operating costs per front office head have marginally increased to £258,000 per annum from 2008 The Group continues to manage its core operating cost base very carefully

Performance costs include all short term incentive remuneration, inclusive of employers national insurance and the cost of those share options arising from the deferral of elements of annual bonus into Evolution Group shares (2009 £1 0m, 2008 £nil) Performance costs increased by 159% in the period to £41 0m (2008 £15 8m), in line with increased revenue and profitability levels

Financing

Net finance income declined to £0 3m in 2009 from £4 6m in 2008 as a result of lower interest rates impacting the income the Group received from its excess cash balances

Taxation

The Group's statutory tax charge was £1 9m, equivalent to 17% of statutory profit before tax of £11 1m The tax charge in 2009 is lower than the UK tax rate of 28% primarily due to deferred tax on options arising from the movement in the Group's share price more than offsetting the impact of disallowable expenses The Group's continuing utilisation of its historic tax losses means that no material corporation tax is payable

FINANCIAL REVIEW – GROUP RESULTS (continued)

Balance Sheet

The Group's Balance Sheet remains strong The Group continues to carry capital significantly in excess of the minimum regulatory requirements

Non Current Assets

Non current assets increased in the period due to the inclusion of investments in associates following disposals of majority stakes in ESCL and WDB Capital UK Equity Fund

Other non-current assets declined by £2 1m in the year from £30 8m to £28 7m, primarily as a result of the release of deferred tax assets upon the exercise of employee share options during the period

Working Capital

	2009 £m	2008 £m	Change
Trading portfolio balances	10 4	0 8	9 6
Trading counterparty balances	(0 2)	3 9	(4 1)
Net trade and other balances	(21 7)	(4 4)	(17 3)
	(11.5)	**0.3**	**(11.8)**

The Group had negative working capital at 31 December 2009 compared to a small positive amount at the end of 2008 The increase in working capital of £5 5m over the year from investment banking institutional market activities (trading portfolio and trading counterparty balances) was more than offset by the negative working capital impact of higher staff performance incentive accruals as at 31 December 2009 compared to 31 December 2008

Trading Positions

Net trading portfolio assets increased by £9 6m in the year

	2009 £m	2008 £m
Trading portfolio assets	13 3	5 0
Trading portfolio liabilities	(2 9)	(4 2)
	10 4	**0.8**

This reflects more normalised levels of risk appetite on equity small and mid cap market making books, with inventory levels severely cut at the end of 2008 during the dislocation in financial markets

The average net trading positions during 2009 were £6 7m (2008 £11 2m)

Net Counterparty Receivables	2009 £m	2008 £m
Counterparty receivables	57 8	39 0
Counterparty payables	(58 0)	(35 1)
	(0.2)	**3.9**

Working capital resulting from the Group's public markets activities continues to be carefully managed and average working capital balances during 2009 were £30 4m (2008 £33 8m)

Cash balances remain strong with cash and cash equivalents of £109 5m at the end of 2009, an increase of £5 9m (2008 £103 6m) The Group maintains its policy of maintaining a highly liquid Balance Sheet at all times Cash balances at 31 December 2009 represent 80% of shareholder funds (2008 70%) and are held in call or overnight cash deposits

FINANCIAL REVIEW – GROUP RESULTS (continued)

Cash flow

The Group generated net positive cash flow of £6 1m in 2009 (2008 £1 8m) This resulted from very strong growth in cash from operating activities of £33 8m (2008 £15 6m) due to the increased level of operating profitability and positive inflows from working capital reductions

Capital expenditure on fixed assets and intangibles of £2 7m remained at similarly low levels to 2008 (2008 £2 3m)

Net cash out flows from financing activities increased significantly during 2009 to £25 2m (2008 £5 7m) This resulted from a significant increase in the purchase of Group shares (on behalf of the Employee Share Trust) to satisfy outstanding employee share option awards

This was based on the Groups decision to fully hedge all outstanding employee share options during the year This was achieved via the purchase of 16 million shares during the period at a cost of £23 7m

FINANCIAL REVIEW – GROUP RESULTS (continued)

Adjusted basis explanation

The Group has historically measured performance on an Adjusted Basis, as it has considered this to be a better reflection of the underlying performance of the Group's businesses In addition to being the basis of performance criteria against which incentive awards were measured, adjusted measures such as Adjusted Operating Profit and Adjusted EPS have been followed by research analysts covering the Group

Items of income and expense falling in the categories explained in more detail below are excluded from the Group's results on an adjusted basis

Whilst such items have continued to represent a material impact on the Group's results, the Board has considered it appropriate to disclose their impact and focus its financial review of the year on 'Adjusted Basis' figures where appropriate In particular, the Group's principal performance measure, 'Adjusted Operating Profit' (which excludes the net loss on AFS financial instruments, various expense items not considered part of the ongoing business profitability and the cost of share options), is used as the basis for discussion of the Group and divisional performance for 2009

The total impact of adjusted items on the Group's results is steadily declining and accordingly the Board anticipates altering its principal performance measure to Statutory Operating Profit from 2010 onwards

Adjusted items

	2009 £m	2008 £m
(i) Net (loss) on available-for-sale financial assets		
Net (loss) on available-for-sale financial assets	**(1 7)**	-
(ii) Operating expenses		
Charge for share options granted	(3 8)	(11 7)
Private Client integration costs	(2 0)	(1 3)
Amortisation of certain intangibles	(1 5)	(0 6)
Non-recurring items	(0 7)	(1 0)
	(8.0)	**(14.6)**
(iii) Associate results		
Evolution Securities China Ltd ("ESCL")	(0 7)	-
WDB Capital UK Equity Fund	0 4	-
	(0.3)	-
(iv) Discontinued operations		
Loss after tax (ESCL)	(1 3)	(2 5)
Loss arising on disposal	(1 0)	-
	(2.3)	**(2.5)**
Tax effect on the above adjustments	0 8	0 7
Total adjustments	**(11.5)**	**(16.4)**
Reconciliation of earnings		
Statutory profit / (loss)	**6.9**	**(13 5)**
Total adjustments net of tax	11 5	16 4
Adjusted profit after tax	**18.4**	**2 9**

FINANCIAL REVIEW – GROUP RESULTS (continued)

Notes

Net loss on available-for-sale financial assets

As disclosed in note 6 to the Financial Statements, the net loss on AFS financial assets relates primarily to the write off to the income statement of accumulated losses on impaired investments originally acquired as consideration for corporate finance fees dating from 2005 Such losses were previously recorded in equity reserves

Operating Expenses

Expense items excluded from adjusted results have fallen principally into three categories

- Charge for share options granted

  This relates to the income statement costs of share options granted to employees This charge peaked in the years 2006, 2007 and 2008 and primarily resulted from the options granted to key employees in the period 2003 to 2008 The incidence of such option grants has declined significantly and going forward the Group's key long term equity incentive component of performance pay will be achieved through the new partnership equity plans (see Directors Remuneration Report, page 44) A £1 0m charge relating to deferred bonuses is included in the adjusted basis results as an operating expense in 2009

- Private Client integration and take on costs associated with material acquisitions such as Williams de Broë, Singer & Friedlander and the Edinburgh team within Private Clients

- Non recurring costs, which for 2009 comprise the settlement of a dispute with HMRC concerning potential tax obligations of certain legacy employees The prior year comparative figure relates to redundancy costs

The table below summarises the calculation of adjusted basis EPS

	Year ended 31 December 2009		Year ended 31 December 2008	
		Weighted Average (Millions)		Weighted Average (Millions)
Basic shares		221.6		213 2
Diluted shares		234.7		247 9
	Earnings £m	EPS (Pence)	Earnings £m	EPS (Pence)
Basic EPS from continuing operations	9.2	4 10p	(11 0)	(5 18p)
Basic EPS from discontinued operations	(1.9)	(0.86p)	(1 8)	(0 85p)
Diluted EPS from continuing operations	9 2	3 87p	(11 0)	(5 18p)
Diluted EPS from discontinued operations	(1.9)	(0.81p)	(1 8)	(0 85p)
Diluted EPS from continuing operations	9 2	3 87p	(11 0)	(5 18p)
Total adjustments to operating expenses[1]	8.0	3.43p	14 6	5 89p
Tax effect of adjustments above	(0 8)	(0 34p)	(0 7)	(0 26p)
Adjustment for share of associates losses	0.3	0 14p	-	-
Net loss on available-for-sale	1 7	0.73p	-	-
Adjusted earnings / Adjusted diluted EPS	18.4	7.83p	2.9	1 17p

[1]The total adjustments to operating expenses are consistent with those identified in Note 4 and page 15

FINANCIAL REVIEW – PRIVATE CLIENTS

	Half Year 30 06 09 £m	Half Year 31 12 09 £m	**2009 £m**	2008 £m
Management fees	10 8	13 6	**24.4**	17 4
Transactional income	7 3	9 7	**17 0**	14 1
Segregated interest income	0 7	0 3	**1 0**	3 0
Total income	18 8	23 6	**42.4**	34 5
Expenses	(17 6)	(20 7)	**(38.3)**	(30 9)
Operating profit	1 2	2 9	**4.1**	3 6
Headcount – Year end	261	268	**268**	260
Assets Under Management (£bn)	4 2	5 2	**5 2**	3 8
Fund sales (£m)	123	199	**322**	550

Results

Private Clients adjusted operating profit increased by 14% to £4 1m (2008 £3 6m) The operating profit margin improved to 12% in the second half of 2009 from 6% in the first half, resulting in a 10% full year margin, in line with 2008

Total income grew by 23% to £42 4m for the year, primarily due to a 40% increase in management fees to £24 4m (2008 £17 4m) This was driven by continued strong growth in assets under management (up 37% to £5 2bn from £3 8bn) which resulted from net new fund sales of £322m (2008 £550m) and increases in equity market valuations (25% increase in FTSE All-share and 13% in FTSE APCIMS - Balanced)

Transactional income increased by 21% to £17 0m in 2009 (2008 £14 1m), continuing the recovery from the second half of 2008

Segregated interest income was significantly lower in 2009 at £1 0m (2008 £3 0m) as a result of the sharp and prolonged decline in interest rates during the year

Operating expenses in 2009 were £38 3m (2008 £30 9m), made up as follows

	2009 £m	**2008 £m**
Staff costs	**13.0**	10 6
Transactional related costs	**5.2**	4 2
IT costs (market data, systems and communications)	**2.0**	1 5
Property related costs	**2.5**	1 7
Other costs	**7.6**	7 0
Core operating costs	**30 3**	25 0
Performance costs	**8 0**	5 9
Total costs	**38 3**	30 9

Core operating costs increased by 21% to £30 3m (2008 £25 0m) This was driven by the increase in average headcount throughout the year and transactional related costs

FINANCIAL REVIEW – PRIVATE CLIENTS (continued)

Headcount - Average	2009	2008	Change
Front office	**126**	100	26%
Back office	**134**	116	16%
	260	216	20%
Core operating cost per front office head (£000)	**240**	250	

The reduction in core operating costs per average front office headcount reflects continued cost control within the business and 2008 costs incurred on the integration of the Singer & Friedlander and Edinburgh teams

Performance costs increased to £8 0m from £5 9m in 2008, a 36% increase This was as a result of increased formulaic payments driven by higher revenues and profitability, together with integration linked costs associated with the Singer & Friedlander acquisition

FINANCIAL REVIEW – INVESTMENT BANKING

Investment Banking activities are organised into two principal areas

1 **Corporate Finance**, which encompasses providing corporate finance and broking services, including equity and debt capital raisings, to our corporate clients

2 **Markets**, which encompasses our secondary market activities, including research, equity sales, market making and agency fixed income broking, to our institutional clients

	Half Year 30 06 09 £m	Half Year 31 12 09 £m	**2009 £m**	2008 £m
Corporate finance	3 5	12 0	**15.5**	9 2
Markets				
- Equity sales commission	6 6	16 6	**23.2**	13 3
- Equity market making	7 8	5 2	**13.0**	0 1
- Total equities	14 4	21 8	**36.2**	13 4
- Fixed income	16 0	19 3	**35.3**	7 1
Total income	33 9	53 1	**87.0**	29 7
Expenses	(25 6)	(42 9)	**(68 5)**	(35 1)
Operating profit / (loss)	8 3	10 2	**18.5**	(5 4)
Key metrics				
Headcount – Year end	189	220	**220**	125
Corporate clients	76	76	**76**	70
Transactional volumes (millions)	1 3	1 7	**3 0**	1 6

Results
In a year of substantial transformation and investment, the business generated a profit of £18 5m (2008 £5 4m loss) Total income increased by 193% to £87 0m (2008 £29 7m) with all businesses, corporate finance, equities and fixed income contributing to the significant increase

Corporate finance income increased by 68% to £15 5m (2008 £9 2m), largely due to some recovery of corporate activity levels in the second half of 2009

Equity sales commissions increased by 74% in 2009 to a record level of £23 2m (2008 £13 3m), primarily as a result of the expansion into Large-cap and Pan-European equity coverage during the year Commissions earned steadily increased throughout the second half of 2009 as we integrated the new hires across research, trading and sales Commissions continue to increase as we gain market share, with first quarter 2010 rates approximately 15% above second half 2009 levels, despite continued declines in market wide volumes

Market making income increased to £13 0m for 2009 (2008 £0 1m) as equity markets recovered some equilibrium after the dislocation experienced in 2008 The partial return of liquidity on small and mid cap stocks, almost totally absent towards the end of 2008 and beginning of 2009, has enabled more normalised levels of income to be earned

Fixed Income revenues increased substantially in 2009 to £35 3m (2008 £7 1m), reflecting two key factors

1 Most significantly, the increase in the breadth of product offering and the range of clients we service increased dramatically during the year This was achieved through the recruitment initiative beginning at the end of 2008 and continuing to date, and

2 The withdrawal of capital by major investment banks in the early part of 2009 resulted in significant widening of spreads across fixed income and credit products As stability has gradually returned to financial markets spreads have narrowed, in particular within investment grade instruments, although not to levels witnessed prior to the credit downturn

FINANCIAL REVIEW – INVESTMENT BANKING (continued)

Operating expenses in 2009 were £68 5m (2008 £35 1m), made up as follows

	2009 £m	2008 £m
Staff costs	**15.4**	10 8
Transactional related costs	**3.0**	1 7
IT costs (market data, systems and communications)	**6 8**	4 6
Property related costs	**3 3**	2 8
Other costs	**9 6**	6 7
Core operating costs	**38.1**	26 6
Performance costs	**30.4**	8 5
Total costs	**68.5**	35 1

Core operating costs increased by 43% to £38 1m (2008 £26 6m) This was driven by the increase in average headcount throughout the year and transactional related costs

Headcount - Average	2009	2008	Change
Front office	**136**	99	37%
Back office	**43**	38	13%
	179	137	31%
Core operating cost per average front office head (£000)	**280**	269	

The overall increase in average core operating costs per front office employee is a result of an increased proportion of more experienced staff earning higher salaries, partially offset by improved utilisation of the businesses infrastructure platform, including increased occupancy of existing office space, from the increased headcount

Performance costs increased to £30 4m in the year (2008 £8 5m) as a result of higher performance incentive payments in line with the improvement in revenues and profitability, together with the integration linked costs associated with the build out of the Large-cap and Pan-European equities business

FINANCIAL REVIEW – CENTRAL FUNCTIONS

Other activities

The Group's other activities consist of the central support costs not recovered from the operating businesses

	2009 £m	2008 £m
Total income	-	(0.3)
Expenses	**(1.8)**	(0.6)
Operating loss	**(1.8)**	(0.9)
Headcount – Year end	**21**	15

Other activities encompass Parent Company and central costs, including the cost of the Group Board, in addition to central support functions (principally finance) which are not directly recharged to the operating divisions

Dividend

In light of these results the Board declares a final dividend of 1.70p per share, up 34% from the prior year final dividend of 1.27p. This reflects the Board's ongoing commitment to a progressive dividend policy. The dividend is payable on 18 May 2010 to shareholders on the register at 16 April 2010

Andrew Westenberger
Finance Director

25 March 2010

THE BOARD

The Evolution Group Plc is the ultimate holding Company of companies including Evolution Securities Limited, Williams de Broë Limited, Evolution Securities (US) Inc, WDB Asset Management Limited, WDB Capital Limited and WDB Management Company Limited The Company also owns 52% of the issued share capital of Darwin Strategic Limited

The Group's Executive Directors, supported by strong and experienced management teams, have continued to develop the Group's operating structure, processes and strategy During the year, and following the year end, significant progress has been made in strengthening the Board Andrew Westenberger was appointed Finance Director on 8 April 2009 and following the departure of Andrew Umbers on 3 February 2010, Alex Snow assumed the role of Chief Executive Officer of Evolution Securities Ltd in addition to his Group Chief Executive role A new Chief Executive Officer for Williams de Broe Limited, Phillip Howell joined the Group in February 2010

Christopher Chambers was appointed as a Non-Executive Director on 3 November 2009 and to its Remuneration Committee Following the retirement of Nick Irens as Chairman of the Audit Committee in December 2009, Roger Perkin was appointed as a Non-Executive Director and Chairman of the Audit Committee on 27 January 2010

Alex Snow (40), Group Chief Executive Officer, joined the Group in May 2000 Alex is responsible for the strategic management and development of the Group, is Chief Executive and Chairman of Evolution Securities Limited and until February 2010 was Chief Executive of Williams de Broë Limited where he continues as Executive Chairman Alex is also Chairman of WDB Capital Limited and a Non-Executive Director of Evolution Securities China Limited (where First Eastern Financial Holdings Limited holds a majority stake) Alex's previous career included spells with CSFB and BZW in the equity sales, trading and capital markets areas

Andrew Westenberger (44), Finance Director, was appointed an Executive Director on 8 April 2009 and also sits on the Boards of the principal subsidiaries Evolution Securities Limited and Williams de Broë Limited Andrew qualified as a chartered accountant in 1990 with Coopers and Lybrand He began a career in financial services with Bankers Trust before moving to Deutsche Bank in 1996 where he led finance teams covering derivative product businesses in London and New York From 2000 to 2008, he had various senior roles in Barclays Capital in London and New York, including Global Head of Financial Control and Chief Operating Officer for the Private Equity and Principal Investing Division

The Group's Non-Executive Board members, all of whom are considered independent under the Combined Code, together with the Executive Directors provide a cohesive balance of experience in strategic and operational management in the financial services sector

Martin Gray (63) is the Non-executive Chairman and Chairman of the Nominations Committee He joined the Group on 26 May 2005 Martin spent over 36 years with the NatWest Bank Group From 1993 to 1999 he was a Group Board member of NatWest Group Plc From 1992 to 1998 he was Chief Executive of NatWest UK and Executive Director of the Retail and Commercial Businesses until October 1999 In his operational role in charge of the Group's UK businesses he was responsible for assets of over £100bn, annual revenues of nearly £5bn, annual profits of approximately £1bn and over 55,000 staff Martin was also a member of the Global Board of MasterCard Inc from 1993 to 1996 and was a Director of Visa Europe from 1996 to 1999 He is currently Non-Executive Chairman of National Savings and Investments

Lord MacLaurin of Knebworth, DL (72), is the Senior Independent Non-Executive Director and Chairman of the Remuneration Committee until 29 May 2008 He joined the Group on 13 July 2004 Lord MacLaurin is currently a member of the supervisory Board of Heineken N V, a Non-Executive Director of Fleet Support Group Limited and Chairman of Chartwell Group Limited He was Chairman of Vodafone Group Plc and of its Nomination and Governance Committees until his retirement from the Board in July 2006 He is also a former Chairman of the Vodafone Group Foundation Lord MacLaurin was formerly Chairman of Tesco Plc from 1985 to 1997, and has been a Director of Enterprise Oil Plc, Guinness Plc, National Westminster Bank Plc and Whitbread Plc

THE BOARD (Continued)

Mark Nicholls (60) joined the Group on 29 September 2006 He is currently Chairman of West Bromwich Building Society and a Non-Executive Director of Northern Investors Company Plc After qualifying as a solicitor with Linklaters, Mark joined SG Warburg, the investment bank During a career spanning two decades he rose to head Warburgs' corporate finance division and became a main Board Director of SG Warburg Group Plc He left Warburgs in 1996 upon its sale to Swiss Bank Corporation, which in turn was subsequently acquired by UBS He then spent seven years as a Director of the private equity division of Royal Bank of Scotland, and was Managing Director from 2000 to 2003 Mark was Deputy Chairman of Venture Production Plc until its acquisition by Centrica in August 2009 and was Chairman of EcoSecurities Group Plc until its acquisition by JP Morgan in December 2009 where he remains a Non-Executive Director He stepped down as a Non-Executive Director of the Nationwide Building Society in December 2009 to join the West Bromwich Building Society as Chairman

Peter Gibbs (52) joined the Group on 1 October 2007 and was appointed Chairman of the Remuneration Committee on 29 May 2008 Peter has a wealth of financial services experience in the asset management sector Having begun his career at Brown Shipley, he joined Bankers Trust in 1985 as a Senior Portfolio Manager In 1989 he joined Mercury Asset Management (MAM) where he rose to become Head of the International Equities Division Following the acquisition of MAM by Merrill Lynch, he was appointed Co-Head of Equity Assets Worldwide In 2003 he became Chief Investment Officer and Head of Region for Merrill Lynch's Investment Management activities outside the US He retired from Merrill Lynch in November 2005 Peter is a Non-Executive Director of Impax Group Plc having been appointed to its Board on 11 January 2008 and is a Director of Merrill Lynch (UK) Pension Plan Trustees Limited On 12 January 2009 he was appointed as a Non-executive director of UK Financial Investments Limited, the company set up to manage the Government's investments in financial institutions and on 25 March 2010 was appointed a Non-Executive Director of Intermediate Capital Group PLC Peter was also Non-executive Chairman of Turquoise, the Pan-European share trading platform until its takeover by the London Stock Exchange on 18 February 2009

Christopher Chambers (48), joined the Group on 3 November 2009 Christopher has a wealth of financial services experience having been Chief Executive of Man Investments and an Executive Director of Man Group plc until 31 August 2005, Co-Head of European Equity Capital Markets at Credit Suisse First Boston and prior to this Managing Director of Equity Capital Markets and Corporate Broking at BZW He was Chairman of Jelmoli Holding A-G until its recent sale to Swiss Prime Site A-G, Switzerland's largest quoted real estate investment company, where he is a Non Executive Director

Roger Perkin (61) was appointed as a Non-Executive Director and Chairman of the Group's Audit Committee on 27 January 2010 Roger joined the Group during January 2010 and is a vastly experienced Chartered Accountant having spent his entire career with Ernst & Young LLP, and its predecessor firms, retiring in 2009 For much of his career, Roger has focused most notably on financial services clients across many disciplines including fund management, banking and private equity Additionally, he served on the firm's Board and Audit Committee Most recently, Roger was, between 2005 and 2009, based in the UK as a senior financial services audit partner Between 1996 and 2005, Roger was based in Switzerland as lead partner to major Swiss based financial services organisations He also possesses extensive global experience and wide exposure to a variety of industry sectors and organisational sizes and structures Roger is also a Non Executive Director of Electra Private Equity Plc

DIRECTORS' REPORT
For the year ended 31 December 2009

Introduction

The Directors present their report together with the audited Financial Statements for The Evolution Group Plc ("the Company") and its subsidiaries ("Group") for the year ended 31 December 2009

Parent Company

Attached as Section 2 to these Financial Statements, the Parent Company Financial Statements on a standalone basis are provided These Annual Financial Statements have been prepared in accordance with IFRS as adopted by the EU These accounts will form the basis of any future distribution

Principal activities and business review

The Company is a UK listed holding company for UK based financial services companies which carry out Investment Banking and Private Client activities

A detailed business review is set out in the Chairman's Statement, Chief Executive's Report and Financial Review on pages 3 to 21 and in the notes to these Financial Statements on pages 58 to 100 A report from the Directors on corporate governance is set out on pages 33 to 39 and the Remuneration Report is set out on pages 40 to 50 All information relating to the principal activities, business review and principal risks can be found below and elsewhere in the Financial Statements and shall be treated as forming part of this Directors' Report by reference

The Group has a single branch based in Spain which operates under the ESL investment banking umbrella

Results and dividends

During the year the Group made a profit after tax from continuing operations of £9 2 (2008 loss £11 0m)

The loss for the year ended 31 December 2009 of the Company amounted to £1 4m (2008 profit £2 2m) The Directors recommend the payment of a final dividend for the year of 1 70p per ordinary share (2008 1 27p) If approved, the final dividend will make the total dividends for the year 2 50p (2008 2 02p) following the payment of the interim dividend of 0 80p per ordinary share on 9 October 2009 The dividend is payable on 18 May 2010 to shareholders on the register on 16 April 2010

Principal risks and uncertainties

Details of the key risks facing the Group and the controls that have been put in place to mitigate them can be found below

Reputational risk
Reputational risk is the risk of damage to the Group's image as a result of the inability to retain and generate business due to adverse public opinion The Board has established policies and procedures that provide direction on managing reputational risk focusing on reducing loss of confidence amongst existing and potential stakeholders

Market risk
The Group, through ESL, holds positions in equities which are subject to price fluctuation There is therefore a risk that ESL will suffer a loss in the event of a significant market correction Positions are subject to limits which are independently monitored by the risk department

Retention of key staff
The retention of and the ability to attract new staff with the right capabilities and experience is central to the success of the Groups' operations The Group mitigates the risk of loss of key staff through its employment policies and remuneration and reward framework The Group supports the principles set out in the FSA's code of best practice on remuneration policies issued in February 2009 In January 2010 shareholders approved the introduction of new long term incentive arrangements designed to further align the interests of key employees with those of shareholders, and to encourage medium to long term commitment of senior staff

Major infrastructure incident
There is a risk that an incident the Group is involved in, directly or indirectly, could cause possible damage to the Group's or key vendor's infrastructure, which in turn would also affect the Group s reputation or cause financial loss The Group has controls in place, including business continuity and disaster recovery plans to maintain the integrity and efficiency of its systems, while ensuring the sustainability of operations despite a significant disruption

DIRECTORS' REPORT (continued)

Principal risks and uncertainties (continued)

Information Security
The focus on data privacy in the marketplace continues to gain greater attention as the number and frequency of data privacy related events increases The FSA issued guidance on how customer personal data should be safeguarded in April 2008 The Group is currently finalising an internal audit of its data security arrangements to provide a risk based, independent assessment of management controls This includes a review of current policies, procedures and technical and administrative controls designed to safeguard personal data

Financial crime
This is the risk that the Group suffers a loss from fraud This could be through the deliberate over-riding of internal controls, through an external party successfully overcoming the Group's controls (e g through identity theft) or as a result of the Group's remuneration and reward strategy Firms may be at greater risk of financial crime due to the current economic stresses at the individual and corporate level The Group believes that it has sufficient controls in place to mitigate the risk of financial crime including reviews of the current controls in place throughout the Group to ensure controls are robust and to determine where improvements can be made through Compliance, Risk and where appropriate Internal Audit

Regulatory risk
The Group's principal business subsidiaries are all regulated entities There is always a risk of regulatory action given the markets in which the Group operates including its Private Clients division which is expanding its client base and where the FSA is demonstrating an increasing focus on the fair treatment of customers, staff training and corporate governance arrangements Furthermore, the increasing focus of regulators on all aspects of financial services companies' activities represents an ongoing risk to all the Group's businesses

The Audit Committee considered whether there had been any material failings or weaknesses in the internal controls of the Group Following the FSA ARROW visit in September 2008, the governance and committee structures below Board level have been further enhanced In Williams de Broë there is continued focus on treating customers fairly (TCF) and ensuring that suitability of our investment products to our clients can be continuously demonstrated This has included significant investment in processes and technology during the year

Risk management policies – financial risk management
The risk management framework that exists within the Group is detailed in note 3 to the Financial Statements The Group Board is responsible for approving all risk management policies and for determining the overall risk appetite for the Group The Group's Directors have delegated to a sub-committee, the Risk Committee, the responsibility for setting the risk management policies applied by the Group and its subsidiaries The purpose of the Risk Committee is to monitor and assess all types of risk within the Group and to ensure that internal controls are properly established so that the Group's risk exposure is commensurate with the wishes of the Board In addition, the Risk Committee tracks external market events and tries to evaluate their impact on the Group The Risk Committee meets regularly and is chaired by the Chief Risk Officer The Risk Department has day-to-day responsibility for monitoring, mitigating and reporting risks within the Group and for escalating issues to senior management The Risk Department follows the guidelines laid down by the Credit Policy, the Credit Limit Book, the Trading Policy Statement and the Operational Risk Policy as approved by the Group Board, the Audit Committee and the Risk Committee The Treasury Department is responsible for hedging foreign exchange risk and for managing liquidity The Group Board receives a monthly risk report detailing market and credit risk exposures, operational risk incidents and losses and key risk indicators

Capital adequacy and liquidity risk
Details regarding the Group's capital adequacy can be found in its Pillar 3 disclosures at www evgplc com/Reports-Presentations The Group has a strong and liquid Balance Sheet with no debt and a significant excess of capital

DIRECTORS' REPORT (continued)

Charitable donations

During the year, the Group made charitable donations of £10,520 (2008 £10,121) The Group's general policy with respect to charitable donations is to donate to causes that are suggested by the Group's employees, particularly where such staff are taking part in fundraising events The Group does not set a pre-determined level of charitable donations, retaining the flexibility to respond accordingly to staff participation in charitable events The amount donated included the following payments £5,000 to ACE Africa, £1,500 to the Institute of Cancer Research, £1,000 to each of the following the NSPCC, the Grundisburg Ward of the Ipswich Hospital and Parkinson's Disease Society The remaining balance was made up of de minimis amounts donated to various other charities

Post Balance Sheet events

Details of significant post Balance Sheet events are set out in note 34 to the Financial Statements

Directors

The Directors of the Company, who held office from 1 January 2009 up to the date of this report unless otherwise stated, are as shown below

	Appointed	Resigned
Martin Gray (Non-Executive Chairman)		
Alex Snow (Chief Executive Officer)		
Andrew Umbers (Executive Director)		3 February 2010
Andrew Westenberger (Executive Director)	8 April 2009	
Lord MacLaurin of Knebworth, DL (Senior Non-Executive)		
Nicholas Irens (Non-Executive)		31 December 2009
Mark Nicholls (Non-Executive)		
Peter Gibbs (Non-Executive)		
Christopher Chambers (Non-Executive)	3 November 2009	
Roger Perkin (Non-Executive)	27 January 2010	

Details of those Directors retiring by rotation at the Annual General Meeting and details of Directors' service agreements can be found in the Corporate Governance Report The interests of Directors in shares and options are disclosed in the Directors' Remuneration Report on pages 48 to 50

There are no transactions or arrangements in which the Directors have a direct or indirect material interest other than in respect of the investment agreement entered into between the Group and First Eastern for the disposal of ESCL Following the acquisition of a majority ownership by First Eastern, Alex Snow continues to serve on the Board of ESCL in a Non-Executive capacity

Creditors' payment policy

It is the Group's policy to agree appropriate terms and conditions for its transactions with suppliers by means ranging from standard terms and conditions to individually negotiated contracts Suppliers are paid according to agreed terms and conditions, provided that the supplier meets those terms and conditions The accounts payable function for the Group and Company is carried out by a Group Company, Evolution Group Services Limited Average trade creditor days for the Group as at the year end was 34 days (2008 27 days)

DIRECTORS' REPORT (continued)

Employees

The average and actual number of employees, including Directors, employed by the Group and their remuneration is disclosed in note 10 to the Financial Statements, with key management compensation disclosed in note 35 to the Financial Statements

Employment policies

The Group aims to create a partnership culture across all subsidiaries by maintaining a commitment to establishing appropriate forums for employees to be involved in decision making across the business, by communicating changes in an appropriate manner and by establishing appropriate reward frameworks that enable employees to benefit in the overall success of the Company The introduction of new long term incentive arrangements for senior employees linked to the value creation in the subsidiary in which an individual works will support the ongoing development of this culture and mindset In addition, all employees are offered the opportunity to participate in equity ownership through the Employees' Share Ownership Plan ("ESOP") which allows every employee to purchase up to £1,500 worth of the Company's shares per annum on a tax efficient basis The Group supports the principles set out in the FSA's code of best practice on remuneration policies

The extent to which our success of creating the desired partnership culture is measured by labour turnover and stability index (the % of employees who were employed at the start of the year against the end of the year) Labour turnover reduced from 22 2% in 2008 to 19 7% in 2009 Our aim is to maintain turnover at the 20% level Our stability index increased from 80% in 2008 to 82% in 2009 and as part of embedding the partnership culture throughout the Group, our aim is to see this increase in 2010 The average length of service across the Group is 3 years which we also hope to increase as our culture begins to promote the long term retention of employees

All employees are subject to ongoing performance reviews to drive employee productivity throughout the year Regular assessment provides an opportunity to ensure employee engagement is maximised with two way feedback on issues and ideas In sourcing the right candidates for the Company, full and fair consideration is given to applications for employment that are made to the Group by disabled persons, it endeavours to continue the employment of and arrange appropriate training for, any of our employees who have become disabled during their period of employment with us or otherwise will provide the training and career development and promotion of disabled persons we employ as needs require

It is Group policy that no employee or applicant for employment receives less favourable treatment (including training and development, recruitment and promotion) by the Group or any other employee, on the grounds of sex, marital status, race, colour, nationality, ethnic origin, sexual orientation, political opinion, religion, age or disability It is policy that persons in or applying for employment are not disadvantaged by conditions, management attitudes, behaviour or requirements that cannot be justified There are established whistle blowing procedures for individuals to report suspected breaches of law or regulations or other improprieties

DIRECTORS' REPORT (continued)

Substantial shareholdings

As at 19 March 2010 (being a date not more than one month prior to the date of the notice of the Annual General Meeting) other than the interests of the Directors, the notified share and voting rights in excess of three percent of the issued ordinary share capital of the Company including under the Disclosure and Transparency Rules were as follows

Shareholder Name	Number of shares or voting rights over shares held	Holding %
BlackRock, Inc	27,820,596	11 99%
Aberforth Partners LLP	17,109,242	7 54%
Scottish Widows Investment Partnership Ltd	16,687,713	7 19%
Lansdowne Partners Limited	11,305,306	4 98%
Schroders	10,941,194	4 72%
Universities Superannuation Scheme	10,374,100	4 47%
Artemis Investment Management Limited	10,026,533	4 41%
Legal & General Group PLC	8,940,397	3 94%

Share capital

Details of the changes in authorised and issued share capital during the year of the Company are set out in note 29 to the Financial Statements

In 2009 the Group made market purchases of its own shares only for the purpose of acquiring shares for The Evolution Group Plc Employees' Share Trust (the 'Trust") to settle outstanding awards under its share based incentive plans The Group did not purchase any of its own shares for cancellation in 2009 or up to the date of this report

Authority for the Company to purchase its own shares

Subject to authorisation by shareholder resolution, the Company may purchase its own shares, in accordance with the relevant legislation The minimum price which must be paid for such shares is £0 50 and the maximum price payable is 105% of the average middle market quotations for the five business days preceding the purchase At the Annual General Meeting held on 19 May 2009, members approved the Company's authority to make market purchases on the London Stock Exchange of up to 22,400,000 ordinary shares of 1p each ("Shares") of the Company (2008 22,300,000), representing less than 10%, (2008 9 97%) of the issued share capital of the Company at 2 April 2009

The authority given by members at the last Annual General Meeting for the Company to purchase its own shares expires on 31 August 2010 or, if earlier, at the next Annual General Meeting at which a similar resolution will be proposed under the Companies Act 2006 The Directors believe that it is in the best interests of the Company for the authority to be renewed at the forthcoming Annual General Meeting for a period which shall expire at the end of 15 months from the date of the meeting or, if earlier, at the next Annual General Meeting Accordingly, it is intended to propose, as Special Business, at the forthcoming Annual General Meeting, a Special Resolution to renew the Directors' existing authority to purchase shares of the Company, which shall be limited to 10% (2008 9 97%) of the issued share capital of 232,114,263 at 25 March 2010 or 23,200,000 (2008 22,400,000) shares

DIRECTORS' REPORT (continued)

Purchase of shares by The Evolution Group Plc Employees' Share Trust (the "Trust")

The Evolution Group Plc Employees' Share Trust (the "Trust") administers The Evolution Group Plc share schemes and the Share Incentive Trust and is managed by Capita Trustees Limited

The Trust purchased, in the financial year ended 31 December 2009, an aggregate of 16,000,000 (2008 1,500,000) shares having a nominal value of £160,000 (2008 £15,000) The shares were purchased to satisfy outstanding awards under the Group's share based incentive schemes

The total amount purchased (representing 6 88% of the Company's issued share capital as at 31 December 2009 (2008 0 67%), was for an aggregate consideration of £23,700,000 (2008 £1,607,000) The shares were purchased to satisfy outstanding awards under the Group's share based incentive schemes

Further, the Company has in the financial year ending 31 December 2010, up to the date of this report, purchased an aggregate of 4,200,000 shares having a nominal value of £42,000 for an aggregate consideration of £5,600,000 These shares were also purchased to satisfy outstanding awards under the Group's share based incentive schemes

At 31 December 2009, the Trust held 14,100,000 (2008 9,500,000) shares with a cost of £20,300,000 (2008 £13,000,000) and a market value of £18,900,000 (2008 £8,200,000) All of these shares were acquired in the open market The shares held represent 6 06% (2007 4 25%) of the issued share capital of the Company as at 31 December 2009 The Trust used funds provided by the Company to meet the Group's obligations under the share option and incentive schemes in place Share options are granted to employees at the discretion of the Company and shares are awarded to employees by the Trust in accordance with the recommendations of the Company

The total number of shares, both allocated and unallocated, are disclosed in note 29 All shares in the Trust are held to satisfy the Company's obligations in respect of share options and call rights granted

Annual General Meeting

All resolutions to be proposed at the Annual General Meeting to be held on 18 May 2010 appear in the separate notice of meeting sent to all shareholders with a Form of Proxy Such resolutions will include business to renew the authority of the Directors to allot shares and to dis-apply pre-emption rights

The Company's statement on Corporate Governance is included in the Corporate Governance report on pages 33 to 39

DIRECTORS' REPORT (continued)

Rights and obligations attaching to shares

The Company has a single class of share capital which is divided into ordinary shares of 1p each Shares may ordinarily be issued with such rights or restrictions as the Company may decide by ordinary resolution of its shareholders On a show of hands, every member present in person shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which he or she is the holder Proxies may vote on a show of hands Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the Annual General Meeting to be held on 18 May 2010 are set out in the Notice of Meeting and accompanying Form of Proxy

The Company may, by ordinary resolution, declare a dividend to be paid to the members and may pay interim dividends and any fixed rate dividend, as appear to them to be justified by the profits of the Company If the Company is in liquidation, the liquidator may divide among the members in specie the whole or any part of the assets of the Company, or vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with this authority, sees fit

The Board may, in its absolute discretion and without giving any reason, decline to register any instrument of transfer of a certificated share which is not a fully paid share or on which the Company has a lien Registration of a transfer of an uncertificated share may be refused where permitted by the relevant legislation

Directors shall be no less than 2 and no more than 15 and may be appointed by the Company by ordinary resolution or by the Board The Company may by extraordinary resolution (or by ordinary resolution of which special notice has been given) remove, and the Board may by unanimous decision, remove any Director before the expiration of his term of office The office of Director shall be vacated if (not being an Executive Director whose contract precludes resignation) he resigns, becomes bankrupt, has a receiving order made against him, he becomes of unsound mind, if he is absent from meetings of the Directors for 6 months without leave, if he is removed or becomes prohibited from being a Director or if he is requested in writing by all the other Directors to resign his office The business of the Company will be managed by the Board who may exercise the powers of the Company, subject to the provisions of the Company's Memorandum of Association, the Articles of Association, relevant legislation and any extraordinary resolution of the Company

In accordance with the rules of the Trust Deed relating to the Trust, the trustees shall be obliged to waive all voting rights in connection with shares held in the Trust save where they are held by the trustees as bare trustees on behalf of beneficiaries

DIRECTORS' REPORT (continued)

Statement of directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations

Company law requires the Directors to prepare Financial Statements for each financial year Under that law the Directors have prepared the Group and Parent Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period

The Directors consider that in preparing the Group's Financial Statements on pages 53 to 100 that they have

- selected suitable accounting policies and applied them consistently,
- made judgements and estimates that are reasonable and prudent,
- stated that the Financial Statements comply with IFRSs as adopted by the European Union, and
- prepared the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The Directors are also required by the Disclosure and Transparency Rules of the Financial Services Authority to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group and Company

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Each of the Directors, whose names and functions are listed in the Biography section of this report, are set out on pages 22 to 23 confirm that to the best of their knowledge

- the Company and the Group Financial Statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and results of the Group and the Company, and

- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that it faces

The Directors are responsible for the maintenance and integrity of the Group website, www evgplc com Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions

Directors' disclosures of information to the auditors

United Kingdom company law (Section 418 of the Companies Act 2006) requires each Director to make an individual statement regarding the disclosure of information to the auditors The statement must confirm that as at the date of this report and as far as the Director is aware there is no relevant audit information of which the Company's auditors are unaware, and that the Director has taken all the steps he ought to have taken in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information A Director is deemed to have taken all the steps necessary that he ought to have taken if he has made such enquiries of his fellow Directors and of the Company's auditors for that purpose, and taken such other steps, if any, for that purpose as are required by his duty as a Director of the Company to exercise due care, skill and diligence All of the Directors of the Company as at the date of this report have provided such a statement to the Company The Company's auditors have been advised that confirmation has been given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006

DIRECTORS' REPORT (continued)

Independent auditors

The Group has appointed PricewaterhouseCoopers LLP ("PwC") as auditors of the Parent Company and all material subsidiaries since 2001 During the year the Audit Committee reviewed the cost effectiveness, objectivity and independence of the auditors in the light of assurances received relating to their internal quality and control procedures, the promptness and accuracy of their work and other services obtained from their firm The Audit Committee as a matter of principle will not award non-audit work to the auditors unless it is satisfied, following enquiry, that the provision of such services would not prejudice the independence and objectivity of the audit The auditors disclosed the level of fees received in respect of the various services provided by their firm in addition to audit during 2009 They confirmed to the Audit Committee that they did not believe that the level of non-audit fees had affected their independence The Audit Committee is responsible for implementing a policy for the engagement of the external auditors to supply non-audit services The most appropriate advisers are used for non-audit work taking account of the need to maintain independence The Group does not maintain a policy of regular fixed-term rotation of auditors

In addition to their statutory audit responsibilities, the Group will typically use the auditors for other work that they are well placed to undertake in that role This includes areas such as regulatory reviews and other ancillary audit work, work in respect of acquisitions and disposals and tax compliance

Several firms are considered for other work, including the auditors in some instances In such cases due consideration is given to the impact of the assignment on the independence of the auditors and to their qualifications to carry out the role

The Board were satisfied that PwC had sufficient controls in place to guard against any possible conflicts of interest and to ensure the objectivity and independence of the audit PwC were chosen in the interests of cost effectiveness, efficiency and timeliness

Having given consideration to the extra work undertaken by the auditors, and after careful discussion with the responsible partner in PwC and the Executive Directors, the Audit Committee is satisfied as to the independence of the statutory auditors

Because of this review, the Audit Committee recommended to the Board that the auditors be re-elected and a resolution to re-appoint them as the Company's auditors will be proposed at the forthcoming Annual General Meeting

PwC have indicated their willingness to continue in office, and pursuant to section 485 of the Companies Act 2006, an ordinary resolution re-appointing them as auditors and authorising the Directors to determine their remuneration will be proposed at the 2010 Annual General Meeting

BY ORDER OF THE BOARD

Tony Lee
Company Secretary
25 March 2010

Registered number: 03359425

CORPORATE GOVERNANCE

Combined Code

The Board of Directors ("the Board") support the principles of good corporate governance and the code of best practice laid down by the Combined Code issued in June 2008 (the "Code") The Directors consider that the Group has been in compliance with the provisions set out in Section 1 of the Code on corporate governance, save for compliance with Schedule A due to the absence of a performance bonus ceiling in the operation of the Group's remuneration policy This exception is explained in more detail in the Directors' Remuneration Report on pages 40 to 50

The Group does not appoint Non-Executive Directors for a specified term as required by provision A7 2 of the Combined Code Following successful completion of one year's service, however, the Group may terminate their contracts by two months notice in writing Additionally the current policy of the Board is that Non-Executive Directors should not serve more than nine years if it is determined that this would prejudice their independence

The manner in which the Company has applied the principles of good governance set out in the Combined Code is outlined below and in the Directors' Remuneration Report on pages 40 to 50

Directors

At the year-end, the Board comprised three Executive and five Non-Executive Directors Biographies of all Directors as at the date of this report are set out on pages 22 to 23

The Non-Executive Directors are Martin Gray, the Non-Executive Chairman, Lord MacLaurin, the Senior Independent Director, Peter Gibbs, Mark Nicholls, Chris Chambers and Roger Perkin All are independent in character and judgement as set out in the Code as they have no relationships and there are no circumstances which are likely to affect, or could appear to affect, each Director's judgement The Non-Executive Directors bring a wealth of experience to the Board In particular their complementary skills include legal and accounting, asset management and corporate finance, demonstrable leadership and experience at the highest level and practical experience of the current regulatory and market environment

There is a formal schedule of matters reserved for decision by the Board, which is reviewed annually and otherwise as required This was last updated in October 2009 The Board is responsible for the overall strategy of the Group, acquisitions and divestments, major capital projects, financial, budgetary, material risk and regulatory compliance matters, corporate governance and the employment of senior employees

CORPORATE GOVERNANCE (continued)

Directors (continued)

The following table identifies the scheduled number of Board meetings and Committee meetings held during the year to 31 December 2009 and the attendance record of their members

	Full Board Meetings	*Audit Committee*	*Remuneration Committee*	*Nomination Committee*
Number of meetings in the year	**11**	**8**	**10**	**3**
Martin Gray (1)	11	1	10	3
Alex Snow	10	N/A	N/A	N/A
Andrew Umbers	10	N/A	N/A	N/A
Andrew Westenberger(2)	8	N/A	N/A	N/A
Lord MacLaurin	10	8	6	3
Nicholas Irens (3)	6	7	3	2
Mark Nicholls (4)	11	7	8	1
Peter Gibbs	10	N/A	10	N/A
Chris Chambers(5)	1	N/A	2	N/A

The Remuneration Committee also held 8 procedural meetings at relatively short notice attended by Martin Gray and Peter Gibbs The number of meetings also reflects the work of the Committee in the period leading up to the introduction of the partnership equity awards schemes in 2010 being the Group Joint Share Options Plan ("JSOP") and subsidiary company Growth Share Options Plan ("GSOP's")

Notes

1 Martin Gray chaired one Audit Committee meeting as alternate for Nick Irens

2 Andrew Westenberger attended all Board meetings subsequent to his appointment on 8 April 2009

3 Nicholas Irens availability was impacted by periods of ill health and prior commitments

4 Mark Nicholls was unable to attend 2 of the 10 substantive Remuneration Committee meetings

5 Chris Chambers subsequent to his appointment on 3 November 2009, attended the one Board meeting held

Directors' Service Agreements

The terms of the Directors' service agreements and letters of appointment are summarised in the Directors' Remuneration Report on pages 40 to 50 In accordance with Code, all Directors are subject to election by shareholders at the first Annual General Meeting of shareholders after their appointment Thereafter, all Directors are subject to retirement by rotation and re-election at least every three years

Retirement by Rotation

The Board has agreed that all Directors will submit themselves for re-election at this and subsequent Annual General Meetings Both Chris Chambers and Roger Perkin will retire and seek election at this AGM given that this is the first AGM following their appointments Resolutions proposing the election and re-election of all Directors are set out in the Notice of Annual General Meeting

The Chairman confirms, and in respect of the Chairman, the Senior Independent Director confirms, that all the Directors whether seeking election, re-election or otherwise and following appropriate formal enhanced performance evaluation continue to perform effectively and demonstrate commitment to their positions

CORPORATE GOVERNANCE (continued)

Division of responsibilities and insurance

In accordance with the Code, there is a clear division of responsibilities set out in writing and agreed by the Board between the running of the Board by the Chairman and the responsibility for running the Group by the Chief Executive The Chairman, Martin Gray, is responsible for the leadership and conduct of the Board and for ensuring the Directors receive accurate, timely and clear information, and the effective contribution of Non-Executive Directors

The Chief Executive, Alex Snow, is responsible for the day-to-day and strategic management of the Group's activities He is ultimately responsible for the operating plans and budgets for the businesses, monitoring business performance and ensuring these are reported on to the Board The Board believes that these arrangements facilitate the effective management of the Group and provide a strong control environment as no individual has unfettered powers of decision

Lord MacLaurin, the Senior Independent Director, is available to shareholders if they have concerns where contact through the normal channels is deemed inappropriate

A statement of the Directors' responsibilities in respect of the accounts is set out in the Directors' Report on pages 24 to 32

The Group has taken out appropriate insurance cover in respect of legal action against its Directors and Officers In addition to insurance cover for Directors and Officers' liability, the Group has arranged insurance cover in respect of professional indemnity and corporate crime, employers' liability, and public and products liability

Information and professional development

As stated above, the Chairman is responsible for ensuring that Directors receive accurate, timely and clear information The Company Secretary is responsible for advising the Board, through the Chairman, on all corporate governance matters and is responsible to the Board for ensuring that Board procedures are complied with During the year and the Board introduced a formal and detailed Corporate Governance Framework ("Framework") across the Group The Framework sets out the Group's practices in those matters covered by the Code and relevant laws and regulations and sets out those matters reserved to and delegated from the Group's Boards and Committees All Directors have access to the advice and services of the Company Secretary and there are procedures in place for taking independent professional advice to ensure that individual Directors and the Board Committees are provided with sufficient resources to undertake their duties, at the Group's expense if required

New Directors are provided with the opportunity to undertake a thorough induction on joining the Board commensurate with their existing knowledge and understanding of the business of the Group Training needs are monitored and addressed as part of the annual performance evaluation process detailed below

Review of Internal Controls

The Board is responsible for identifying, evaluating and managing the significant risks faced by the Group to safeguard shareholders' investments and the Group's assets The Board acknowledges that it is responsible for the Group's system of internal controls and for setting the control framework including financial, operational and compliance controls and risk management systems, and for reviewing the effectiveness of these systems The principal risks and uncertainties section on page 24 to 25 and the Financial Instruments and Risk Management Framework detailed in note 3 to the Financial Statements describe the key risks facing the Group and how they are mitigated

The system of internal control, which includes the Group's public reporting processes, is designed to manage rather than eliminate the risk of failure to achieve business objectives Therefore, this can only provide reasonable and not absolute assurance against material misstatement or loss

The Board, through the Audit Committee, reviews the effectiveness of the system of internal control In March 2010, the Audit Committee considered the progress made during the year and assessed the status of the Group's system of internal controls In evaluating the effectiveness of the internal control framework, the Audit Committee considered how risks are identified, monitored, mitigated and reported throughout the Group

The Audit Committee reviewed the key risks facing the Group and the controls that have been put in place to mitigate them Changes to the risk environment were highlighted, as were improvements to the control structure most notably in the continued restructuring and upgrading of the compliance and risk functions, the strengthening of our corporate governance framework and enhanced procedures, systems and reporting around suitability and new business processes

CORPORATE GOVERNANCE (continued)

Review of Internal Controls (continued)

In accordance with the Combined Code, during the year the Audit Committee has considered the continued need for an internal audit function and whether this function should be internally or externally facilitated The Audit Committee has determined that the needs of the Group would be best served by retaining the current arrangements of having an internal audit function that is externally facilitated whilst providing increased focus on the areas to be audited

The Audit Committee observed that during the year the internal control framework including controls relevant to financial reporting and the preparation of the financial statements continued to provide reasonable assurance that appropriate internal controls are in place or are further strengthened where it was identified that potential risks or weaker controls existed

The Audit Committee considered whether there had been any material failings or weaknesses in the internal controls of the Group The Audit Committee reported that risks are adequately managed and mitigated through the system of internal controls and that there were no material failings or weaknesses in the Group's internal control system during the period under review The Board, therefore, confirms that throughout the year ended 31 December 2009 and up to the approval date of the Financial Statements, there has been an on-going process of identifying, evaluating and managing the significant risks faced by the Group and that the Group has complied with the Turnbull Committee's guidance for Directors

The Audit Committee is also responsible for reviewing external financial reporting The committee reports to the Board on the Group's full year and half years results, having examined the accounting policies on which they are based and ensures compliance with relevant accounting standards and legislation

Performance

The Board conducts a formal and rigorous annual evaluation of individual Directors, its own performance and that of its Committees and for 2009 has further improved its processes in this regard through defined and consistent individual Director evaluations The Board annually considers whether it might be appropriate to engage a third party to conduct its performance evaluations and, whilst it is considering the Walker recommendations, in this regard has concluded that for the current year the structure provides sufficient scrutiny to meet the needs of the Group The Board strives to continue to meet corporate governance best practice and efforts continue to be made to ensure the correct balance of information flow up to the Group Board In its 2009 evaluation of performance, the Board recognised the need to continue to evolve and improve its own performance to meet the expectations of regulators and to meet best practice

The Individual Performance evaluation is conducted through the provision of a defined set of qualitative and quantitative assessment questions supported by comments from the appraisers Appraisals were conducted for all the Directors during January to March 2010 in respect of their performance in 2009 The Chairman confirms that all the Directors whether seeking election and re-election or otherwise continue to perform effectively and demonstrate commitment to their positions

In addition to the individual performance appraisals, the Board considers its overall performance as a body and the performance of its Committees Each member of the Board completes a detailed 'Board Effectiveness' questionnaire following the year end Recognising the need for governance standards to continue to evolve and improve to meet the expectations of regulators and the Board, the Board was considered to be performing effectively throughout this process and no significant issues were raised

Committee Performance

Committee performance is reviewed as follows

- The Audit and Remuneration Committees are subject to review by their own members Each member completes a questionnaire to assess the effectiveness of the relevant Committee The results for the 2009 annual review are collated by the Company Secretary and reviewed by the relevant Committee The Chairman of the relevant Committee is responsible for leading a discussion on the results at the subsequent Board meeting Both Committees are considered to be working effectively,

- The Nomination Committee is subject to review by its own members and is considered to be working effectively

CORPORATE GOVERNANCE (continued)

The following committees deal with the specific aspects of the Group's affairs

Audit Committee

The Audit Committee is comprised of three independent Non-Executive Directors Nicholas Irens acted as Chairman of the Audit Committee until his resignation on 31 December 2009, with Lord MacLaurin and Mark Nicholls as members Roger Perkin was appointed Chairman of the Audit Committee upon joining the Company as a Non-Executive Director on 27 January 2010 Roger Perkin, as a Chartered Accountant with recent and relevant financial experience gained with Ernst & Young LLP, was considered by the Nomination Committee to be appropriate for the role of Chairman of the Audit Committee

The Group's external and internal auditors and the Executive Directors may attend Committee meetings by invitation The Committee may request discussions with the external auditors following Audit Committee meetings The discussions take place without Executive Directors being present, to ensure that there are no unresolved issues of concern

The Terms of Reference for the Committee comply with the Combined Code and are available for inspection at the Company's registered office and at the Annual General Meeting A summary of these Terms is on the Group's website www evgplc com

The Audit Committee has primary responsibility for reviewing the external auditor's independence, objectivity and the effectiveness of the audit process taking into consideration relevant UK professional and regulatory requirements, developing and implementing policy on the engagement of the external auditors to supply non-audit services and reporting to the Board and, identifying any matters which require action or improvement, considering the major findings of any internal investigations and management's response, and monitoring and reviewing the effectiveness of the internal audit function It is responsible for reviewing the 2009 Preliminary announcement, Annual Report, the Interim Results and announcement, Interim Management Statements and reports from the external auditors

The Committee recommended to the Board for shareholder approval the re-appointment, remuneration and terms of engagement of the auditors during 2009 Through their review of the balance of audit and non-audit work performed and fees paid to PricewaterhouseCoopers LLP, the Committee concluded that auditors' independence has been maintained throughout 2009 and the audit process was effective

Remuneration Committee

The Remuneration Committee comprises five Non-Executive directors all of whom are considered to be independent Peter Gibbs has served as its Chairman since 29 May 2008 Lord MacLaurin continues to make a valuable contribution to the work of the Committee Martin Gray, and Mark Nicholls were also members of the Committee during 2009 whilst Chris Chambers joined the Committee on 19 November 2009 Nick Irens ceased to be a member of the Committee upon his retirement from the Board on 31 December 2009

The Remuneration Committee met ten times on substantive business during 2009 as part of the continuing review of the Group's remuneration and reward structure There were an additional eight meetings reflecting the procedural requirements of the Committee in its role of approving the grant and exercise of share awards below Board level The number of meetings also reflected the consideration and adoption of new partnership equity arrangements, being the introduction of the "Partnership Equity Plans" (Joint Share Ownership Plan for Executives of the Company and Growth Share Option Plans for senior employees of Evolution Securities Limited and Williams de Broë Limited) Further details of the partnership equity plans can be found on pages 44 of the Directors' Remuneration Report The Executive Directors attend certain parts of meetings of the Remuneration Committee by invitation but do not attend discussions on their own remuneration

The Terms of Reference for the Committee comply with the Combined Code and are available for inspection at the Company's registered office and at the Annual General Meeting These were updated in October 2009 principally to make reference to the need to consider, where appropriate, the principles set out in the FSA's Code of practice on remuneration policies and to extend the remit of the Committee to recommending and monitoring the level and structure of remuneration for all employees A summary of these Terms is also on the Group's website www evgplc com

CORPORATE GOVERNANCE (continued)

Remuneration Committee (continued)

The Chairman of the Remuneration Committee reports the Committee's findings to the Board at the following Board meeting Further details of how these responsibilities are executed and the Group's policies on remuneration, service contracts and share options are given in the Directors' Remuneration Report on pages 40 to 50

Details of professional advice received on remuneration issues can be found in the Directors' Remuneration Report on pages 40-50

Nomination Committee

The Committee includes Martin Gray as Chairman who is joined by Lord MacLaurin, and Mark Nicholls Nick Irens left the Committee following his retirement from the Board on 31 December 2009

The Terms of Reference for the Committee comply with the Combined Code and are available for inspection at the Company's registered office and at the Annual General Meeting A summary of these Terms are on the Group's website www evgplc com The Nomination Committee is responsible for all elements of the nomination process for the Executive and Non-Executive Directors of the Company

The Chairman of the Nomination Committee reports the Committee's determinations to the Board at the following Board meeting and is available to report to shareholders at each Annual General Meeting

During the year, the Nomination Committee discussed succession planning for the Board The Nomination Committee follows a process for nominating candidates for Board appointments which involves considering the structure, size and composition of the existing Board, determining a description of the role and capabilities required, drawing up a shortlist of candidates, holding a series of one-to-one meetings between the candidates and Non-Executive Directors, and then candidates meeting with all members of the Board In 2009 the Committee used external consultants to assist with the search for both Executive and Non-Executive Directors Future appointments will follow a similar process, with consideration given to whether external advertising or external advice is required

The terms of appointment of Non-Executive Directors are detailed in the Directors' Remuneration Report on page 45 The terms of appointment and time commitments of Non-Executive Directors are available for inspection at the Company's registered office

Environmental, Social and Governance ("ESG")

ESG issues will be considered by the Board through the Risk Committee to identify, assess and manage the significant risks and opportunities affecting the Group's long and short-term value arising from its handling of ESG matters, as well as opportunities to enhance value that may arise from an appropriate response It has processes in place to identify and mitigate all material risks to the short and long-term value of the Group, and is always seeking to enhance value by wholly reasonable means The Board has identified no ESG related risks that may significantly affect the Group's short or long-term value

The Board considers that the Group makes appropriate provision for environmental issues appropriate to the size of the Group and the financial services sector in which it operates We aim to adopt reasonable measures to comply with relevant environmental legislation, to ensure that appropriate steps are taken to minimise negative environmental impacts and to conserve natural resources Appropriate forms of instruction, information, training and supervision are made available to enable employees to assist us in meeting our obligations We continue to work towards being able to more carefully monitor the positive impact that our polices have on the management of our environmental footprint

The Group is committed to upholding its social responsibility and has measures in place to address this responsibility

The Group adheres to the FSA principles of business and follows its rules and guidance on appropriate behaviour as well as guidance provided by the UK Listing Authority and other regulatory bodies under which the Group acts Furthermore, the Group is committed to extending its ethical obligations beyond regulatory compliance as regards to conduct in its relations with its stakeholders, including clients, suppliers, advisers, and shareholders

The Group takes its responsibilities to ensure the Health and Safety of its staff and any visitors to its offices seriously It is the policy of the Group and its associated companies to comply with the terms of the Health and Safety at Work Act 1974 and any subsequent legislation and also to provide and maintain a healthy and safe working environment

CORPORATE GOVERNANCE (continued)

Going Concern

These Financial Statements are prepared on a going concern basis as the Directors have satisfied themselves that, at the time of approving the Financial Statements and having taken into consideration the strong cash holdings, absence of long term third party debt and ongoing profitability, the Group and Company have adequate resources to continue in operational existence for the near future

Relations with shareholders

The Board is responsible for ensuring that a satisfactory dialogue with shareholders takes place and welcomes shareholder participation

The Board is in regular dialogue with institutional investors, and analysts, principally around the time of the Group's announcement of results but also throughout the year The Chairman of the Remuneration Committee and where appropriate the Finance Director entered into extensive dialogue with institutional shareholders and their voting agencies ahead of the introduction of the Partnership Equity Plans

The Board recognises the importance of investor relations and communications with shareholders throughout the year as well as at the time of results Throughout the year, the Group Chairman, CEO, Finance Director and the Chairman of the Remuneration Committee maintain a dialogue with the principal shareholders, in order to understand their issues and concerns discussing matters of governance, strategy and remuneration, and are responsible for ensuring that shareholders' views are communicated to the Board as a whole through discussions at Board and Committee meetings

Share dealing service

The Group participates in a Share Deal service offered by Capita Registrars whereby small existing shareholders have the opportunity, through an online and telephone share dealing service, to buy or sell shares in many leading UK Companies An online and telephone facility is available allowing instant trading at prices provided at the time you give your instruction There is no need to pre-register This is a quick and easy share dealing service and is available to either sell or buy Evolution Group Plc shares This benefits both the Group and shareholders in extending the market for the Group's shares and facilitating dealing for private shareholders

To deal online or by telephone you will need to provide your surname, Investor Code reference number (which may be found on a recent share certificate, statement or tax voucher), full postcode and your date of birth

For further information on this service, or to buy and sell shares please contact

- www capitadeal com (online dealing)
- 0871 664 0454 (telephone dealing – calls cost 10p per minute plus network extras)

Full terms, conditions and risks apply and are available on request or by visiting www capitadeal com This is not a recommendation to buy or sell shares The price of shares can go down as well as up, and you are not guaranteed to get back the amount that you originally invested

Shareholders who may wish to donate their shares to charity may do so free of charge through Share Gift Further details are available at www sharegift org uk or by telephoning 020 7930 3737

The Group's website at www evgplc com contains information on the Group, its Board and Committees, its operating subsidiaries and the products and services that it offers as well as share price performance and recent announcements

DIRECTORS' REMUNERATION REPORT

For the year ended 31 December 2009

The Board has delegated to the Remuneration Committee the determination of Executive Directors' remuneration The constitution and operation of the Committee comply with the Best Practice Provisions on Directors' remuneration in the Combined Code

This report has been prepared in accordance with the Companies Act 2006 and schedule 8 to the large and medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Listing Rules of the UK Listing Authority and the Combined Code It describes how the Board has applied the principles of good governance relating to Directors' remuneration, and where it does not comply and why this is the case The Directors' Remuneration Report will be submitted to the forthcoming Annual General Meeting for approval

Members of the Remuneration Committee

The Remuneration Committee consists only of independent Non-Executive Directors Peter Gibbs served as Chairman throughout the year The Committee members are Martin Gray, Lord MacLaurin, Mark Nicholls and Chris Chambers who joined the Committee on 19 November 2009 following his appointment to the Board on 3 November 2009

The Board considers that all members of the Committee are independent within the meaning of the Combined Code as explained in the Corporate Governance Report on pages 33 to 39

Advice to the Committee

During the year, the Committee has received advice on executive remuneration from its external remuneration advisers Deloitte LLP who were appointed by the Committee in September 2008 In addition, it received advice from its lawyers, Jones Day, and internally from its Human Resources Department Deloitte LLP may from time to time provide additional services to the Group as may be considered appropriate including financial, regulatory and risk management services No individual is involved in the determination of his or her own remuneration

Remuneration Policy

The Committee is responsible for ensuring that the Company's Executive Directors and senior executives are fairly, but responsibly, rewarded for their individual contributions to the Company's overall performance It exercises this responsibility through consideration of all bonus, salary and incentive awards including reviews of the structure of remuneration within operating subsidiaries The Committee considers Executive Director recommendations for senior executives whose bonus and incentive awards are wholly discretionary along with non revenue earning areas of the business including risk and compliance The Committee also considers ad hoc remuneration matters in line with its Terms of Reference throughout the year The Executive Directors are responsible for bringing remuneration matters to the attention of the Remuneration Committee

For all employees throughout the Group, the overriding aim is to develop and implement a remuneration policy which attracts, retains and motivates individuals of the highest calibre to grow the value of the Group and maximise returns to shareholders During 2009 particular focus has been placed on reviewing remuneration policies and practices across the Group to ensure they are in line with the Company's risk and control framework As a result, a deferral element of 25% was introduced to all bonus awards for 2009 above £100,000 The Committee takes the view that the same philosophy applied to employees of the Group generally should also apply to Executive Directors who are essential to the effective and successful leadership and management of the Group

The Group operates in the highly competitive financial services market, which places a heavy emphasis on exceptional rewards for exceptional performance An overriding objective is to ensure that the approach to remuneration is simple and clear The Board does not support reward for executives when this is not justified by performance

All reward structures in place across the Group reflect our culture and values of encouraging high individual effort to achieve individual and corporate performance targets We endeavour to ensure that our businesses are conducted in a manner that achieves the highest standards of compliance and we adopt a zero tolerance policy for non compliance This policy is reflected in our reward structure

DIRECTORS' REMUNERATION REPORT (continued)

Remuneration Policy (continued)

Consistent with this philosophy, the Group's reward structure aims to motivate executives in the short to medium-term while also linking remuneration to the long-term performance of the Group, deliver fully market competitive levels of total compensation to recognise personal performance as well as the individual s contribution to Group performance, judged on the basis of profit levels and profit growth, support sustained growth in shareholder value over the medium and long-term by aligning the interests of Executive Directors with those of shareholders through performance related awards reflecting the performance of the Group, provide long-term incentive opportunity that acts as a retention mechanism, ensure that remuneration does not encourage excessive risk taking by aligning rewards to the delivery of sound risk management systems and controls, and deliver proportionate rewards to Executive Directors having regard to remuneration arrangements of senior Group employees

In determining Directors' remuneration, the Committee considers returns to shareholders as measured by profit and earnings performance both in absolute terms and against budget The quality of profit performance is also considered in the context of market conditions and whether it is broadly based across all divisions or derived more narrowly Other considerations are comparable market remuneration data, the experience and performance of individual Directors, their areas of responsibility and remuneration levels throughout the Group

A high proportion of potential total remuneration is related to performance designed to motivate Executive Directors to enhance the value of the Group It is the view of the Committee that appropriate and sufficient risk and control measures are currently in place and are supported by our approach to reward Medium and long-term incentives are delivered in the form of The Evolution Group Plc options and share awards

The Committee intends that the broad tenets of remuneration policy will continue to support the objectives of the Group but will keep it under review and will strive to balance the views of major shareholders and the needs of the Group In particular, the Committee recognises the need to ensure that the senior executives who lead the success of the Group must be incentivised and retained in challenging market conditions

The Components of Remuneration

Overview

The remuneration packages of Executive Directors currently comprise three elements basic salary and benefits in kind, annual discretionary performance related bonus, and medium to long-term incentive plans As indicated above, the Board has conducted a review of the remuneration and reward structure across the Group including that of Executive Directors to ensure the spirit of the FSA guidance on remuneration is carefully considered in setting remuneration strategy for the Group The current structure is geared towards meeting the needs of the Group in the medium-term, in order to continue to be able to recruit, reward and motivate staff at all levels to maximise the earnings potential of the Group and to further align the interests of Directors and senior staff with those of our shareholders

1 Fixed remuneration - basic salary and benefits

The fixed component of Executive Directors' remuneration comprises basic salary and benefits in kind A salary cap was implemented in 2002 for all employees throughout the Group of £100,000, which remained in place throughout 2009 We will keep the salary cap under review, mindful of the FSA's commentary around the risk profile that this may encourage At this time, the Group continues to believe that this cap provides invaluable support to its subsidiaries to enable them to effectively manage their fixed cost base This supports a performance culture based on medium term equity participation that is aligned with shareholders' interests We are confident that this approach does not undermine our compliance and risk priorities

At the year end 30% (2008 21%) of employees were paid the salary cap of £100,000 The average salary for all employees was £60,188 (2008 £55,674) The following benefits in kind are provided to Executive Directors medical cover, life assurance, critical illness and permanent health insurance, and a car allowance No pension provision is provided by the Group save for a salary sacrifice pension scheme where the Company contributes the National Insurance costs it would otherwise have saved No Director has joined this scheme

Based on information provided by our retained remuneration consultants the basic salary of £100,000, together with the benefits in kind, continues to represent one of the lowest levels of fixed remuneration in comparable companies, particularly given the absence of a pension provision This accords with the Group's overall philosophy of remuneration having as low an element of fixed or non-performance related pay as possible

DIRECTORS' REMUNERATION REPORT (continued)

The Components of Remuneration (continued)

2 Performance-related remuneration

As part of the remuneration and reward review, changes have recently been and will continue to be developed in respect of the remuneration and reward structure for Executive Directors

The calculation of Executive Director bonuses will, subject to the discretion of the Committee, reflect performance measured against each Director's performance objectives across financial, strategic and development targets In respect of 2009 the performance of Executive Directors and resulting performance bonuses were measured across a number of targets including profit performance and return on capital employed, assets under management, income diversification, integration of new assets and where appropriate, the share price and profit performance of the Group

In recognition of the need to further align the interests of Directors with those of shareholders and recognising guidelines issued by the FSA, and to ensure consistency of approach throughout the Group, a three year deferral element of 25% has been introduced for Executive Directors on bonus awards above £100,000, to ensure a material element is linked to future performance The deferral will be by way of the grant of conditional share awards under the Evolution Group PLC 2002 Share Option Scheme, subject to the achievement of performance conditions set at the start of each year and continuing to operate within the risk and compliance framework of the Group

These changes to the remuneration strategy reflect the strategic direction of the Group and are a response to wider regulatory concerns in the industry that remuneration does not encourage excessive risk taking

The concept of a bonus ceiling does not naturally align with the Group's remuneration philosophy To set a ceiling on the level of bonuses within the current profit levels would seriously prejudice the ability of the Group to attract, retain and motivate many of its senior employees whose contribution to profits within an organisation such as this are vital and may be much greater than in other businesses This would therefore be counter productive to the objective to retain senior management in order to improve sustainable profit performance

The Committee acknowledges that the consequence of this is that the scheme does not comply with Schedule A of the Combined Code The current and prospective bonus schemes are designed to generate and reward behaviours which drive the creation of long-term shareholder value and support our risk and compliance framework The emphasis on annual bonus payments, which are not capped on an individual basis but only by reference to the profit pool made available, allows the Group to keep fixed cost remuneration low while at the same time remaining competitive

As part of the 2009 changes to the remuneration and reward framework, Executive Directors of the Company, and its two principal operating subsidiaries (Evolution Securities Limited and Williams de Broë Limited) may receive additional rewards for exceptional performance Historically this has been linked to achieving NIBBIT (net income before bonus interest and tax) targets but will be amended to statutory profit before tax targets for 2010 onwards The 2009 pool for the Executive Board was accrued on the basis of adjusted NIBBIT (adjusted net income before bonus, interest and tax) exceeding budget by more than 10% on the relevant business units For all profits above this level, 10% was added to a pool for distribution subject to the return on capital employed being above the cost of capital of the Group or relevant subsidiary The Remuneration Committee exercised their discretion in determining awards from this pool to Executive Directors of the Group The Group CEO provided recommendations to the Remuneration Committee for the allocation of the pool for each subsidiary Director Awards from this pool were subject to a 25% deferral on the same terms as the bonus awards detailed above

3 Medium to long-term incentive plans

The third element of reward for the Executive Directors is the medium to long-term incentive plans which are forward looking in nature In years of relatively poor profit performance when bonuses might be reduced, share based awards encourage continuity of service, help to drive improved profit performance and align the interests of Directors with shareholders The level of share-based awards is not subject to a maximum multiple of salary due to the low salary cap for Executive Directors relative to other similar sized companies There are currently two plans which have been used to offer medium and long-term incentives to Executive Directors as follows

DIRECTORS' REMUNERATION REPORT (continued)

The Components of Remuneration (continued)

Performance Share Plan

Shareholders at the Annual General Meeting held on 25 May 2006 approved the 2006 Performance Share Plan ("PSP") It had been designed to reward significant value creation by Executive Directors and management and was intended to further align the interests of shareholders, executives and staff The awards were therefore designed to reflect the future performance of the Group The PSP made available a pool of the Company's ordinary shares ("Shares") split between Executive Directors and other staff Entitlements to the Shares that are the subject of the awards were subject to the achievement of specified share price growth conditions from a base share price of £1 42 per share, within a three year period from 1 April 2006 and to continued employment The performance condition would be satisfied in respect of one third of the Shares if the average share price over any period of 60 continuous days within the three year period ('Measurement Period") equals or exceeded £2 13 (50% above the base price) and in respect of the remaining two thirds if the share price doubled to £2 84 within the Measurement Period At the time of the approval of the PSP the Board believed these targets to be sufficiently stretching in the context both of the prevailing economic environment and the prospects of the Group based on past performance and reported strategy The Board determined not to reduce the performance targets as far as they relate to Executive Directors

During 2009, performance conditions for awards under this plan were not met and therefore awards under this plan to Executive Directors have lapsed in full and will not vest

The 2002 Executive Share Incentive Scheme ("2002 ESIS")

Shares may be awarded to Executive Directors under the 2002 Executive Share Incentive Scheme, approved by shareholders on 10 October 2002

During 2009 awards over 2,000,000 shares were made to Alex Snow on 19 May 2009 as part of the 2009 incentive agreements agreed for him at the 2009 Annual General Meeting These awards will vest in May 2011 subject to achievement of performance conditions including continued employment up to the date of grant of call rights and achievement of detailed qualitative and quantitative performance criteria over two years as set out in the 2009 Notice of AGM On 8 April 2009 Alex Snow also received awards over 175,179 shares as a bonus deferral from 2008 Also on 8 April 2009 awards over 103,810 shares were made to Andrew Umbers in respect of his 2008 bonus deferral and 150,000 to Andrew Westenberger as part of his joining arrangements All awards were granted for nil consideration with an exercise price of 1p per share The awards granted on 8 April 2009 are subject to continued employment and achievement of certain qualitative performance criteria Subject to these being achieved call rights will be granted in April 2012 whereupon the shares will become immediately exercisable Subject to Andrew Westenberger remaining an employee of the Group, two further awards are to be recommended for approval by the remuneration committee and, if approved, would be awarded in satisfaction to commitments made to him as part of his joining package over 200,000 shares in 2010 and 250,000 shares in 2011 The awards will vest on 8 April 2013 and 8 April 2014 respectively Award levels have been determined in the light of the impact on shareholders' dilution At the year end the dilution (as defined by the guidelines of the Association of British Insurers) arising from the Group's discretionary schemes was 10 2% (2008 9 7%) taking into account own shares purchased by the Group's employee trust to satisfy outstanding awards This level of dilution reflects our undertaking to keep dilution capped at 12% as detailed at the time of the adoption of the Performance Share Plan at the 2006 Annual General Meeting The Remuneration Committee keeps the levels of dilution under regular review The Group has an ongoing programme of purchasing shares in the market to satisfy awards under its share schemes, should the Group purchase the outstanding but unvested shares under its 2001 share scheme through market purchases the dilution would revert to under 10%

The Remuneration Committee is aware that the Executive Share Incentive Scheme operates unusually in two main respects there are no annual limits on award levels and the vesting of awards are phased over two, three or four years The Committee believes this flexibility allows remuneration to be structured in a simple and yet highly effective way, and which also aligns the interests of Executive Directors with those of shareholders

DIRECTORS' REMUNERATION REPORT (continued)

Long term Partnership Equity Plans

The Remuneration Committee has considered incentive schemes which aim to create the right combination of meaningful incentive and shareholder alignment within a business in which short-term decisions and performance are critical to medium-term and long-term growth whilst reflecting the partnership culture the Executives are building and embedding throughout the Group As a result, new long term partnership equity plans were approved by shareholders at a General Meeting held on 22nd January 2010 For Executive Directors of Evolution Group Plc and employees of the Group, a Joint Share Ownership Plan ("JSOP") has been introduced, with a Growth Share Ownership Plan ("GSOP") at subsidiary level It is intended that Executive Directors and senior employees will be invited to participate in these plans on or after 25 March 2010 The key feature of both plans is that individuals are required to purchase a capital interest thereby having personal capital at risk The partner shares are designed to return value over the medium to long term (3 to 5 years minimum) resulting from the creation of shareholder value at both the operating subsidiary and Group level Value realisation is subject to significant hurdle rates, ongoing service conditions and a series of performance conditions, including Return on Capital Employed, Statutory Profit Before Tax and Earnings per Share

The Evolution Group Share Incentive Plan ("SIP")

Executive Directors are eligible to participate in the Evolution Group Share Incentive Plan ("SIP") The SIP is an HMRC approved plan open to all UK permanent employees Eligible employees may contribute up to £125 each month and the trustee of the plan uses the money to buy partnership shares on their behalf The Company issues an equivalent number of matching shares, with the equivalent cost met by the employing company Partnership and matching shares are eligible for dividends and dividend shares are acquired on receipt of the relevant paid amounts

Details of the Executive Directors' share interests under this plan are given in the table below

	1 January 2009	Partnership shares	Matching shares	Dividend Shares	31 December 2009
Alex Snow	16,281	1,245	1 245	255	19,024
Andrew Umbers	6,218	1,244	1,244	110	8,816

Between 1 January 2010 and the date of this report Alex Snow was awarded 306 Partnership and 306 Matching Shares Between 1 January 2010 and his resignation as a Director of the Company Andrew Umbers was awarded 89 Partnership and 89 Matching Shares

Pensions

None of the Directors receives any employer pension contributions from the Group either under defined contribution or under final salary schemes

Proportion of fixed and variable remuneration

In line with the reward structure outlined above, the relative proportions of fixed annual remuneration and performance related pay made for 2009 for the Executive Directors are as follows

	Non-Performance related (%)	Performance related (%)
Alex Snow	6	94
Andrew Umbers	24	76
Andrew Westenberger	12	88

DIRECTORS' REMUNERATION REPORT (continued)

Directors' service contracts

The Combined Code recommends that a one-year notice period or contract terms be set as an objective for Executive Directors The Remuneration Committee's policy is that service contracts should not have a notice period exceeding 12 months and should not contain a liquidated damages clause in the event of termination

All Executive Directors have service contracts without fixed terms and with notice periods of 12 months or less The principal terms in these contracts are as set out below The Directors' service contracts and letters of engagement for Non-Executive Directors will be available for inspection at the Company's Annual General Meeting

	Contract date	Notice period	Contractual termination payments
Alex Snow	13 11 03	12 months	None
Andrew Umbers	16 10 06	12 months	None
Andrew Westenberger	08 04 09	6 months	None

Non-Executive Directors

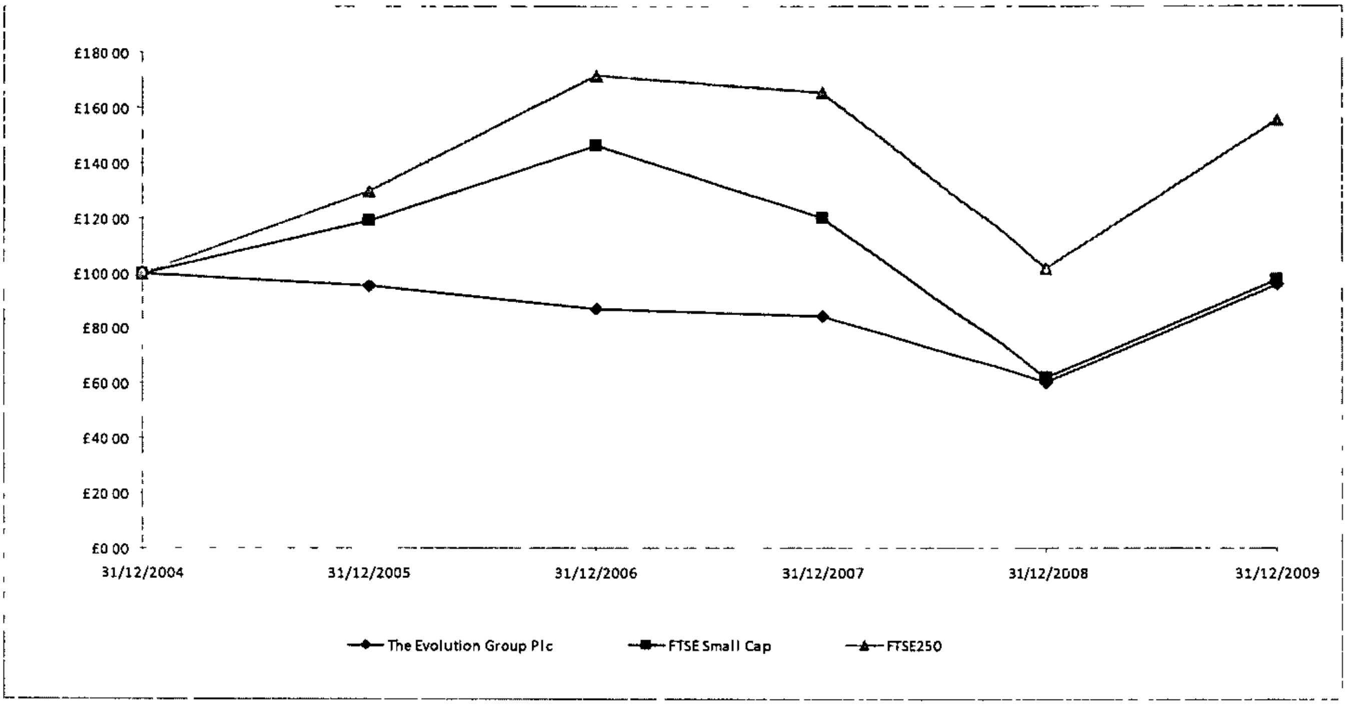
Non-Executive Directors do not hold service contracts but letters of appointment The Non-Executive Directors' letters of appointment are each for an initial term of one year with two months' notice Non-Executive Directors are subject to the process of re-appointment on a rolling basis at the time of the Annual General Meeting Non-Executive Directors receive a fee for their services to the Board The Chairman and Executive Directors set fee levels for Non-Executive Directors, excluding the Chairman The other Non-Executive Directors set the fee for the Chairman The Non-Executive Directors are not involved in the discussions to determine their own remuneration Additionally the current policy of the Board is that Non-Executive Directors should not serve more than nine years if it is determined that this would prejudice their independence The current expected time commitment of Non-Executive Directors other than the Chairman is 20 days per annum The Chairman commits on average two days per week to the Company

Non-Executive Directors do not participate in the Group's annual bonus arrangements or long-term incentive arrangements Fees cease to be payable immediately upon termination of any appointments for any reason and no compensation is payable in respect of such termination

The overall fee for Non-Executive Directors is a £60,000 basic fee plus £15,000 for chairing a Committee and in respect of the Senior Non-Executive Director The fee for Martin Gray, during the year was £125,000 The Board believe these fee levels are appropriate and reflect the experience brought by the Non-Executive Directors, the time commitment they give, and the contribution they make

DIRECTORS' REMUNERATION REPORT (continued)

Total Shareholders Return ("TSR")



The above graph shows the TSR against that of the FTSE 250 and the FTSE small cap index (excluding Investment Trusts) TSR is calculated assuming dividends are reinvested on receipt

In the opinion of the Directors, the FTSE 250 index is the most appropriate index against which the total shareholder return of the Group should be measured as at 31 December 2009, as the Group was a constituent of that index from March 2009 to the year end The Group's growth strategy and commitment to improving shareholder value seeks to ensure that the Group is part of the FTSE 250 For context only, in the period shown in the graph above, the Group was listed on the AIM market from December 1999 up until its move to the Full List of the London Stock Exchange in June 2003, when it became a constituent of the FTSE small cap index Thereafter, the Group's shares then joined the FTSE 250 index in March 2004 and left the FTSE 250 index in June 2005 when they returned to the FTSE small cap index The Group rejoined the FTSE 250 index in March 2009

DIRECTORS' REMUNERATION REPORT (continued)

Environmental social and governance (ESG)

The Committee does not consider corporate performance on ESG issues when setting the remuneration of Executive Directors as given the profile and operations of the Group it does not believe that consideration of these matters is likely to have a material impact on such remuneration However, the Board does consider the major risks to the Group when setting quantitative and qualitative performance objectives of the Executive Directors and performance against those objectives does have a direct bearing on the level of remuneration, including bonuses and share awards provided to those Directors

Audited information

The report on remuneration from page 40 up to this statement has not been audited The Company's auditors PricewaterhouseCoopers LLP have audited the following information as required by Companies Act 2006

A summary of the total remuneration paid to Executive and Non-Executive Directors appears in the table below

	Salary/fees £'000	Bonus award £'000	Benefits in kind £'000	Total 2009 £'000	Total 2008 £'000	Note
Executive Directors						
Alex Snow	100	1,900	12	**2,012**	920	(1)
Andrew Umbers	100	350	12	**462**	712	(1)
Andrew Westenberger	75	625	9	**709**	-	(1)
Non-Executive Directors						
Martin Gray	125	-	-	**125**	125	
Lord MacLaurin	75	-	-	**75**	75	
Nicholas Irens	75	-	-	**75**	75	
Mark Nicholls	60	-	-	**60**	60	
Peter Gibbs	75	-	-	**75**	69	
Christopher Chambers	10	-	-	**10**	-	(2)
Total	**695**	**2,875**	**33**	**3,603**	2,036	

Notes to remuneration in table above

1 In March 2010 Alex Snow received a bonus of £1,900,000 and Andrew Westenberger, who was appointed to the Board in April 2009 received a bonus of £425,000 in relation to performance in 2009 Of the £1,900,000 awarded to Alex Snow 25% above £100,000 was deferred into shares under the Evolution Group PLC Executive 2002 Share Options Scheme Of the £425,000 awarded to Andrew Westenberger 25% was deferred into shares under the Evolution Group PLC Executive 2002 Share Options Scheme In addition, Andrew Westenberger received a £200,000 joining incentive award in March 2010 As part of the arrangements on leaving the Group all of the £350,000 bonus for Andrew Umbers was paid in cash on 26 March 2010 with no deferral into shares Brief details of the deferred share award mechanism are provided on page 42 of this Report and further details of the awards themselves can be found below on pages 48 to 50 of this report
2 Fees to Christopher Chambers in 2009 reflect his appointment to the Board in November 2009

Benefits in kind represent contributions for private medical insurance and the provision of a company car allowance (and congestion charge payments)

Total aggregate emoluments of Directors appear in note 10

DIRECTORS' REMUNERATION REPORT (continued)

Directors' pensions

None of the Directors receives any pension contributions from the Group under either defined contribution or final salary schemes

Directors' shares under option

Date of grant	Note	At 1 January 2009	Granted	Exercised	Earliest exercise date	Exercise/Expiry Date	Exercise price (p)	Market price at exercise date (p)	At 31 December 2009
Alex Snow									
11 05 01	(2)	1,065,632	-	1,065,632	12 05 04	30 10 09	58 67	163	-
11 05 01	(2)	2,025,933	-	2,025,933	12 05 03	30 10 09	58 67	163	-
29 06 01	(1)	1,500,000	-	1,500,000	30 06 04	30 10 09	52 30	163	-
13 11 03	(3)	2,000,000	-	2,000,000	22 03 06	22 04 09	1 00	114 02	-
19 05 09	(8)	-	2,000,000	-	19 05 11	19 05 19	1 00	-	2,000,000
08 04 09	(9)	-	175,179	-	08 04 12	08 04 19	1 00	-	175,179
Andrew Umbers									
05 06 06	(4)	500,000	-	500,000	03 05 09	11 06 09	1 00	135 25	-
19 09 06	(5)	100,000	-	100,000	18 09 09	21 09 09	1 00	143 5	-
28 03 08	(6)	500,000	-	-	31 01 10	28 03 18	1 00	-	500,000
30 12 08	(7)	500,000	-	-	31 01 11	30 12 18	1 00	-	500,000
08 04 09	(10)		103,810	-	08 04 12	08 04 19	1 00	-	103,810
Andrew Westenberger									
08 04 09	(11)	-	150,000	-	08 04 12	08 04 19	1 00	-	150,000

Other than in respect of the PSP no options lapsed during the year to 31 December 2009, and no options were cancelled during the year

On 25 March 2010, Alex Snow and Andrew Westenberger were awarded 378,151and 89,286 shares respectively under the 2002 ESIS as the 25% deferral element of their bonuses of £1,900,000 and £425,000 The shares were awarded based on the average of the mid market price of the shares of The Evolution Group Plc as derived from the Daily Official List published by The London Stock Exchange Plc on the three days immediately prior to the granting of the award in principal by the Board The awards, which have an exercise price of 1p per share will vest three years from the date of grant by the award of call rights This is subject to the achievement of certain performance conditions

Also on 25 March 2010 Alex Snow and Andrew Westenberger were invited to subscribe for 3,500,000 and 2,000,000 partner shares respectively under the JSOP details of which can be found above Subscription consideration paid for these shares was £175,000 by Alex Snow and £100,000 by Andrew Westenberger

Save as set out above, no Directors or any members of the immediate family of Directors, have any options over shares in the Company or any Group Company or, during the year to 31 December 2009, was granted or exercised an option over shares in the Company

The market price for an ordinary share in the Company at 31 December 2009 was £1 35 (2008 £0 86) The highest price throughout the year was £1 65 (2008 £1 28) and the lowest was £0 85 (2008 £0 65)

The total gain on share options during the year for Alex Snow is £7 1m The total gain on share options during the year for Andrew Umbers was £0 8m There were no other gains on share options by directors of the Group

Summary of schemes for Directors' options in the above tables

1 These options were granted under the 2001 Executive Share Option Scheme The vesting conditions for these options have been met in full and the awards were exercised on 30 October 2009

2 These options were granted under the 2000 Executive Share Option Scheme (Unapproved) The vesting conditions for these options have been met in full and the awards were exercised on 30 October 2009

DIRECTORS' REMUNERATION REPORT (continued)

Summary of schemes for Directors' options in the above tables (continued)

3 These options were granted under the 2002 Executive Share Incentive Plan The vesting conditions for these options have been met in full and the awards were exercised on 22 April 2009

4 These options were granted under the 2002 Executive Share Incentive Plan, as part of the arrangements to complete the recruitment of Andrew Umbers to the Group The award vested on 3 May 2009 subject only to Andrew Umbers remaining in employment with the Group up to the date of vesting The vesting conditions for these options have been met in full and the awards were exercised on 11 June 2009

5 Andrew Umbers was granted these options under the 2002 Executive Share Incentive Plan The vesting conditions for these options have been met in full and the awards were exercised on 21 September 2009

6 These options were granted under the 2002 Executive Share Incentive Plan, as part of the arrangements to complete the recruitment of Andrew Umbers to the Group The award vested on 31 January 2010 although no call rights have yet been exercised

7 These options were granted under the 2002 Executive Share Incentive Plan, as part of the arrangements to complete the recruitment of Andrew Umbers to the Group The award was due to vest on 31 January 2011 subject only to Andrew Umbers remaining in employment with the Group up to the date of vesting Andrew Umbers ceased to be a Director of the Company on 3 February 2010 Any awards, which to the extent that they were capable of being exercised at the date of termination and have not been exercised will lapse The 500,000 shares due to vest in January 2011 will lapse on termination of employment

8 On 19 May 2009 Alex Snow was awarded 2,000,000 shares under the 2002 ESIS Call rights will be granted and the shares will vest 19 May 2011 subject to Alex Snow remaining with the Group up to that date and the achievement of a number of performance measures These measures are 15% increase on adjusted PBT each year, TSR v FTSE general financials 25% at median full vesting at upper quartile, EPS RPI + 5% to RPI + 15%, ROCE targets between 18% and 20% There was no consideration payable on grant and the exercise price is 1p per share

9 On 8 April 2009, Alex Snow was awarded 175,179 shares under the 2002 ESIS as the 25% deferral element of his £675,000 bonus The shares were awarded based upon the average of the mid market price of the shares of The Evolution Group Plc This was as derived from the Daily Official List published by The London Stock Exchange Plc on the three days immediately prior to the granting of the award in principle by the Board The awards, which have an exercise price of 1p per share will vest three years from the date of grant by the award of call rights This is subject to achievement of certain performance conditions and subject to claw back provisions based on the profitability of the Group during the performance period

10 On 8 April 2009, Andrew Umbers was awarded 103,810 shares under the 2002 ESIS as the 25% deferral element of his £400,000 bonus The shares were awarded based upon the average of the mid market price of the shares of The Evolution Group Plc This was as derived from the Daily Official List published by The London Stock Exchange Plc on the three days immediately prior to the granting of the award in principle by the Board The awards, which have an exercise price of 1p per share will vest three years from the date of grant by the award of call rights This is subject to achievement of certain performance conditions and subject to claw back provisions based on the profitability of the Group during the performance period Andrew Umbers ceased to be a Director of the Company on 3 February 2010 Any awards, which to the extent that they were capable of being exercised at the date of termination and have not been exercised will lapse The 103,810 shares due to vest in January 2011 will lapse on termination of employment

11 On 8 April 2009 Andrew Westenberger was awarded 150,000 shares under the 2002 ESIS as part of his joining arrangements Call rights will be granted and the shares will vest on 8 April 2012 subject to Andrew Westenberger remaining with the Group up to that date

DIRECTORS' REMUNERATION REPORT (continued)

Directors' interests in ordinary shares of The Evolution Group Plc

Performance Share Plan

Date of award	At 1 January 2009	Granted	Vesting Period	Forfeited	At 31 December 2009
Alex Snow					
22 12 06	2,000,000	-	30 06 09 to 22 12 16	2,000,000	-
Andrew Umbers					
22 12 06	4,000,000	-	30 06 09 to 22 12 16	4,000,000	-

Refer to page 43 for the Performance Share Plan awards The Remuneration Committee may use their discretion to reduce the number of shares over which an award vests depending on the overall performance of the Group

The performance targets attached to these awards were not met and therefore all existing awards lapsed on the 1 April 2009

The Directors in office at the year end who had interests in the ordinary share capital of the Company (all of which were beneficial) are shown below

	1 January 2009	31 December 2009
Alex Snow	3,029,451	5,601,842
Andrew Umbers (resigned 3 February 2010)	106,218	460,222
Andrew Westenberger (appointed 8 April 2009)	-	-
Martin Gray	18,000	28,000
Lord MacLaurin	51,500	125,800
Nicholas Irens (retired 31 December 2009)	25,000	25,000
Mark Nicholls	20,000	20,000
Peter Gibbs	-	100,000
Christopher Chambers (appointed 3 November 2009)	-	100,000

Roger Perkin was appointed to the Board on 27 January 2010 and does not hold any shares in the Company

The above shareholdings include shares acquired and issued under the The Evolution Group SIP Between 1 January 2010 and the date of this report Alex Snow was awarded 306 Partnership and 306 Matching Shares Between 1 January 2010 and his resignation as a director of the Company Andrew Umbers was awarded 89 Partnership and 89 Matching Shares

Peter Gibbs
Chairman of the Remuneration Committee
25 March 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE EVOLUTION GROUP PLC

We have audited the Consolidated Financial Statements of The Evolution Group plc for the year ended 31 December 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page 31, the directors are responsible for the preparation of the Consolidated Financial Statements and for being satisfied that they give a true and fair view Our responsibility is to audit the Consolidated Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

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

Opinion on financial statements
In our opinion the Consolidated Financial Statements

- give a true and fair view of the state of the Group's affairs as at 31 December 2009 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation

Opinion on other matters prescribed by the Companies Act 2006
In our opinion·

- the information given in the Directors' Report for the financial year for which the Consolidated Financial Statements are prepared is consistent with the Consolidated Financial Statements, and
- the information given in the Corporate Governance Statement set out on pages 33 to 39 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- a corporate governance statement has not been prepared by the parent Company

Under the Listing Rules we are required to review
- the directors' statement, set out on page 39, in relation to going concern, and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review

Other matter
We have reported separately on the Parent Company Financial Statements of The Evolution Group Plc for the year ended 31 December 2009 and on the information in the Directors' Remuneration Report that is described as having been audited

Hugh McNaughtan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
25 March 2010

The Evolution Group Plc

CONSOLIDATED INCOME STATEMENT

	Note	Year Ended 31 12 09 £m	Year Ended 31 12 08 £m
Fee and commission income		**115 6**	61 2
Fee and commission expense		**(0.8)**	(0 4)
Net fee and commission income		**114.8**	60 8
Trading income		**13 6**	2 0
Other income		**1.0**	1 1
Total income	5	**129.4**	63 9
Net (loss) from available-for-sale financial assets	6	**(1.7)**	-
Operating expenses	8	**(116.6)**	(81 2)
Operating profit / (loss) from continuing operations		**11.1**	(17 3)
Finance income		**1.4**	5 6
Finance expense		**(1.1)**	(1 0)
Net finance income	11	**0 3**	4 6
Share of post tax results of associates	19	**(0.3)**	-
Profit / (loss) before tax from continuing operations		**11 1**	(12 7)
Tax	12	**(1.9)**	1 7
Profit / (loss) after tax from continuing operations		**9.2**	(11 0)
Discontinued operations	7	**(2.3)**	(2 5)
Profit / (loss) for the year		**6.9**	(13 5)
Attributable to:			
Minority interests		**(0.4)**	(0 7)
Equity holders of The Evolution Group Plc		**7.3**	(12 8)
		6.9	(13 5)

Earnings / (loss) per share attributable to the equity holders of The Evolution Group Plc during the year.

	Note		
Basic			
From continuing operations	13	**4.10p**	(5 18p)
From discontinued operations	13	**(0.86p)**	(0 85p)
Diluted			
From continuing operations	13	**3 87p**	(5 18p)
From discontinued operations	13	**(0 86p)**	(0 85p)
Dividend proposed / paid per share – Interim (paid)	14	**0 80p**	0 75p
– Final (proposed)	14	**1 70p**	1 27p

The notes on pages 58 to 100 form an integral part of these Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year Ended 31 12 09 £m	Year Ended 31 12 08 £m
Profit / (loss) for the year		**6.9**	(13 5)
Available-for-sale financial assets, net of tax	30	**2.3**	(0 6)
Deferred tax (debit) on share options taken to equity	18	**(0.2)**	(1 0)
Currency translation differences		**-**	0 4
Share of other comprehensive income of associates		**(0.1)**	-
Other comprehensive income / (expense) for the year, net of tax		**2.0**	(1 2)
Total comprehensive income / (expense) for the year		**8.9**	(14 7)
Attributable to			
Minority interests		**(0.4)**	(0 7)
Equity holders of The Evolution Group Plc		**9.3**	(14 0)
Total comprehensive income / (expense) for the year		**8.9**	(14 7)

The notes on pages 58 to 100 form an integral part of these Financial Statements

CONSOLIDATED BALANCE SHEET

	Note	31 12 09 £m	31 12 08 £m
ASSETS			
Non-current assets			
Goodwill	15	10 7	10 4
Intangible assets	16	6 2	7 6
Property plant and equipment	17	3 3	3 4
Deferred tax assets	18	8 5	9 4
Investments in associates	19	13 4	-
		42 1	30 8
Current assets			
Trade and other receivables	20	78 8	44 2
Available-for-sale financial assets	21	1 7	1 1
Trading portfolio assets	22	13 3	5 0
Cash and cash equivalents	23	109 5	103 6
Assets of disposal groups classified as held-for-sale	7	-	28 1
		203 3	182 0
Total assets		245 4	212 8
LIABILITIES			
Current liabilities			
Trade and other payables	24	102 4	45 8
Trading portfolio liabilities	25	2 9	4 2
Current tax liabilities		0 8	0 1
Liabilities of disposal groups classified as held-for-sale	7	-	12 9
		106 1	63 0
Non-current liabilities			
Deferred tax liabilities	26	1 4	1 8
Provisions for other liabilities and charges	27	0 7	0 8
		2 1	2 6
Total liabilities		108 2	65 6
Net Assets		137 2	147 2
EQUITY			
Capital and reserves attributable to equity shareholders			
Share capital	29	2 3	2 2
Share premium		33 2	29 8
Other reserves	30	30 0	27 8
Retained earnings		71 7	86 5
Shareholders' equity excluding minority interest		137 2	146 3
Minority interests in equity		-	0 9
Total equity		137 2	147 2

The notes on pages 58 to 100 form an integral part of these Financial Statements

The Financial Statements on pages 53 to 100 were approved by the Board of Directors on 25 March 2010 and were signed on its behalf by

Andrew Westenberger
Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Share premium	Other reserves	Retained earnings	Total	Minority interest	Total equity
		£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2009		2 2	29 8	27 8	86 5	146 3	0.9	147 2
Profit / (loss) for the year		-	-	-	7 3	7.3	(0.4)	6 9
Available-for-sale financial assets	30	-	-	2 3	-	2 3	-	2 3
Deferred tax (debit) on share options taken to equity		-	-	-	(0 2)	(0 2)	-	(0 2)
Share of other comprehensive income of associates	30	-	-	(0 1)	-	(0 1)	-	(0 1)
Total comprehensive income for the year		-	-	2 2	7.1	9 3	(0 4)	8.9
Issuance of ordinary shares		0 1	3.4	-	-	3 5	-	3 5
Purchase of trust shares[1]		-	-	-	(23.7)	(23 7)	-	(23 7)
Dividends paid	14	-	-	-	(4.7)	(4 7)	-	(4 7)
Share options value of employee services		-	-	-	4 7	4 7	-	4 7
Disposal of subsidiaries' deferred tax and share options		-	-	-	0 2	0.2	-	0 2
Tax deductions on options exercised		-	-	-	1 6	1 6	-	1 6
Minority interest disposed with subsidiary		-	-	-	-	-	(0 5)	(0 5)
Transactions with shareholders		0.1	3 4	-	(21 9)	(18.4)	(0 5)	(18 9)
Balance at 31 December 2009		2 3	33 2	30 0	71 7	137 2	-	137 2

	Note	Share capital	Share premium	Other reserves	Retained earnings	Total	Minority interest	Total equity
		£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2008		2 2	28 8	49 9	72 4	153 3	1 9	155 2
Loss for the year		-	-	-	(12 8)	(12 8)	(0 7)	(13 5)
Available-for-sale financial assets	21,30	-	-	(0 6)	-	(0 6)	-	(0 6)
Currency translation differences	30	-	-	0 4	-	0 4	-	0 4
Deferred tax (debit) on share options taken to equity		-	-	-	(1 0)	(1 0)	-	(1 0)
Total comprehensive (expense) for the year		-	-	(0 2)	(13 8)	(14 0)	(0 7)	(14 7)
Issuance of ordinary shares		-	1 0	-	-	1 0	-	1 0
Transfer of merger reserve to retained earnings	30	-	-	(21 9)	21 9	-	-	-
Purchase of trust shares[1]		-	-	-	(1 6)	(1 6)	-	(1 6)
Dividends paid	14	-	-	-	(4 3)	(4 3)	-	(4 3)
Share options value of employee services		-	-	-	11 7	11 7	0 1	11 8
Minority interest disposed with subsidiary		-	-	-	-	-	(0 5)	(0 5)
Tax deductions on options exercised		-	-	-	0 2	0 2	0 1	0 3
Transactions with shareholders		-	1 0	(21 9)	27 9	7 0	(0 3)	6 7
Balance at 31 December 2008		2 2	29 8	27 8	86 5	146 3	0 9	147 2

[1] The Evolution Group Plc Employees Share Trust (the "Trust') administers The Evolution Group Plc share schemes The debit shown in retained earnings of £23 7m (2008 £1 6m) relates to the value of purchases made by the trust to satisfy these outstanding option awards to employees of the Group

The notes on pages 58 to 100 form an integral part of these Financial Statements

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year Ended 31 12 09 £m	Year Ended 31 12 08 £m
Cash flows from operating activities from continuing operations:			
Cash generated from operations	31	**32 6**	13 5
Finance income received		**1.4**	5 6
Finance expense paid		**(1.1)**	(1 0)
Tax received / (paid)		**0.7**	(0 8)
Cash flows generated from / (used in) discontinued operations		**0.2**	(1 7)
Net cash flows from operating activities		**33.8**	15 6
Cash flows from investing activities from continuing operations:			
Acquisition of businesses and subsidiary, net of cash acquired		**-**	(4 4)
Fees in relation to disposal of subsidiaries		**(0.1)**	-
Net proceeds from sale of available-for-sale financial assets	6	**0.3**	-
Purchase of property, plant and equipment		**(1.8)**	(1 6)
Purchase of intangible assets		**(0.9)**	(0 7)
Purchase of available-for-sale financial assets		**-**	(1 0)
Cash flows from investing activities of discontinued operations		**-**	(0 4)
Net cash used in investing activities		**(2 5)**	(8 1)
Cash flows from financing activities from continuing operations·			
Issue of ordinary share capital		**3.2**	0 2
Dividends paid	14	**(4.7)**	(4 3)
Purchase of trust shares		**(23.7)**	(1 6)
Net cash used in financing activities		**(25.2)**	(5 7)
Net increase in cash and cash equivalents		**6 1**	1 8
Cash and cash equivalents at beginning of year		**103.6**	122 7
Exchange gain on cash		**-**	0 8
Less cash deconsolidated during the year from discontinued operations		**(0 2)**	(21 7)
Cash and cash equivalents at end of year from continuing operations	23	**109 5**	103 6

The notes on pages 58 to 100 form an integral part of these Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these Financial Statements are set out below Except as explained below, these policies have been consistently applied to the years presented

Basis of preparation

The Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through the profit or loss

The Evolution Group Plc is a UK listed holding company for financial services companies The Company is a public limited company incorporated and domiciled in the United Kingdom The address of its registered office is 9th floor, 100 Wood Street, London, EC2V 7AN

A summary of the Group accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year

Changes in presentation

The presentation of trade and other receivables and trade and other payables as at 31 December 2008 has been changed to reflect the correct netting of certain balances aggregating £14 5 million with the same counterparties where the netting criteria are met in accordance with the Group's accounting policies

Significant accounting policies

Basis of consolidation

The Group's Consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiary undertakings

a) Investments in subsidiary undertakings

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity Subsidiaries are fully consolidated from the date on which control is transferred to the Group They are deconsolidated from the date that control ceases A list of subsidiaries held by the Group and Company is disclosed in note 6 of the parent Company accounts

All intra Group transactions and balances are eliminated on consolidation and consistent accounting policies are used throughout the Group for the purpose of consolidation

The purchase method of accounting is used to account for the acquisition of businesses and subsidiaries The cost of an acquisition is measured at the fair value of the identifiable assets given, equity instruments issued and liabilities or contingent liabilities incurred or assumed at the date of exchange, together with any costs directly related to the acquisition The excess of the cost of an acquisition over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill If the cost of the acquisition is less than the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired, the difference is recognised immediately in the Consolidated Income Statement

b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group Disposals to minority interests result in gains and losses for the Group that are recorded in the Consolidated Income Statement Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

c) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies and in which the Group generally has between 20% and 50% voting power The Group accounts for associates using the equity method Under this method, the Consolidated Financial Statements show the Group's share of the total recognised gains and losses of associates and their net assets, from the date that significant influence or joint control commences until the date they cease Any premium over net asset value paid to acquire an interest in an associate is recognised as goodwill, within the same line as the underlying investment

Discontinued operations and disposal groups held-for-sale

When the Group is committed to dispose of a business segment that represents a separate major line of business, and it is intended that such a disposal will be completed within one year of the decision to sell, it classifies such a business segment as a discontinued operation The assets of disposal groups are presented separately from other assets on the Balance Sheet and the liabilities of disposal groups are presented separately from other liabilities on the Balance Sheet The assets and liabilities of the disposal groups classified as held-for-sale are measured at the lower of carrying amount and fair value less costs to sell The comparative Balance Sheet is not restated The post-tax result of the discontinued operation is shown as a single amount on the face of the Income Statement, with a restatement of the comparative period In determining the post-tax result of the discontinued operation only those central costs that will be eliminated on disposal are allocated to the discontinued operation

On 1 April 2009 the Company announced the completion of an investment in ESCL by First Eastern As a result of this transaction the Group's interest in ESCL has fallen to 48 5% Prior to the completion of this transaction in 2009 the Group consolidated ESCL and presented it as a discontinued operation From 1 April 2009 ESCL and its subsidiary have been deconsolidated and are accounted for by the equity method of accounting

Income recognition

Revenue comprises the fair value of consideration received or receivable for the sale of services in the ordinary course of the Groups activities Revenue is recognised when the amount of revenue can be reliably measured, and it is probable that the economic benefits associated with the transaction will flow into the Group

a) Fee and commission income

Fee and commission income includes transaction income, commission income, trail commission, placing commission, retainer income, initial commission and fees from asset management activities (including interest income on private client assets), net of payaway to Independent Financial Advisers, introducers and self-employed half commission persons

Initial commissions received from clients are capitalised in the Balance Sheet, as deferred income and amortised over the average holding period of five years, being the relevant period in which the relationship between the commission earned and the assets under management to which such commissions relate is believed to exist

Fees and commissions are recognised in the Income Statement when the related services are performed and all legal conditions have been satisfied, and when considered recoverable

b) Fee and commission expenses

Fee and commission expenses include amounts paid to other third parties in connection with corporate finance fee income such as introduction fees Costs incurred in the normal course of executing commission transactions across our exchanges and settling through recognised networks are also included

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

c) Trading income

Trading income from market making and principal trading activities comprises all gains and losses from changes in the fair value of financial assets and liabilities held for trading, together with any related dividend income on positions held Costs incurred in the normal course of executing trading transactions across our exchanges and settling through recognised networks are included within other administrative expenses

Trading income also includes derivative contracts relating to equity options and warrants received in lieu of corporate finance fees

d) Other income

Other income includes fees for probate valuations, foreign exchange gains and losses resulting from the re-translation and settlement of foreign currency transactions, commitment fees and bridging loan fees and interest on facilities offered to corporate clients and any dividend income on available-for-sale financial assets Interest income on segregated client money accounts which relates to Evolution Securities Limited is included within this category

Operating leases

Rentals applicable to operating leases where substantially all the benefits and risk of ownership remain with the lessor are charged to the Income Statement on a straight line basis over the lease term

Lease incentives are credited to the Income Statement and spread over the life of the lease

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker The chief operating decision-maker, who is responsible for allocating resources, making strategic decisions and assessing the performance of operating segments, has been identified as the Group Board of Directors

Foreign currency translation

(a) Functional and presentation currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency') The Consolidated Financial Statements of the Group are presented in Sterling, which is the Company's functional and the Group's presentation currency

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of their fair value gain or loss Translation differences on non-monetary items such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows

- assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that Balance Sheet,
- income and expenses for each Income Statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions), and
- all resulting exchange differences are recognised as a separate component in equity which is fair value and other reserves

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate

Finance income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within 'finance income' and 'finance expense' in the Income Statement using the effective interest method

Goodwill

The cost of an acquisition is measured at the fair value of the identifiable assets given, equity instruments issued and liabilities or contingent liabilities incurred or assumed at the date of exchange, together with any costs directly related to the acquisition The excess of the cost of an acquisition over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill Goodwill is stated at cost less accumulated impairment losses, which are charged to the Income Statement

Intangible assets

Other intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any The following are the main categories of other intangible assets

Intangible assets with a finite useful life

a) *Brands* Purchased brands are capitalised at cost less amortisation on a straight line basis over their estimated useful lives and impairment Expenditure incurred to develop or maintain brands internally is recognised as an expense in the period incurred

b) *Distribution channels and customer relationships* Purchased distribution channels and customer relationships are capitalised at cost less amortisation on a straight line basis over their estimated useful lives and impairment

c) *Computer software* Acquired computer software licenses are stated at cost, including those costs incurred to acquire and bring to use the specific software, less amortisation on a straight line basis over their estimated useful lives and impairment

The following useful lives have been determined for intangible assets

Computer software	2-3 years
Customer relations	5 years
Brand	5 years
Distribution channels	5 years

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Intangible assets with an indefinite useful life

Financial Industry Regulatory Authority ("FINRA") Licence
Costs associated with the acquisition of the US Broker Dealer, Evolution Securities US Inc (ESUS), are deemed to relate to the FINRA licence only The licence is deemed to have an indefinite life, based on the continuing FINRA membership having no fixed life, and consequently is not being amortised

Financial Services Authority ("FSA") Regulatory Status
Costs associated with the acquisition of WDB Capital Limited and WDB Asset Management limited, are deemed to relate to its FSA regulatory status The regulatory status is deemed to have an indefinite life, based on continuing FSA membership having no fixed life, and consequently is not being amortised

Property, plant and equipment

All property, plant and equipment ("PPE") is shown at cost less depreciation and impairment Cost includes expenditure that is directly attributable to the acquisition of the item Depreciation on PPE is calculated using the straight-line basis to allocate the cost of each asset to its residual value over its estimated useful life, as follows

Computers and similar equipment	3 to 5 years
Fixtures, fittings, and other equipment (including Leasehold improvements)	3 to 5 years

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner

Impairment of goodwill, intangible assets and PPE

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation or depreciation and are tested annually for impairment Other intangibles and PPE are assessed at the reporting date or whenever events or changes in circumstance indicate that the carrying amount may not be recoverable The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount of the asset or cash generating unit (for goodwill and intangible assets with an indefinite useful life) The recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use An impairment loss is recognised in the Income Statement in the period in which it occurs for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount The assets' residual values and useful lives are reviewed and adjusted if necessary at each Balance Sheet date

Financial assets and liabilities

The Group classifies its financial assets and liabilities as trading portfolio assets and liabilities, available-for-sale financial assets, derivative financial instruments, stock borrowing and lending, trade and other receivables, cash and cash equivalents, and trade and other payables The classification depends on the purpose for which the assets and liabilities were acquired Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through the profit or loss Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Income Statement Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership Financial liabilities are derecognised when they are extinguished, that is, when the obligation is discharged, cancelled or expires

The Group has financial assets and financial liabilities that offset to a net amount when presented in the financial statements This arises when the Group transacts with central clearing counterparties that it does not hold a direct membership with, and is therefore contractually obliged to settle any outstanding financial assets or liabilities on a net basis In all other cases the Group presents its financial assets and financial liabilities on a gross basis as per its standard terms and conditions

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Trading portfolio assets and liabilities

Financial assets and liabilities are classified as held for trading if acquired principally for the purpose of selling in the short-term or if so designated by management Purchases and sales of investments are recognised on trade date, being the date on which the Group commits to purchase or sell the asset

Available-for-sale financial assets

Available-for-sale financial assets are either designated in this category or are not classified in any other category Available-for-sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices They are initially recognised at fair value and are subsequently held at fair value A significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Consolidated Income Statement Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement unless the related asset is subsequently disposed of at a gain to the impaired valuation Gains and losses arising from changes in fair values are included as a separate component of equity within fair value and other reserves until sale or when impaired

Measurement of trading portfolio assets and liabilities and available-for-sale financial assets

For trading portfolio assets and liabilities and available-for-sale financial assets that are quoted in active markets, fair values are determined by reference to the current quoted bid / offer price, with trading portfolio assets marked to the bid price and trading portfolio liabilities marked at the offer price Where independent prices are not available, fair values may be determined using valuation techniques with reference to observable market data These may include comparison to similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models such as Black-Scholes and other valuation techniques commonly used by market participants

The Group makes an assessment at each Balance Sheet date as to whether there is any objective evidence of impairment In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the asset is impaired in which case the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement) is removed from equity and recognised in the Income Statement

Derivative financial instruments

Derivatives are initially accounted for and measured at fair value on the date a derivative contract is entered into and subsequently measured at fair value The gain or loss on re-measurement is taken to the Income Statement within trading income All derivatives are included in assets when their fair value is positive and liabilities when their fair value is negative, unless there is the legal ability and intention to settle net

The regular way purchase or sale of held for trading financial assets is recognised using trade date accounting A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frames established generally by regulation or convention in the marketplace concerned Purchases or sales that do not fall within the regular way classification (generally beyond three days settlement) are treated as derivatives in the period between the trade date and the settlement date, i e as a forward purchase or sale of security The contract value (i e the trade date receivable or payable) of such transactions is not recorded on the Balance Sheet, but the change in fair value is recognised on the Balance Sheet and Income Statement within trading income in the intervening period between the trade date and settlement date

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Stock borrowing and lending

The Group enters into stock borrowing and lending arrangements with certain institutions on a collateralised basis with securities or cash advanced or received as collateral The transfer of securities to institutions is not reflected on the Balance Sheet Where cash collateral is advanced or received, an asset or liability is recorded at the amount of cash collateral advanced or received Securities borrowed are recognised on the Balance Sheet and are recorded as a trading liability and measured at fair value Fees charged in the course of borrowing are recorded on an accruals basis and included within other operating expenses Interest received or paid on collateral is included within finance income or expense

Trade and other receivables

Trade and other receivables (which include counterparty receivables) are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables Evidence that an impairment of the asset may be required includes ageing of the debt beyond 180 days, persistent lack of communication and internal awareness of third party trading difficulties
The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate The amount of the provision is recognised in the Income Statement within operating expenses

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value Such investments are normally those with original maturities of three months or less and bank overdrafts

Trade and other payables

Trade and other payables (which includes counterparty payables) are recognised initially at fair value, which is the agreed market price at the time goods or services are provided and are subsequently recorded at amortised cost using the effective interest rate The Group accrues for all goods and services consumed but as yet unbilled at amounts representing management's best estimate of fair value

Provisions

Provisions are recognised for present obligations arising as consequences of past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation and it can be reliably estimated

Provisions for dilapidation on leasehold premises are recognised as a liability over the period to the next break clause within the lease and discounted to fair value at an effective interest rate over the period of the property lease The accrual is based on expected costs to be incurred at the end of the lease period to bring the building back into a suitable state discounted to the net present value using an effective discount rate that reliably calculates the present value of the future obligation Where a leases break clause is shorter than 1 year and the Group expects to exercise the break clause the provision is transferred from the provision account with the Balance Sheet to current liabilities – Trade and other payables

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured Contingent liabilities are not recognised in the Financial Statements, however, they are disclosed unless considered remote

Employee benefits

(a) Pension obligations

The Group does not offer any Group pension schemes However, the Group does make defined contributions to employees' approved personal pension plans, and the costs of these are charged to the Income Statement when they are incurred

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

(b) Share-based plans

The Group's management awards high-performing employees bonuses in the form of equity-settled share-based payments, from time to time, on a discretionary basis Equity-settled share-based payments are measured at fair value at the date of grant Fair value is measured by use of the Black-Scholes pricing model or, in the case of awards of call rights, which have an exercise price of 1p per ordinary share, the fair value is based on the market value at the time of grant discounted by the dividend yield over the expected life The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest The options are generally subject to a three year service vesting condition, and their fair value is recognised as an employee benefit expense with a corresponding increase in retained earnings within equity over the vesting period The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised

(c) Employees' Share Ownership Plan ("ESOP")

The ESOP allows every employee to purchase up to £1,500 worth of the Group's shares per annum on a tax efficient basis These are purchased on a monthly basis and held in trust and are matched by shares issued by the Company on a one-for-one basis Employees are entitled to receive the matching shares after a period of 3 years employment The cost of the matching shares is charged to the Income Statement on a straight line basis over the 3 year period Where an individual's employment is terminated with the Company prior to completing the 3 year period, the life to date charge is reversed from the Income Statement

Current and deferred taxes

Current taxes are computed on a basis of the tax laws enacted or substantially enacted at the Balance Sheet date in the countries where the Group's subsidiaries operate and generate income

Deferred taxes are computed using the liability method, on temporary differences between the bases of assets and liabilities and their carrying amounts in financial statements The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which tax losses or deductible temporary differences can be utilised

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

Deferred tax is charged or credited in the Income Statement, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is dealt with in other comprehensive income or directly in equity

The Group is entitled to a tax deduction for amounts treated as compensation on exercise of certain employee share options under UK tax rules As explained under "Share-based plans" above, a compensation expense is recorded in the Group's Income Statement over the period from the grant date to the vesting date of the relevant options As there is a temporary difference between the accounting and tax bases, a deferred tax asset is recorded The deferred tax asset arising is calculated by comparing the estimated amount of tax deduction to be obtained in the future (based on the Company's share price at the Balance Sheet date) with the cumulative amount of the compensation expense recorded in the Income Statement If the amount of estimated future tax deduction exceeds the cumulative amount of the remuneration expense, at the statutory tax rate, the excess is recorded directly in equity, against retained earnings

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Share capital

a) *Share issue costs*
Ordinary shares are classified as equity

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax

b) *Treasury shares*
Where the Group purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of taxes), is deducted from equity attributable to the Company's share holders until the shares are cancelled, reissued or disposed of

c) *Trust shares*
The Group's Employee Benefit Trust ("the Trust") uses funds provided by the Group to meet the Group's obligations under the employee share option schemes in place All shares acquired by the Trust are purchased on the open market The consideration paid, including any directly attributable incremental costs (net of taxes), is deducted from equity attributable to the Company's holders

d) Dividend distribution
Dividend distribution to the Group's shareholders is recognised in equity in the Financial Statements in the period in which the dividends are paid Final dividends are recognised at the date they are approved by shareholders at the Annual General Meeting

Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, excluding those held in the Evolution Group Plc Employees' Share Trust which are treated as cancelled For diluted earnings per share, the weighted number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares and option costs not yet charged to the Income Statement However, in accordance with IAS 33, potential ordinary shares are only considered dilutive when their conversion would decrease the profit per share or increase the loss per share from continuing operations attributable to the equity holders Therefore shares that may be considered dilutive while positive earnings are being reported may not be dilutive while losses are incurred

Changes in accounting policies and disclosures

a) New and amended standards adopted by the Group

The Group has adopted the following new and amended IFRS's as of 1 January 2009

- IFRS 7, 'Financial instruments – Disclosures' (amendment) – effective 1 January 2009 The amendment requires enhanced disclosures about fair value measurement and liquidity risk In particular the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy,
- IFRS 8, 'Operating segments' – effective 1 January 2009 The standard requires a 'management approach' under which segmental information is presented using the same method as that adopted for internal reporting purposes The presentation of segmental information in note 4 has been prepared using this method,
- IAS 23 (amendment), 'Borrowing costs' – effective 1 January 2009 The amendment requires borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset to be capitalised The option of immediately expensing those borrowing costs will be removed This has not had a material impact on the Group
- IAS 1 (revised), 'Presentation of financial statements' – effective 1 January 2009 The revised standard prohibits the presentation of items of income and expenses in the statement of changes in equity, requiring 'non owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share,
- IFRS 2 (amendment), 'Share-based payment' – effective 1 January 2009 This amendment clarifies that vesting conditions are service conditions and performance conditions only Other features of share based payments are not vesting conditions This amendment has not had a material impact on the Group

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them

- IFRIC 17, 'Distribution of non-cash assets to owners' is required to be adopted for the Group for the financial year ending 31 December 2010 This interpretation provides guidance on accounting arrangements whereby an entity distributes non-cash assets to shareholders whether as a distribution of reserves or as dividends IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable This is not expected to have a material impact on the Group,
- IAS 27 (revised), 'Consolidated and separate financial statements' is required to be adopted for the Group for the financial year ending 31 December 2010 The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control, and these transactions will no longer result in goodwill or gains and losses The standard also specifies the accounting when control is lost Any remaining interest in equity is re-measured to fair value, and a gain or loss is recongnised in profit or loss The Group will apply IAS27 (revised) prospectively to all business combinations from 1 January 2010, subject to endorsement by the EU,
- IFRS 3 (revised), 'Business combinations' is required to be adopted for the Group for the financial year ending 31 December 2010 The revised standard results in changes to the acquisition method of business combinations The Group expects that this revision will impact the accounting for business combinations,
- IFRS 5 (amendment), 'Non-current assets held-for-sale and discontinued operations' is required to be adopted for the Group for the financial year ending 31 December 2010 The amendment clarifies that all of a subsidiary's assets and liabilities as held-for-sale if a partial disposal will result in loss of control This is not expected to have a significant impact on the Group,
- IAS 1 (amendment), 'Presentation of financial assets' is required to be adopted for the Group for the financial year ending 31 December 2010 The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the Group could be required by the counterparty to settle in shares at any time This is not expected to have a material impact on the Group,
- IAS 38 (amendment), 'Intangible assets' is required to be adopted for the Group for the financial year ending 31 December 2010 The amendment defines a prepayment as being recognised only if payment has been made in advance of receiving the right to goods or receipt of services The Group is assessing the implications of this change but currently does not expect it to have a material impact, and
- IFRS 2 (amendments), 'Group cash-settled share-based payment transaction' is required to be adopted for the Group for the financial year ending 31 December 2010 In addition to incorporating IFRIC 8, 'Scope of IFRS 2 and IFRIC 11', 'IFRS 2 – Group and treasury share transactions' the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation The new guidance is not expected to have a material impact on the Group or Company's Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of the Financial Statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the year Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed below

Intangible assets and goodwill impairment

Goodwill and other intangible assets, such as customer relationships and distribution channels, are tested for impairment based on the higher of value-in-use or fair values less costs to sell The calculations require management's assumptions and estimates of future cash flows and discount rates

Based on the outcomes of the above prescribed analysis the Group believes the remaining carrying values of its intangible assets are held at appropriate levels and do not require impairment

However, even if the pre-tax discount rates used by management had been 5% higher than management's estimates the Group would not have recognised an impairment against goodwill

Income taxes

The Group is subject to income taxes Judgement is required in determining the extent that it is probable that taxable profits will be available in the future against which deferred tax assets can be utilised

Based on forecasts the Group expects to recover its deferred tax assets within the next three years Further details of the deferred tax assets and its expected recovery can be found in note 18 to the Financial Statements

If the Group's forecast were 10% higher or lower then the Group would still expect to recover its deferred tax assets within the next three years

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Through its normal operations, the Group is exposed to a number of risks, the most significant of which are market, credit, and operational risks The Group has limited exposure to foreign exchange risk Its strong cash and cash equivalents position also ensures that it has low liquidity risk

Risk Management Framework

The Group Board is responsible for approving all risk management policies and for determining the overall risk appetite for the Group

The Audit Committee is responsible for reviewing the Group's internal control and risk management systems

Risk Committee

The Group's Directors have delegated to a sub-committee, the Risk Committee, the responsibility for setting the risk management policies applied by the Group and its subsidiaries

The purpose of the Risk Committee is to monitor and assess all types of risk within the Group and to ensure that internal controls are properly established so that the Group's risk exposure is commensurate with the wishes of the Board In addition, the Risk Committee tracks external market events and tries to evaluate their impact on the Group The Risk Committee meets at least monthly and is chaired by the Chief Risk Officer

Risk Department

The Risk Department has day-to-day responsibility for monitoring, mitigating and reporting risks within the Group and for escalating issues to senior management The Risk Department follows the guidelines laid down by the Credit Policy, the Credit Limit Book, the Trading Policy Statement and the Operational Risk Policy as approved by the Group Board, the Audit Committee and the Risk Committee The Treasury Department is responsible for hedging foreign exchange risk and for managing liquidity

Risk Reporting

The Group Board receives a monthly risk report detailing market and credit risk exposures, operational risk incidents and losses and key risk indicators In addition, the Risk Committee discusses significant exposures and reviews limit breaches or requests for temporary limit increases

(a) Management of Market Risk

Market risk management seeks to identify and control the potential loss in value of Group assets arising from changes in market prices The principal risk for the Group is an adverse change in equity prices The Risk Department's role is to independently monitor, control and report this risk

It is important for senior management to be aware of the possible capital implications of an adverse movement in prices Stress tests provide an indication of the potential size of losses that could arise in extreme conditions The stress tests approved by the Risk Committee are historical scenarios that show the profit and loss that would occur if the historic changes were to be repeated These stress test results are calculated in near real-time and the end-of-day results are reviewed by the Risk Committee and the Board of Directors This stress test is used to determine whether the Group holds enough capital under Pillar 2 of the Capital Requirements Directive

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Equity Price Risk

The Group is exposed to equity market risk in respect of its equity holdings These comprise of (i) available-for-sale financial assets, (ii) trading portfolio assets and liabilities that result from market making, and (iii) derivatives In conjunction with stress tests outlined above, a sensitivity analysis has been performed on the Group's exposure to equity risk The analysis is based on the assumption that underlying equity prices had an increase / decrease of 10% with all other variables held constant at the year end The results as outlined below are only representative of the impact that is observed at the year end, and not of the impact that was observed during the year, which occurs due to a varying portfolio throughout the year

i) Available-for-sale financial assets

The Board continues to review the performance of existing available-for-sale financial assets in the Group's portfolio and realises these investments when deemed appropriate

For available-for-sale financial assets, a 10% increase / decrease in equity prices would result in an increase / decrease respectively in equity reserves of £0 2m (2008 £0 1m)

ii) Trading portfolio assets and liabilities that result from market making

The Risk Department monitors the market risk limits as laid down in the Trading Policy Statement An automated system notifies the department whenever a limit is breached and the Risk Department then have a discussion with the trader before notifying senior management as to how the breach will be resolved The whole process is logged and is fully auditable so that it is possible, for example, to analyse limit breach patterns or limit utilisation

A 10% increase / decrease in equity prices on trading portfolio assets would increase / decrease profit in the Income Statement by £1 3m (2008 £0 5m) A 10% increase / decrease in equity prices on trading portfolio liabilities would decrease / increase profit in the Income Statement by £0 3m (2008 £0 4m) respectively

iii) Derivatives

Management of market risk in respect of derivatives is through active involvement of senior management under the supervision of the Board of Directors

The Group will occasionally use derivatives to hedge its trading portfolio All such positions are discussed with senior management and independently monitored by the Risk Department

Additionally, non-regular way trades at the period end give rise to derivative forward contracts as a result of the change in market value from the contract (trade) date to 31 December 2009

On 31 March 2009 the Group's interest in WDB Capital UK Equity Fund Limited fell below 50% Prior to then the Group consolidated CFDs held within the Fund From 31 March 2009 the Fund has been accounted for as an associate, and as such the Group is indirectly exposed to derivative price movements within the Fund

The impact of a 10% increase in equity prices on derivatives would increase profit in the Income Statement by less than £0 2m (2008 £0 1m) The impact of a 10% decrease in equity prices on derivatives would decrease profit in the Income Statement by less than £0 2m (2008 £0 1m)

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Foreign exchange risk

The following table summarises the Group's currency exposure arising from unmatched monetary assets or liabilities not denominated in the Group's functional currency

Net assets / (liabilities)	2009 £m	2008 £m
Euros	(1.6)	0.1
US Dollar	1.9	0.6
Hong Kong Dollar	-	0 7
Swiss Franc	0.1	0 2
Other currencies	0.2	0 2
	0.6	1.8

The Group's activities are primarily denominated in Sterling The majority of transactions denominated in a foreign currency that would expose the Group to currency risk are economically hedged immediately, normally in the spot market The Group does not enter into forward exchange contracts for hedging anticipated transactions

Based on the Group's year end net assets dominated in non-Sterling currencies the impact of a 10% strengthening or weakening in Sterling against major currencies would result in a gain or loss of £0 1m (2008 £0 2m)

On 31 March 2009 the Group's interest in WDB Capital UK Equity Fund Limited fell below 50%, prior to then the Group was also exposed to foreign exchange movements within the Fund From 31 March 2009 the Fund has been accounted for as an associate, and as such the Group is indirectly exposed to foreign exchange movements within the Fund

Interest rate risk

The Group has interest bearing assets in mainly cash and cash equivalents The Group has a policy of maintaining excess funds in cash and short term deposits and is exposed to short term interest rate risk At the year end, all of the Group's excess funds were invested in cash and short term deposits The Group does not use any derivatives to hedge interest rate risk

If LIBOR market interest rates had been 100 basis points higher / lower throughout 2009 with all other variables held constant, profit for the year would have been £0 1m (2008 £1 0m) higher and £0 1m (2008 £1 0m) lower respectively

Management Fee Risk

The Group's management fee income within its Private Client business is exposed to market risk where management fee income is determined by reference to client portfolio values If financial asset prices that drive the portfolio values had been 5% higher / lower during the period, management fee income would have been £1 3m (2008 £0 9m) higher and £1 3m (2008 £0 9m) lower respectively

(b) Management of Credit Risk

The Group has exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation Credit risk exposure is generated primarily from the settlement risk on equities and fixed income This is principally the risk that counterparty fails to settle a trade thereby forcing the Group to close out the trade at a possible loss It is important to note that the potential loss is not the value of the trade, but the difference between the prices at which the trade was executed and the current price This is termed the mark-to-market value The longest dated transactions are limited to trade date plus twenty five business days The Group is also exposed to credit risk on outstanding receivables, exposure to this risk is managed by taking into account financial position, past experience and other factors for customers

Credit Risk Control

Counterparty receivables represent monies due from institutional trading counterparts The Risk Department undertakes a credit review of all new accounts and periodically reviews all existing counterparties As part of the review, each counterparty is assigned a credit limit according to the guidelines in the Credit Limit Book Limits are based on either the amount of assets under management or risk assessments from a third party provider Where data is not available the limit is based on the net assets and profitability of the counterparty New accounts cannot begin to trade until the credit review has been completed and the counterparty assessed as credit worthy

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The table below summarises the credit quality of the Group's financial assets by third party credit ratings (if available)

	2009	2008
	%	%
AAA-A Rated	71	67
Un-Rated Private Client Custodian and Prime Brokers	1	4
Un-Rated Investment Banking Institutional Clients	20	13
Un-Rated	8	16
	100	100

The ratings noted above have been derived using source information from Standard & Poor and Moody's All financial assets over an "A" rating are consolidated under the "AAA-A" category and include as cash and cash equivalents, trade receivable and counterparties Where an asset is un-rated, that is, there is no recognised external rating applicable to the asset, we have created sub-divisions to further distinguish the asset classes Under the asset classes "Un-Rated Investment Banking Institutional Clients" and "Un-Rated Private Client Custodian and Prime Brokers" the majority of these balances relate to clients which are unrated entities owned by rated institutions, however as the Group transacts with the underlying entities these balances have been classified as "Un-rated" All "Un-rated" assets have undergone a thorough credit review and have been allocated internal ratings based on this review

Each day the Risk Department prepares a counterparty exposure report that shows all credit risk exposures, potential future exposures and limits Credit limit breaches are annotated and investigated The Risk Committee reviews all credit limit breaches and authorises mitigating action when deemed necessary The Group has £99 5m of its cash balance deposited with a single AA-rated UK Bank However there are no significant concentrations of credit risk with unrated counterparties All items classified as neither past due nor impaired, following the credit reviews described above, are considered to be recoverable and therefore of a credit quality that do not require impairment

The following table of financial assets analyses amounts due by ageing

Year ended 31 December 2009	Neither past due nor impaired £m	Past due but not impaired 0-3 months £m	3-6 months £m	6-9 months £m	> 1 year £m	Impaired £m	Carrying value before provision £m
Trade receivables	8.7	1 3	0.2	-	-	0.2	10.4
Counterparty receivables	49.5	6 9	0.1	0 1	1.2	-	57.8
Other receivables	6.4	-	-	-	-	-	6.4
Available-for-sale financial assets	1.7	-	-	-	-	-	1.7
Trading portfolio assets	13.3	-	-	-	-	-	13.3
Cash and cash equivalents	109 5	-	-	-	-	-	109.5
	189.1	8 2	0 3	0.1	1.2	0 2	199 1

The carrying amounts disclosed above for the Group's financial assets represents the maximum exposure to credit risk Collateral is held as security against a single other receivables exposure, the value of the collateral at 31 December 2009 is £6 8m The balance of £1 2m on counterparty receivables greater than 1 year past due is offset by counterparty payables of £1 2m in relation to the same suspended securities

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Year ended 31 December 2008	Neither past due nor impaired £m	Past due but not impaired 0-3 months £m	3-6 months £m	6-9 months £m	> 1 year £m	Impaired £m	Carrying value before provision £m
Trade receivables	3 9	0 7	0 6	-	-	0 4	5 6
Counterparty receivables	17 8	6 3	0 1	0 4	-	1 5	26 1
Other receivables	5 8	0 1	-	-	-	-	5 9
Available-for-sale financial assets	1 1	-	-	-	-	-	1 1
Trading portfolio assets	5 0	-	-	-	-	-	5 0
Cash and cash equivalents	103 6	-	-	-	-	-	103 6
Amounts owed from Group undertakings	0 7	-	-	-	-	-	0 7
	137 9	7 1	0 7	0 4	-	1 9	148 0

The carrying amounts disclosed above for the Group's financial assets represents the maximum exposure to credit risk No collateral is held as security on these exposures, and the terms have not been renegotiated

(c) Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for the financial instruments that are measured in the Balance Sheet at fair value This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy

- Level 1 – Quoted prices unadjusted in active markets for identical assets or liabilities,
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly as prices or indirectly derived from prices,
- Level 3 – Inputs for the asset or liability that are not based on observable market data

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2009

Assets	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Available-for-sale financial assets	1 7	-	-	1 7
Trading portfolio assets	13 2	0 1	-	13 3
Total Assets	**14.9**	**0.1**	-	**15.0**

Liabilities	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Trading portfolio liabilities	2 9	-	-	2 9
Total Liabilities	**2.9**	-	-	**2.9**

There have been no changes in level 3 instruments for the year ended 31 December 2009

The carrying values of assets and liabilities not held at fair value (cash and cash equivalents, trade receivables, counterparty receivables, other receivables, and trade and other payables) are not significantly different from fair value

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(d) Management of Liquidity Risk

The Group seeks to manage liquidity risk, by maintaining a mixture of cash and short term deposits to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably As part of this process the Group has been diversifying its deposits to ensure that it is not exposed to undue risk caused by the possible increase in redemption times in its money market funds The Group deems there is sufficient liquidity for the near future

The Group's exposure to liquidity arises from the equity and fixed income trading activities within the investment banking business and the settlement of trades within this business This risk is short term in nature

The tables below analyse the Group's future cash outflows based on the remaining period to the contractual maturity date The amounts disclosed are the contractual undiscounted cash flows

As at 31 December 2009	Less than 1 year £m	1-2 years £m	Total £m
Trade and other payables	**102.5**	**0.6**	**103.1**
Trading portfolio liabilities	**2.9**	-	**2.9**
	105.4	**0.6**	**106.0**

As at 31 December 2008	Less than 1 year £m	1-2 years £m	Total £m
Trade and other payables	45 8	-	45 8
Trading portfolio liabilities	4 2	-	4 2
Held-for-sale liabilities	12 9		12 9
	62 9	-	62 9

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(e) Capital Risk Management

Consistent with others in the industry the Group manages capital on the basis of regulatory capital requirement in accordance with Pillar 1 and Pillar 2 which is unchanged from 2008

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented by the Financial Services Authority, for supervisory purposes Compliance with FSA regulatory requirements was maintained throughout the year

The Group has an Internal Capital Adequacy Assessment Process (commonly known as the ICAAP), which it uses to manage regulatory capital This Assessment takes into account the risk profile and future plans of the business Under this process the Group is satisfied that there is either sufficient capital to absorb potential losses or that there are mitigating controls in place to prevent the risks occurring

The Risk Department includes commentary on required and available capital in its monthly risk report to the Group and in the Risk Committee pack The commentary highlights any changes to Pillar 1 or 2 numbers and also any expected impact from the anticipated business initiatives

On 31 December 2009, the Group had £127 1m (2008 £127 8m) of regulatory capital resource, which is comfortably in excess of its regulatory capital requirement Management consider that the Group has more than sufficient capital for its size and complexity taking into account all material risks faced in carrying out the Group's activities

Where significant business initiatives are planned, the effects on the risk profile of the Group and therefore its capital requirement are considered as part of the business plan

(f) Operational Risk Control

The Group defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events The Group recognises that operational risk can never be eliminated, but seeks to minimise the probability and impact of operational risk events

The Operational risk policy that has been implemented incorporates three key processes

- A risk and control assessment carried out by the Risk Department through discussion with department heads The assessment scores risk events as to probability and impact as well as evaluating the design and performance of controls that have been put in place to mitigate the risk The results of this assessment form the basis of the Key Risks Matrix,
- Monitoring of Key Risk Indicators by the Risk Committee and Group Board, and
- Establishment of an operational loss database to capture and analyse risk incidents and loss events

The Group also undertake yearly appraisals for all employees as well as completing an independent employment screening of all new employees

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 SEGMENT REPORTING

During the year the Group's Board of Directors acted as the Chief Operating Decision Maker ("CODM") Presented in the table below are the operating segments the CODM regularly reviewed in order to allocate resources and assess the performance of the Groups' operating segments

The Board monitors and reviews the operating performance of the Group by operating segments per the tables below:

Investment banking in the current year refers to the business carried out in Evolution Securities Limited and Evolution Securities (US) Inc Private client refers to the business carried out under the Williams de Broë brand Other activities principally refer to the central administrative, shared services, holding company functions

Total Assets	2009			
	Investment banking £m	Private client £m	Other £m	Total £m
Assets	122 1	34 4	75 5	232 0
Investment in associates	1 3	12 1	-	13 4
Total assets	**123 4**	**46 5**	**75 5**	**245 4**

Total Assets	2008			
	Investment banking £m	Private client £m	Other £m	Total £m
Assets	64 9	34 8	85 0	184 7
Disposal groups classified as held-for-sale	4 8	23 3	-	28 1
Total assets	**69.7**	**58.1**	**85 0**	**212 8**

Total Liabilities	2009			
	Investment banking £m	Private client £m	Other £m	Total £m
Liabilities	(88 0)	(12 3)	(7 9)	(108 2)
Total liabilities	**(88 0)**	**(12 3)**	**(7 9)**	**(108.2)**

Total Liabilities	2008			
	Investment banking £m	Private client £m	Other £m	Total £m
Liabilities	(33 3)	(15 1)	(4 3)	(52 7)
Disposal groups classified as held-for-sale	(0 6)	(12 3)	-	(12 9)
Total liabilities	**(33 9)**	**(27 4)**	**(4 3)**	**(65 6)**

Additions to non-current assets other than financial instruments and deferred tax assets are as follows

	Investment banking £m	Private client £m	Other £m	Total £m
2009	**1 8**	**1 2**	**-**	**3 0**
2008	1 1	8 3	0 7	10 1

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. SEGMENT REPORTING (continued)

By business segment (continued)

Segmental information provided to the Board of Directors for the year ended 31 December 2009 is as follows

Income Statement	2009 Investment banking £m	Private client £m	Other £m	Total £m
Total income	87 0	42 4	-	129 4
Adjusted operating profit / (loss)	**18 5**	**4.1**	**(1 8)**	**20 8**
Charge for share options granted to employees				(3 8)
Amortisation of intangibles				(1 5)
Non-recurring operating expenses				(2 7)
Profit on disposal of available-for-sale financial assets				0 3
Impairment of available-for-sale financial assets				(2 0)
Operating profit from continuing operations				**11 1**
Net finance income				0 3
Share of post tax results of associates				(0 3)
Profit before tax from continuing operations				**11 1**
Tax				**(1 9)**
Profit after tax from continuing operations				**9.2**
(Loss) after tax from discontinued operations				**(2 3)**

Segmental information provided to the Board of Directors for the year ended 31 December 2008 is as follows

Income Statement	2008 Investment banking £m	Private client £m	Other £m	Total £m
Total income	29 7	34 5	(0 3)	63 9
Adjusted operating (loss) / profit	**(5 4)**	**3 6**	**(0 9)**	**(2 7)**
Charge for share options granted to employees				(11 7)
Amortisation of intangibles				(0 6)
Non-recurring operating expenses				(2 3)
Operating (loss) from continuing operations				**(17 3)**
Net finance income				4 6
(Loss) before tax from continuing operations				**(12.7)**
Tax				**1.7**
(Loss) after tax from continuing operations				**(11 0)**
(Loss) after tax from discontinued operations				**(2 5)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. SEGMENT REPORTING (continued)

By geographical segment (continued)

The disclosure of the Group's assets and income are below The analysis is based on the three main geographical areas in which the Group operates The UK is the home country of the Parent Company and the principal location in which all subsidiary companies are registered and located The US relates to business of ESUS (a subsidiary of Evolution Securities Limited) which transacts with US clients Asia relates to the Group's associated undertaking ESCL which transacts with Chinese clients Prior to 2009 ESCL was a subsidiary of the Group and is classified and was discontinued operation in 2008

	2009	2008
Total assets	£m	£m
UK and Ireland	**242 3**	207 7
US	**1 8**	0 3
Asia	**1 3**	4 8
	245 4	212 8

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £20 2m (2008 £21 4m) and the total of these non-current assets located in other countries is £0 1m (2008 nil)

	2009	2008
Total income	£m	£m
UK and Ireland	**129.0**	63 5
US	**0.4**	0 4
Asia	**0.1**	2 3
	129.5	66 2

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 TOTAL INCOME

	2009 £m	2008 £m
Corporate finance fees	**14.7**	9 2
Management fees	**25.7**	19 4
Commissions		
- Fixed income commission	**35 3**	7 1
- Equity sales commission	**39 9**	25 5
Fee and commission income	**115.6**	61 2
Fee and commission expense	**(0.8)**	(0 4)
Net fee and commission income	**114.8**	60 8
Fair value gain on trading portfolio assets	**13.5**	2 3
Fair value gain / (loss) on options taken through profit and loss	**0.1**	(0 3)
Total trading income	**13.6**	2 0
Foreign exchange gains	**-**	1 9
Other income / (losses)	**1.0**	(0 8)
Total other income	**1.0**	1 1
	129.4	63 9

6. NET LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009 £m	2008 £m
Profit on disposal of available-for-sale financial assets	**0.3**	-
Losses transferred from equity on impairment of available-or-sale financial assets	**(2 0)**	-
	(1.7)	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE AND DISCONTINUED OPERATIONS

As at 31 December 2008 the assets and liabilities relating to ESCL and its subsidiary and WDB Capital UK Equity Fund Limited ("WDB Capital Fund") were presented as held-for-sale

	2009 £m	2008 £m
(a) Assets of disposal groups classified as held-for-sale		
Goodwill	-	1 2
Property, plant and equipment	-	0 5
Intangible assets	-	0 3
Deferred tax assets	-	0 8
Other non current assets	-	0 2
Trade and other receivables	-	2 9
Other current assets	-	0 5
Cash and cash equivalents	-	21 7
Total	-	28 1
(b) Liabilities of disposal groups classified as held-for-sale		
Trade and other payables	-	12 8
Other non current liabilities	-	0 1
Total	-	12 9

WDB Capital Fund
The Group Board's intention has been to reduce its interest in WDB Capital Fund by way of a deemed disposal, to be effected by bringing in new investors into WDB Capital Fund The Group's interest in WDB Capital Fund fell below 50% at 31 March 2009, therefore from 1 April 2009 the Group recognises its share of WDB Capital Fund as an associate undertaking and accounts for it by using the equity method of accounting in accordance with IAS 28

ESCL
On 18 December 2008, the Board gave approval for the Group to enter into an investment agreement with First Eastern Financial Holdings Limited, which resulted in a partial disposal of the Group's interest in ESCL The investment agreement was formally signed on 31 March 2009, and was disclosed in detail in Note 36 of the 2008 Annual Report and Accounts As a result of this transaction the Group's interest in ESCL has fallen to 48 5% Prior to the completion of this transaction on 31 March 2009 the Group continued to consolidate and present ESCL as a discontinued operation From 1 April 2009 to 31 December 2009 ESCL and its subsidiary are accounted for by the equity method of accounting in accordance with IAS 28

The results of ESCL and its subsidiary included in the loss before tax from operations are as follows

	2009 £m	2008 £m
Total income	**0.1**	2 3
Impairment	**(0.4)**	-
Other operating expenses	**(0.7)**	(5 6)
(Loss) before tax from discontinued operations	**(1.0)**	(3 3)
Tax (expense) / credit	**(0.3)**	0 8
(Loss) arising on disposal	**(1.0)**	-
(Loss) after tax from discontinued operations	**(2 3)**	(2 5)
Attributable to.		
Minority interest	**(0.4)**	(0 7)
Equity holders of The Evolution Group Plc	**(1 9)**	(1 8)

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. OPERATING EXPENSES

The following items have been included in arriving at operating profit from continuing operations

	2009 £m	2008 £m
Operating expenses		
Employee remuneration expense (note 10)	**78.2**	51 1
Amortisation of intangibles and impairments	**2.4**	1 4
Depreciation and write downs of property, plant and equipment	**1.7**	1 8
Operating lease charges leasehold property	**1.8**	1 3
Other property costs	**3.2**	2 5
IT related costs	**8.9**	6 1
Direct dealing costs	**8.2**	5 9
Auditors' remuneration (note 9)	**0 7**	0 9
Other operating expenses	**11.5**	10 2
Operating expenses – total	**116 6**	81 2

9 AUDITORS' REMUNERATION

During the year, the Group (including its overseas branches and subsidiaries) obtained the following services from the Group's auditors at costs as detailed below

	Total 2009 £m	Continuing operations 2008 £m	Discontinued operations 2008 £m	Total 2008 £m
Audit services·				
Fees payable to the Company's auditor for the audit of the Group's annual accounts	**0.1**	0 1	-	0 1
The audit of the Group's subsidiaries	**0.4**	0 4	0 1	0 5
	0.5	0 5	0 1	0 6
Fees payable to the Group's auditor and its associates for other services:				
Services relating to taxation	**0.2**	0 3	-	0 3
All other services	-	0 1	-	0 1
	0.7	0 9	0 1	1 0

Taxation services include compliance services such as tax return preparation and advisory services including consultation on tax matters, tax advice relating to transactions and other tax planning and advice

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 EMPLOYEES AND DIRECTORS

	2009 £m	2008 £m
Employee remuneration expense		
Wages and salaries	**62.9**	34 0
Social security costs	**9.0**	4 1
Redundancy costs	**1.0**	1 0
Pension costs	**0.2**	0 2
Cost of share options	**4.8**	11 7
Other staff costs	**0.3**	0 1
Employee remuneration expense -Total	**78.2**	51 1

The average monthly number of employees (including Directors) during the year was as follows

	2009	2008
Group		
Investment banking	**179**	137
Private clients	**260**	216
Other activities	**18**	13
Total average number of employees	**457**	366

The actual number of full time employees was 508 at 31 December 2009 (2008 396)

Directors

The total remuneration of the highest paid Director was £9 1m (2008 £0 9m), which included £7 1m (2008 £nil) of gains on exercise of share options

No Director accrued benefits under money purchase pension schemes during the year (2008 £nil)

Aggregate remuneration for all Directors is shown in the table below

	2009 £m	2008 £m
Aggregate emoluments	**3.6**	2 0
Gains made on exercise of share options	**8.0**	-
	11.6	2 0

11. NET FINANCE INCOME

	2009 £m	2008 £m
Finance income	**1.4**	5 6
Finance expense	**(1.1)**	(1 0)
Net finance income	**0.3**	4 6

Interest is paid on overdrawn balances with clearing or settlement institutions

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 TAX

	2009 £m	2008 £m
Current tax:		
UK Corporation income tax on profit	**(0.1)**	(0 2)
Adjustments in respect of prior years	**0.1**	0 7
Foreign tax	-	(0 2)
Total current tax credit	-	0 3
Deferred tax:		
Current year movement	**(1.9)**	0 9
Adjustments in respect of prior years	-	0 5
Total tax (expense) / credit	**(1.9)**	1 7

Factors affecting the tax (expense) / credit for the year are explained below

	2009 £m	2008 £m
Profit / (loss) before tax from continuing operations	**11.1**	(12 7)
Profit / (loss) multiplied by the standard rate of corporation tax in the UK of 28 0% (2008 28 5%)	**(3 1)**	3 6
Tax effects of:		
Expenses not deductible for tax purposes	**(3 1)**	(5 0)
Tax deduction on options exercised	**5.4**	1 9
Utilisation of losses	**1.9**	0 1
Trade losses carried back	-	(0 9)
Non taxable income	**0.1**	0 6
Adjustment in respect of prior years	**0.1**	0 7
Lower tax rates on overseas earnings	-	0 2
Share options taken to equity reserves	-	(0 2)
Overseas tax credit	-	0 1
Capital allowances	**0.5**	0 6
Current year tax losses not utilised	**(1 8)**	(1 3)
Current tax credit	-	0 4
Deferred tax expense	**(1.9)**	0 9
Deferred tax expense adjustment in respect of prior periods	-	0 4
Current year movement	**(1.9)**	1 3
Tax (expense) / credit	**(1 9)**	1 7

The standard rate of corporation tax in the UK for the year ended 2009 is 28% compared with 28 5% in the comparative period The rate of 28 5% for the comparative period comprised of 3 months (1 January 2008 – 5 April 2009) at 30% and the remaining 9 months at 28% In 2009 the standard rate of corporation tax has remained unchanged at 28%

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 TAX

Deferred tax on items charged to Income Statement

	2009 £m	2008 £m
Deferred tax (expense) on share options	**(1.0)**	(0 7)
Deferred tax credit on capital allowances	**0 2**	0 1
Deferred tax (expense) / credit on trade losses	**(1 5)**	1 3
Deferred tax credit on trade losses – prior year adjustment	**-**	0 5
Deferred tax credit on intangibles	**0 4**	0 1
Total deferred tax (credited) / charged to Income Statement	**(1.9)**	1 3

13. EARNINGS PER SHARE

The calculation of the basic earnings / (loss) per share is based on the profit / (loss) for the year for continuing and discontinuing operations (excluding minority interest) and on the weighted average number of ordinary shares in issue during the year The calculation of the diluted earnings / (loss) per share is based on the basic earnings / (loss) per share adjusted to allow for the issue of shares on the assumed conversion of all dilutive options However, in accordance with IAS 33, potential ordinary shares are only considered dilutive when their conversion would decrease the profit per share or increase the loss per share from continuing operations attributable to the equity holders Therefore shares that may be considered dilutive while positive earnings are being reported may not be dilutive while losses are incurred

Continuing operations

Statutory	Year ended 31 12 2009			Year ended 31 12 2008		
	Profit £m	Weighted average no	Earnings per share (p)	Loss £m	Weighted average no	Loss per share (p)
Basic	**9.2**	**221,642,318**	**4 10**	(11 0)	213,195,385	(5 18)
Dilutive effect of share awards	**-**	**13,044,555**	**-**	-	34,680,832	-
Diluted	**9.2**	**234,686,873**	**3.87**	(11 0)	247,876,217	(5 18)

Discontinued operations

Statutory	Year ended 31 12 2009			Year ended 31 12 2008		
	Loss £m	Weighted average no	Loss per share (p)	Loss £m	Weighted average no	Loss per share (p)
Basic	**(1 9)**	**221,642,318**	**(0.86)**	(1 8)	213,195,385	(0 85)
Dilutive effect of share awards	**-**	**13,044,555**	**-**	-	34.680,832	-
Diluted	**(1.9)**	**234,686,873**	**(0 86)**	(1 8)	247,876,217	(0 85)

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 DIVIDENDS

	2009 £m	2008 £m
Prior year final paid 1 27p (2008 1 25p) per share	2 9	2 7
Current year interim paid 0 80p (2008 0 75p) per share	1 8	1 6
	4 7	4 3

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 December 2009 of 1 70p (2008 1 27p) per share, which will reduce shareholders equity by £3 8m It will be paid on the 18 May 2010 to shareholders on the register of members at 16 April 2010

Dividends amounting to £0 2m (2008 £0 1m) in respect of the Company's shares held by an employee share trust have been waived and accordingly deducted in arriving at the aggregate dividends proposed

15. GOODWILL

	2009 £m	2008 £m
Cost		
At 1 January	**10 4**	9 9
Additions	**0.3**	1 4
Exchange differences	-	0 3
Transferred to disposal groups classified as held-for-sale (note 7)	-	(1 2)
At 31 December	**10.7**	10 4

During 2009 £0 1m of the goodwill acquired relates to the acquisition of WDB Asset Management Limited whose principal activities include being an Authorised Corporate Director ("ACD") to several additional funds and that of unit trust management The remaining goodwill of £0 2m relates to the purchase of the business owned by Singer & Friedlander Capital Management Limited The purchase was agreed on 21 October 2008, however the payment of £0 2m was not finalised until 2009 The net assets acquired were already recognised in the year end 31 December 2008, hence the payment of £0 2m is recognised as goodwill

The goodwill acquired in 2008 relates to the acquisition of the private client business from Kaupthing Singer & Friedlander Limited (in administration) on 21 October 2008

In 2008 the goodwill transferred to disposal groups classified as held-for-sale relates to the acquisition of 100% of the share capital of EWSL by ESCL on 14 June 2006

Goodwill is allocated to the Group's cash generating units ("CGU") identified according to operating segment An operating segment-level summary of the goodwill allocation is presented below

	Investment Banking £m	Private Clients £m	Total £m
At 1 January	9 0	1 4	10 4
Additions	-	0 3	0 3
At 31 December	**9.0**	**1.7**	**10.7**

Impairment test for goodwill

The recoverable amount of a CGU is determined based on value-in-use calculations These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five year period The growth rates used (3% for both CGU's) to extrapolate the cash flow projections beyond this period do not exceed the long-term average growth rates for the industries in which the CGU's operate The pre-tax discounts rates used for the Investment Banking and Private Client business were 10 3% and 8 9% respectively The result of the value in use calculations suggests there is a significant amount of headroom over the goodwill balances allocated to the CGUs above

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. INTANGIBLE ASSETS

	Computer software 2009 £m	Licenses and regulatory status 2009 £m	Customer relations 2009 £m	Brand 2009 £m	Distribution channels 2009 £m	Total 2009 £m
Cost						
At 1 January	3.3	0.1	5.6	1.0	1.8	11 8
Additions	0.9	0 1	-	-	-	1.0
Impaired	(0.4)	-	-	-	-	(0 4)
Scrapped assets	(1 1)	-	-	-	-	(1.1)
At 31 December	2 7	0 2	5.6	1.0	1.8	11.3
Aggregate amortisation and impairment						
At 1 January	2.4	-	0.7	0 9	0.2	4.2
Charge for the year	0.7	-	1.1	-	0 4	2 2
Impaired	(0.3)	-	-	-	-	(0 3)
Scrapped assets	(1.0)	-	-	-	-	(1 0)
At 31 December	1 8	-	1.8	0 9	0.6	5.1
Net book amount						
At 1 January	0.9	0.1	4 9	0.1	1.6	7.6
At 31 December	0.9	0.2	3.8	0.1	1.2	6.2

	Computer software 2008 £m	Licenses and regulatory status 2008 £m	Customer relations 2008 £m	Brand 2008 £m	Distribution channels 2008 £m	Total 2008 £m
Cost						
At 1 January	2 6	0 1	1 6	1 0	0 3	5 6
Additions	0 7	-	-	-	-	0 7
Additions in relation to acquisitions	-	-	4 5	-	1 5	6 0
Exchange differences		-	0 1	-	-	0 1
Transferred to disposal groups classified as held-for-sale (refer to note 7)	-	-	(0 6)	-	-	(0 6)
At 31 December	3 3	0 1	5 6	1 0	1 8	11 8
Aggregate amortisation and impairment						
At 1 January	1 5	-	0 4	0 9	0 1	2 9
Charge for the year	0 9	-	0 5	-	0 1	1 5
Exchange differences	-	-	0 1	-	-	0 1
Transferred to disposal groups classified as held-for-sale (refer to note 7)	-	-	(0 3)	-	-	(0 3)
At 31 December	2 4	-	0 7	0 9	0 2	4 2
Net book amount						
At 1 January	1 1	0 1	1 2	0 1	0 2	2 7
At 31 December	0 9	0 1	4 9	0 1	1 6	7 6

The customer relations and distribution channels acquired in 2008 relate to the acquisition of the Singer & Friedlander business on the 21 October 2008 (Refer to note 28)

Amortisation is included in operating expenses on the Income Statement

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 PROPERTY, PLANT AND EQUIPMENT

	2009			2008		
	Fixtures and fittings £m	Computer equipment £m	Total £m	Fixtures and fittings £m	Computer equipment £m	Total £m
Cost						
At 1 January	6.1	4.3	10.4	5 5	3 6	9 1
Additions	0.3	1.4	1.7	1 2	0 8	2 0
Scrapped assets	(0.1)	(2.0)	(2.1)	-	-	-
Exchange differences	(0.1)	-	(0.1)	0 1	-	0 1
Transferred to disposal groups classified as held-for-sale (refer to note 7)	-	-	-	(0 7)	(0 1)	(0 8)
At 31 December	6.2	3.7	9 9	6 1	4 3	10 4
Accumulated Depreciation						
At 1 January	3.8	3.2	7 0	2 9	2 6	5 5
Charge for the year	1 0	0.7	1 7	1 1	0 7	1 8
Scrapped assets	(0 1)	(1 9)	(2 0)	-	-	-
Exchange differences	(0 2)	0.1	(0.1)	-	-	-
Transferred to disposal groups classified as held-for-sale (refer to note 7)	-	-	-	(0 2)	(0 1)	(0 3)
At 31 December	4.5	2 1	6.6	3 8	3 2	7 0
Net book values						
At 1 January	2.3	1.1	3.4	2 6	1 0	3 6
At 31 December	1.7	1.6	3.3	2 3	1 1	3 4

Included with the category fixtures and fittings are leasehold improvements

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. DEFERRED TAX

The movement on the deferred tax assets is detailed below

	2009 £m	2008 £m
At 1 January	**9.4**	9 3
Income Statement credit - capital allowances	**0.2**	0 1
Income Statement (charge) / credit - trading losses	**(1.5)**	1 7
Income Statement (charge) / credit – share options	**(1.0)**	(0 6)
Equity (charge) - share options	**(0.2)**	(0 8)
Equity credit – tax deductions on options exercised	**1.6**	-
Movement in discontinuing operations throughout the year	-	0 5
Transferred to disposal groups classified as held-for-sale	-	(0 8)
At 31 December	**8.5**	9 4

Deferred tax assets	Capital allowances £m	Other temporary differences £m	Trading losses £m	Share Options £m	Deferred income tax asset £m
At 1 January 2009	0 3	0 1	4 9	4 1	9 4
Movement during the year	0 2	-	0 1	(1 2)	(0 9)
At 31 December 2009	**0 5**	**0 1**	**5 0**	**2.9**	**8 5**

Deferred tax assets are expected to be recovered as follows

	2009 £m	2008 £m
Within twelve months	**5 0**	5 9
After twelve months	**3 5**	3 5
Total deferred tax asset	**8.5**	9 4

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. INVESTMENTS IN ASSOCIATES

	2009 £m	2008 £m
Cost		
At 1 January	-	-
Transfer from subsidiary undertakings of ESCL[1]	**2.1**	-
Transfer from subsidiary undertakings of WDB Capital Fund[2]	**11 7**	
Exchange difference taken to equity	**(0 1)**	
Share of ESCL's loss for the period	**(0.7)**	
Share of WDB Capital Fund's profit for the period	**0.4**	-
At 31 December	**13.4**	-

[1] On the 31 March 2009 ESCL issued new equity to First Eastern Financial Holdings Limited The issue of this new equity caused the Group's shareholding in ESCL to fall from 71% to 48 5% As a result of this transaction the Group has reclassified its holding in ESCL from an investment in subsidiary undertakings to an investment in associated undertakings

[2] On the 31 March 2009 WDB Capital Fund issued investment shares to third party investors The issue of these new investment shares caused the Group's shareholding to fall below 50% As a result of this transaction the Group has reclassified its holding in WDB Capital Fund from an investment in subsidiary undertakings to an investment in associated undertakings

The Group s share of its principal associate's results, and its aggregated assets (including goodwill) and liabilities are as follows

Name	**Country of incorporation**	**Assets**	**Liabilities**	**Revenues**	**Profit / (loss)**	**% interest held**
WDB Capital Fund	UK	27 8	(1 0)	2 5	0 8	44 8%
ESCL	UK	3 2	(0 7)	0 9	(1 2)	48 5%

20. TRADE AND OTHER RECEIVABLES

	2009 £m	2008 £m
Current		
Trade receivables	**10.4**	5 6
Less provision for impairment of trade receivables	**(0.2)**	(0 4)
Trade receivables – net	**10.2**	5 2
Counterparty receivables	**57.8**	26 1
Less provision for impairment of counterparty receivables	**-**	(1 5)
Counterparty receivables – net	**57.8**	24 6
Other receivables	**6.4**	10 7
Prepayments and accrued income	**4.4**	3 7
	10.8	14 4
At 31 December	**78 8**	44 2

The opening provision for impairment of trade receivables was £0 4m (2008 £0 7m), with a credit to the Income Statement in 2009 of £0 1m for the release of provisions (2008 £0 3m) and £0 1m (2008 nil) for the utilisation of a provision The closing provision for impairment of receivables is £0 2m (2007 £0 4m)

The opening provision for impairment of counterparty receivables was £1 5m (2008 £1 4m), in the period £1 5m of the provision was utilised (2008 nil) and no credits or charges were taken to the Income Statement (2008 £0 1m) This has resulted in a closing provision for impairment of counterparty receivables of nil (2008 £1 5m)

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009 £m	2008 £m
At 1 January	**1 1**	0 7
Additions	**0 3**	1 0
	1.4	1 7
Revaluation surplus / (deficit) recognised (note 30)	**0 3**	(0 6)
At 31 December	**1.7**	1 1
Available-for-sale financial assets include the following:		
Listed securities		
Equity securities – UK	**0 6**	0 2
Unlisted securities		
Equity securities – UK	**1.1**	0 9
	1.7	1 1

22. TRADING PORTFOLIO ASSETS

	2009 £m	2008 £m
Long positions in market making and dealing operations	**13 2**	4 8
Options and warrants received in lieu of corporate finance income	**0 1**	-
Other derivatives	**-**	0 2
At 31 December	**13.3**	5 0

The long trading portfolio assets include shares listed on LSE Official List, AIM markets and other leading European exchanges

The nominal value (based on exercise price) of options and warrants held at 31 December 2009 was £0 9m (2008 £1 2m)

23. CASH AND CASH EQUIVALENTS

Cash at bank includes £0 6m (2008 £0 8m) received in the course of settlement of client transactions which is held in trust on behalf of clients, but may be utilised to settle outstanding transactions It also includes cash of £0 2m (2008 £0 2m) held by The Evolution Group Plc Employees' Share Trust and the W Deb MVL trust which cannot be used by the Group

	2009 £m	2008 £m
Cash and cash equivalents		
Cash at bank and at hand	**12 4**	2 0
Short term bank deposits	**97.1**	101 6
At 31 December	**109.5**	103 6

NOTES TO THE FINANCIAL STATEMENTS (continued)

24 TRADE AND OTHER PAYABLES

	2009 £m	2008 £m
Trade payables	**3.3**	2 0
Counterparty creditors	**58.0**	20 7
Other taxation and social security	**2 6**	1 4
Other payables	**0.8**	0 4
Accruals and deferred income	**37.7**	21 3
At 31 December	**102.4**	45 8

25 TRADING PORTFOLIO LIABILITIES

	2009 £m	2008 £m
Short positions in market making and dealing operations	**2.7**	4 0
Other derivatives	**0.2**	0 2
At 31 December	**2 9**	4 2

The short trading portfolio liabilities include shares listed on LSE Official List, AIM markets and other leading European exchanges

26. DEFERRED TAX LIABILITIES

The movement on the deferred tax liabilities is detailed below

	2009 £m	2008 £m
Non-current		
At 1 January	**1.8**	0 3
Transferred to disposal groups classified as held-for-sale	-	(0 1)
Deferred tax liability recognised on acquisition of intangibles	-	1 7
Income Statement (credit) - amortisation of intangibles	**(0.4)**	(0 1)
At 31 December	**1 4**	1 8

The deferred tax liability relates to the recognition at acquisition of the intangible assets acquired These intangible assets and the deferred tax liability are amortised over a total of 5 years

27. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	2009 £m	2008 £m
At 1 January	**0 8**	0 6
Charge to Income Statement	**0 2**	0 2
Transferred to trade and other payables	**(0 3)**	-
At 31 December	**0 7**	0 8

The amount provided in respect of dilapidations in the current year relates to all offices of the Group's subsidiaries

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. BUSINESS COMBINATIONS

On 19 August 2009, the Company acquired the Private Client Investment Management business WDB Asset Management Limited for a total consideration of £0 6m

Details of net assets acquired and goodwill are as follows

	£m
Purchase consideration	
Cash paid	0 6
Total purchase consideration	0 6
Fair value of net identifiable assets acquired	(0.5)
Goodwill	0 1

The acquired business contributed revenues of £75,000 and a profit of £4,000 to the Group for the period from acquisition to 31 December 2009 If the acquisition had occurred on 1 January 2009, revenue and profit for the year ended 31 December 2009 would have been £163,000 and £35,000 respectively

The goodwill is attributable to the economies of scale expected from combining the operations of Williams de Broë Limited and WDB Asset Management Limited

Goodwill of £0 2m was also recognised on the completion of the purchase of the business owned by Singer & Friedlander Capital Management Limited The purchase was agreed on 21 October 2008, however the payment of £0 2m was not finalised until 2009 The net assets acquired were already recognised in the year end 31 December 2008, hence the payment of £0 2m is recognised as goodwill

NOTES TO THE FINANCIAL STATEMENTS (continued)

29. SHARE CAPITAL

	2009 £m	2008 £m
Authorised:		
400,000,000 ordinary shares of 1p each	**4 0**	4 0
Allotted, issued and fully paid:		
232,044,933 (2008 224,477,637) ordinary shares of 1p each	**2.3**	2 2

The following table summarises the movements of allotted, issued and fully paid share capital

Company	2009 Shares Millions	2008 Shares Millions
Allotted, issued and fully paid		
At 1 January		
224,477,637 (2008 223,218,843) ordinary shares of 1p each	**224 5**	223 2
Issues		
7,346,565 (2008 546,550) ordinary shares on exercise of options	**7.3**	0 6
220,731 (2008 243,550) ordinary shares for Share Incentive Plan	**0.2**	0 2
Nil (2008 468,694) ordinary shares for Share Incentive Bonus Plan	**-**	0 5
At 31 December		
232,044,933 (2007 224,477,637) ordinary shares of 1p each	**232.0**	224 5

The aggregate consideration received on the issue of shares during the year was £3 2m (2008 £1 0m)

Terms of share capital

The holder of each ordinary share is entitled to one vote on a poll The holders also have the right to receive dividends and the right to participate on a return of capital

Potential issues of ordinary shares

As at 31 December 2009, there are 13,367,877 (2008 27,568,372) options outstanding under all Group schemes as detailed in note 36 Of these 4,397,238 (2008 8,147,985) have already vested

The number and market value of the Group s holding in its own shares, held by the Evolution Group Plc Employees' Share Trust, are disclosed below

	2009 Number of shares	2008 Number of shares
Shares held in trust not yet conditionally allocated	**14,057,983**	9,547,183
Nominal value of 1p ordinary shares	**£140,580**	£95,472
Market value at £1 35 per share (2008 £0 86)	**£18,936,110**	£8,210,577

The market value represents the market price for an ordinary 1p share at 31 December 2009

NOTES TO THE FINANCIAL STATEMENTS (continued)

30. OTHER RESERVES

	Note	Capital redemption reserve £m	Merger reserve £m	Available-for-sale and other reserves £m	Total Other Reserves £m
Balance at 1 January 2009		**0 4**	**29 3**	**(1 9)**	**27 8**
Revaluation of available-for-sale financial assets	21	**-**	**-**	**0.3**	**0.3**
Impairment of available-for-sale financial assets	6	-	**-**	**2 0**	**2 0**
Share of other comprehensive income of associates		**-**	**-**	**(0 1)**	**(0 1)**
Balance at 31 December 2009		**0 4**	**29 3**	**0 3**	**30 0**

	Note	Capital redemption reserve £m	Merger reserve £m	Available-for-sale and other reserves £m	Total Other Reserves £m
Balance at 1 January 2008		0 4	51 2	(1 7)	49 9
Revaluation of available-for-sale financial assets	21	-	-	(0 6)	(0 6)
Transfer of merger reserve to retained earnings		-	(21 9)	-	(21 9)
Currency translation difference		-	-	0 4	0 4
Balance at 31 December 2008		0 4	29 3	(1 9)	27 8

The merger reserve within the Group arose on the acquisition of the Beeson Gregory Group on 11 July 2002 which was accounted for under the acquisition accounting using merger relief under UK Company Law In 2008 a balance of £21 9m was transferred to retained earnings following the liquidation and disposal of entities which were acquired under the Beeson Gregory Group parent umbrella

NOTES TO THE FINANCIAL STATEMENTS (continued)

31. CASH FLOW FROM OPERATING ACTIVITIES

Reconciliation of operating profit from continuing operations to net cash flow from operating activities

Cash flows from operating activities - continuing operations	2009 £m	2008 £m
Operating profit / (loss) from continuing operations	**11.1**	(17 3)
Adjustments for:		
Depreciation of property, plant and equipment	**1 7**	1 6
Amortisation of intangibles	**2 4**	1 4
Impairment on available-for-sale financial assets	**2 0**	-
Share options charge	**4 7**	11 7
Foreign exchange gain	-	(0 2)
Cost of matching shares issued under Share Incentive Plan	**0.3**	0 8
Profit on sale of available for sale financial assets	**(0.3)**	-
Changes in working capital:		
Increase in trade and other receivables	**(1.2)**	(2 1)
Increase in trade and other payables	**17.9**	10 7
Decrease / (increase) in net market counterparties	**4.1**	(3 9)
(Increase) / decrease in derivatives assets	**(0.5)**	0 3
(Decrease) / increase in provisions for liabilities and charges	**(0.1)**	0 2
(Increase) / decrease in net trading portfolio positions	**(9.5)**	10 3
Cash generated from operating activities – continuing operations	**32 6**	13 5

32. CAPITAL AND LOAN COMMITMENTS AND CONTINGENCIES

In the ordinary course of business the Group has given letters of indemnity to clients in respect of lost share certificates Although the contingent liability arising from these cannot be precisely quantified, it is not believed to be material

As at 31 December 2009 the Company has a loan commitment to Evolution Securities China Limited (an associate of the Group) of £0 7m which expires on 31 March 2012 Of the £0 7m commitment, £0 2m was drawn down by Evolution Securities China Limited on 22 January 2010 Further details of this payment are disclosed within note 34 of the Group's Financial Statements

33 LEASE COMMITMENTS

The Group has annual non-cancellable operating lease commitments in respect of land and buildings of £2 1m (2008 £2 5m) The future aggregate minimum annual lease payments to which these amounts relate expire as follows

	Land and buildings	
	2009 £m	2008 £m
Within one year	**0.1**	-
Within two to five years	**2.0**	2 5
	2.1	2 5

The Group leases various retail offices under non-cancellable operating lease agreements The lease terms are between one and five years, and the majority of lease agreements are renewable at the end of the lease period at market rate

NOTES TO THE FINANCIAL STATEMENTS (continued)

34. POST BALANCE SHEET EVENTS

Additional Leases

On 15 February 2010, and following the completion of a further lease over an additional floor at the Group's Head Office at 100 Wood Street, the Group is committed to spending up to £3 0m to cover the costs of refurbishment to both the new and existing floors

Long Term Incentive Plan

On the 22 January the Group held a General Meeting to approve three long term incentive plans The plans were approved by attending shareholders unanimously on a show of hands The following proxy votes were received prior to the meeting

Resolution	Votes for	% of Votes for	Votes Against	Votes Withheld
To approve the Evolution Group Plc Joint Share Ownership Plan and the 2010 Growth Share Plans relating to Evolution Securities Ltd and Williams de Broe Ltd	**141,947,916**	**86.95**	**21,124,467**	**2,745,839**

Background to Joint Share Ownership Plan and Growth Share Ownership Plans

The Remuneration Committee has concluded that new long term incentive arrangements are needed which reflect the differing responsibilities of executives at group level and of senior employees in the two business strands of the Group, that is, the institutional investment banking business of Evolution Securities Limited and the Private Client business of Williams de Broé Limited

Accordingly, the Remuneration Committee has introduced the JSOP for executives of the Company and GSOPs for senior employees of each of Evolution Securities Limited and its subsidiaries and Williams de Broe Limited and its subsidiaries

Subordinated Loan

On 22 of January 2010 the Company entered into a subordinated loan agreement with ESCL for an amount of £245,000 The loan is interest bearing at a rate equal to 10% per annum

NOTES TO THE FINANCIAL STATEMENTS (continued)

35 RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties

i) Intra-Group trading

The Group has per IAS 24 not disclosed transactions or balances between Group entities that have been fully eliminated on consolidation

WDB Capital UK Equity Fund Limited – Associate undertaking

During the period in which WDB Capital UK Equity Fund Limited was treated as an associated undertaking, WDB Capital Limited (a subsidiary of the Group and Investment Fund Manager to WDB Capital UK Equity Fund) charged management fees to WDB Capital UK Equity Fund Limited totalling £0 2m As at 31 December 2009 a balance of £0 4m was due from WDB Capital UK Equity Fund Limited to WDB Capital Limited

ESCL – Associate undertaking

During the period in which ESCL was treated as an associated undertaking, the Group charged management fees for central administrative services totalling £0 1m

During the period in which ESCL was treated as an associated undertaking, Evolution Group Services Limited recharged ESCL £0 7m in relation to expenses paid on its behalf

During the period in which ESCL was treated as an associated undertaking, Evolution Securities Limited rebated ESCL £0 1m in fees and commissions received

As at 31 December 2009 the Company has a loan commitment to Evolution Securities China Limited (an associate of the Group) of £0 7m which expires on 31 March 2012 Of the £0 7m commitment, £0 2m was drawn down by Evolution Securities China Limited on 21 January 2010 Further details of this payment are disclosed within note 34 of the Group's Financial Statements

ii) Key management compensation

The compensation paid to key management is detailed below Key management has been determined as the executive management teams of the Group operating subsidiaries who are also the Directors of those subsidiaries, and Group Directors

	2009 £m	2008 £m
Remuneration in respect of key management:		
Salaries and short-term employee benefits	**6.6**	5 5
Cost of share options	**2.3**	3 4
	8.9	8 9

An analysis of all Directors' remuneration may be found in the Directors' Remuneration Report on pages 40 to 50

iii) Debenture

During 2002, a Director of the Company, Alex Snow, purchased a debenture at Twickenham Rugby Club for a term of 10 years The debenture was paid for by the Group to the value of £26,000 The balance outstanding at 31 December 2009 was £7,454 (2008 £10,065) An agreement is in place that requires the remaining portion of the debenture to be repaid by the Director should he leave prior to the end of the ten year term The debenture is used to facilitate the entertainment of clients

iv) Dealings with Directors

Other than the dealings referred to above there are no other dealings the Group had with companies in which any of the key management, or persons connected to them, is a Director

NOTES TO THE FINANCIAL STATEMENTS (continued)

36. EMPLOYEE SHARE SCHEMES

Movements in the number of share options and their weighted average exercise prices are as follows

	2009		2008	
	Average exercise price (pence per share)	Outstanding options	Average exercise price (pence per share)	Outstanding options
At 1 January	22 93	27,568,372	23 20	28,667,197
Granted	1 00	5,231,412	1 00	7,352,362
Exercised	17 92	(18,690,240)	4 38	(6,501,121)
Forfeited	4 44	(741,667)	5 72	(1,950,066)
At 31 December	**22 17**	**13,367,877**	**22.93**	**27,568,372**

The weighted average market price of shares exercised during the year was £1 24 (2008 £1 01)

The date range over which the above options may be exercised is described in the relevant scheme details below The overall weighted average life of the remaining options is 8 04 years (2008 6 95 years)

All options in the above table have a life from grant of 10 years

The share options outstanding at the end of the year have a weighted average exercise price and expected remaining life as follows

	2009			2008		
Range of exercise prices (pence)	Number of share options	Weighted average exercise price (pence)	Weighted average expected remaining life	Number of share options	Weighted average exercise price (pence)	Weighted average expected remaining life
1	11,029,602	1 00	8 44	19,863,532	1 00	8 00
25-55	53,275	36 46	2 98	1,878,275	50 37	2 81
56-155	2,285,000	123 99	6 26	5,826,565	88 86	4 70
	13,367,877			**27,568,372**		

NOTES TO THE FINANCIAL STATEMENTS (continued)

36. EMPLOYEE SHARE SCHEMES (continued)

The number of options and share awards outstanding by issue date and exercise price, together with the vesting periods the fair values, and the assumptions used to calculate the fair value, and the actual remaining contractual life as at 31 December 2009 are as follows

	EVG 2002 Executive Share Option Scheme	EVG 2001 Executive Share Option Scheme
Grant dates [1]	23/01/04-31/10/09	21/11/02-03/11/06
Weighted average market value at grant date (pence)	118 51	136 95
Weighted average exercise price (pence)	1 00	122 00
Number of awards outstanding	11,029,602	2,338,275
Vesting period (months)	8-36	24-36
Expected share price volatility (%) [2]	N/A	0-73
Dividend yield (%)	1 59	0 75
Average life remaining (years)	8 44	6 18
Number of options / awards expected to vest	100%	100%
Number of options vested but unexercised	2,058,963	2,338,275
Average fair value per option / award granted (pence)	113 62	43 89
Income statement charge (£m)	3 6	0 1

Note
[1] Represents the period since when the performance condition (as described below) can be met at which point all awards meet the vesting criteria

Options under the share incentive schemes are valued using a Black-Scholes model adjusted for dividends according to those declared by the Company The Company estimates the number of options likely to vest and expenses that value over the relevant period

[2] Volatility has been estimated by taking the historical volatility in the Company's share price over a three year period
In the case of awards of call rights, which have an exercise price of 1p per ordinary share, the fair value is based on the market value at the time of grant discounted by the dividend yield over the expected life and therefore no volatility or risk free rate is shown within the table above

In the above table EVG refers to The Evolution Group Plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

36. EMPLOYEE SHARE SCHEMES (continued)

The Evolution Group Plc 2002 Executive Share Option Scheme

The Board approved this plan on 13 March 2002 and it was approved by shareholders on 10 October 2003

Eligibility
Any Director of the Company, or a Group Company, and any employee of the Company or a Group Company, may be invited to participate in the plan

Nature of Plan
The plan provides for participants to be awarded shares in the Company at their nominal cost Subject to achievement of performance criteria, awards of shares convert into call rights over such shares The plan is operated in conjunction with an employee benefit trust

Performance criteria
From January 2006, following the review by the Remuneration Committee, it was concluded that the sole general criteria should be that of continued satisfactory employment within a Group Company

Call rights
After achievement of the performance criteria and vesting of the award a call right is granted to the individual exercisable, subject to continued satisfactory employment, within ten years of the date of the original award

Scheme Limits
The number of shares, which may be issued to satisfy awards under this plan, is limited to 10% of the issued share capital of the Company from time to time

Options granted
At 31 December 2009, awards and call rights over 11,029,602 shares (2008 19,863,532) were outstanding at an exercise price of the greater of 1 00p or the nominal value of the shares to be subscribed for The call rights can be exercised between 14 November 2003 and 31 October 2019

The Evolution Group Plc 2001 Executive Share Option Scheme

Shareholders approved this scheme on 21 June 2001

Eligibility
Any Director who is required to devote the whole or substantially the whole of his working time to the service of the Company, or a Group Company, and any employee of the Company, or a Group Company, may be invited to participate in either ordinary options

Option price
The exercise price shall be determined by the Directors but shall not, unless approved by ordinary resolution of the shareholders, be less than the greater of nine-tenths of the market value of the share at the date of the grant and the nominal value of a share

Performance criteria
From January 2006, following the review by the Remuneration Committee, it was concluded that the sole general criteria should be that of continued satisfactory employment within a Group Company

Exercise of options
An option may not be exercised later than the tenth anniversary after the date of grant The earliest date of exercise is generally two years after the date of grant for ordinary options

Scheme Limits
The overall limit on the number of shares which may be issued to satisfy ordinary options, is 10% of the issued share capital of the Company

Options granted
At 31 December 2009 nil ordinary options (2008 nil) and 2,338,275 super options (2008 4,613,275) were outstanding with exercise prices between 27 00p and 128 70p The options can be exercised between 29 June 2004 and 3 November 2016

The Evolution Group Plc Parent Company Accounts

Auditors' Report and Financial Statements
For the year ended 31 December 2009

Registered Number: 03359425

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE EVOLUTION GROUP PLC

We have audited the parent company financial statements of The Evolution Group plc for the year ended 31 December 2009 which comprise the Company Balance Sheet, the Company Statement of Changes in Equity, the Company Cash Flow Statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page 31,the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

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

Opinion on financial statements
In our opinion the parent company financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006
In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Directors' Report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements and the part of the Directors Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Other matter

We have reported separately on the Consolidated Financial Statements of The Evolution Group Plc for the year ended 31 December 2009

Hugh McNaughtan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
25 March 2010

COMPANY BALANCE SHEET
As at 31 December 2009

	Note	31 12 09 £m	31 12 08 £m
ASSETS			
Non-current assets			
Deferred tax assets	4	**2 0**	0 9
Investments in subsidiaries	5	**50 8**	57 5
Investment in associate	7	**3 8**	-
Subordinated Loan	8	**2 0**	-
		58 6	58 4
Current assets			
Trade and other receivables	9	**4 4**	3 9
Available-for-sale financial assets	10	**12 1**	11 7
Cash and cash equivalents	11	**61 3**	75 5
		77 8	91 1
Total assets		**136 4**	149 5
LIABILITIES			
Current liabilities			
Trade and other payables	12	**12 9**	6 3
		12 9	6 3
Total liabilities		**12.9**	6 3
Net Assets		**123 5**	143 2
EQUITY			
Capital and reserves attributable to equity shareholders			
Share capital		**2 3**	2 2
Share premium		**33 2**	29 8
Other reserves	13	**35 6**	39 3
Retained earnings		**52 4**	71 9
Total equity		**123 5**	143 2

The notes on pages 107 to 122 form an integral part of these Financial Statements

The Financial Statements on pages 104 to 122 were approved by the Board of Directors on 25 March 2010 and were signed on its behalf by

Andrew Westenberger
Finance Director

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
	£m	£m	£m	£m	£m
Balance at 1 January 2009	2.2	29.8	39 3	71 9	143 2
Loss for the year	-	-	-	(1 4)	(1 4)
Available-for-sale financial assets	-	-	0 4	-	0 4
Deferred tax (debit) on share options taken to equity	-	-	-	(0 3)	(0 3)
Total comprehensive income / (expense) for the year	-	-	0 4	(1 7)	(1 3)
Issuance of ordinary shares	0 1	3.4	-	-	3 5
Purchase of trust shares	-	-	-	(23.7)	(23 7)
Transfer arising from recharge of equity undervalue to subsidiaries	-	-	(7 8)	7 8	-
Dividends paid	-	-	-	(4 7)	(4 7)
Share options value of employee services	-	-	-	1 4	1 4
Issue of equity instruments to employees of subsidiaries	-	-	3 7	-	3 7
Tax deduction on options exercised	-	-	-	1 4	1 4
Transactions with shareholders	0 1	3 4	(4 1)	(17 8)	(18 4)
Balance at 31 December 2009	2 3	33 2	35 6	52 4	123 5

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
	£m	£m	£m	£m	£m
Balance at 1 January 2008	2 2	28 8	76 6	26 5	134 1
Profit for the year	-	-	-	2 2	2 2
Available-for-sale financial assets	-	-	1 0	-	1 0
Deferred tax (debit) on share options taken to equity	-	-	-	(0 7)	(0 7)
Total comprehensive income for the year	-	-	1 0	1 5	2 5
Issuance of ordinary shares	-	1 0	-	-	1 0
Transfer of merger reserve to retained earnings	-	-	(21 9)	21 9	-
Purchase of trust shares	-	-	-	(1 6)	(1 6)
Transfer arising from recharge of equity undervalue to subsidiaries	-	-	(27 1)	27 1	-
Dividends paid	-	-	-	(4 3)	(4 3)
Share options value of employee services	-	-	-	0 7	0 7
Issue of equity instruments to employees of subsidiaries	-	-	10 7	-	10 7
Tax deduction on options exercised	-	-	-	0 1	0 1
Transactions with shareholders	-	1 0	(38 3)	43 9	6 6
Balance at 31 December 2008	2 2	29 8	39 3	71 9	143 2

The notes on pages 107 to 122 form an integral part of these Financial Statements

COMPANY CASH FLOW STATEMENT

	Note	Year Ended 31 12 2009 £m	Year Ended 31 12 2008 £m
Cash flows from operating activities.			
Cash generated from operations	15	**2.9**	0 2
Finance income		**1.7**	3 7
Net cash flows from operating activities		**4 6**	3 9
Cash flows from investing activities:			
Investment in subsidiary		**(1.3)**	(5 0)
Purchase of available-for-sale financial assets		**-**	(0 2)
Fees in relation to disposal of subsidiaries		**(0 1)**	-
Net cash used in investing activities		**(1.4)**	(5 2)
Cash flows from financing activities:			
Issuance of ordinary share capital		**3.2**	0 2
Payment of share options recharged to subsidiary	13	**7.8**	27 1
Dividends paid		**(4.7)**	(4 3)
Purchase of trust shares		**(23 7)**	(1 6)
Net cash used in financing activities		**(17.4)**	21 4
Net (decrease) / increase in cash and cash equivalents		**(14 2)**	20 1
Cash and cash equivalents at beginning of year		**75.5**	55 4
Cash and cash equivalents at end of year	11	**61.3**	**75.5**

The notes on pages 107 to 122 form an integral part of these Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

Basis of preparation

The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets

A summary of the Company accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year

As permitted by Section 408 of the Companies Act 2006 the Company has elected not to present its own Income Statement for the year The Company reported a loss for the financial year ended 31 December 2009 of £1 4m (2008 Profit of £2 2m)

Significant accounting policies

Investments in subsidiaries

An undertaking is regarded as a subsidiary undertaking if the Company has the power to exercise control over its operating and financial policies This generally accompanies a shareholding of greater than 50% of the voting power The Company's shares in subsidiary undertakings are stated in the Balance Sheet at cost less provisions and any impairments incurred

The carrying value of investments in subsidiary undertakings is assessed at the reporting date or whenever events or changes in circumstance indicate that the carrying amount may not be recoverable The impairment review comprises a comparison of the carrying amount of the investment with its recoverable amount The recoverable amount is the higher of an investment's fair value less costs to sell and its value in use An impairment loss is recognised in the Income Statement in the period in which it occurs for the amount by which the investment's carrying amount exceeds its recoverable amount

Associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies and in which the Company generally has between 20% and 50% voting power Investments in associates are carried at cost and are assessed at the reporting date or whenever events or changes in circumstance indicate that the carrying amount may not be recoverable The impairment review comprises a comparison of the carrying amount of the investment with its recoverable amount

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES

Financial assets and liabilities

The Company classifies its financial assets and liabilities as available-for-sale financial assets, loans and receivables, trade and other receivables, cash and cash equivalents, and trade and other payables The classification depends on the purpose for which the assets and liabilities were acquired Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through the profit or loss Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership Financial liabilities are derecognised when they are extinguished, that is, when the obligation is discharged, cancelled or expires

Available-for-sale financial assets

Available-for-sale financial assets are either designated in this category or are not classified in any of the other categories Available-for-sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices They are initially recognised at fair value including direct and incremental transaction costs They are subsequently held at fair value For available-for-sale financial assets that are quoted in active markets, fair values are determined by reference to the current quoted bid / offer price Dividends on available-for-sale equity instruments are recognised in the Income Statement when the entity's right to receive payment is established

Gains and losses arising from changes in fair value are included as a separate component of equity within available for sale and other reserves until sale or when impaired, when the cumulative gain or loss is transferred to the Income Statement

The management of the Company makes an assessment at each Balance Sheet date as to whether there is any objective evidence of impairment In the case of equity investments classified as available-for-sale, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement) is removed from equity and recognised in the Income Statement

Subordinated Loan

Subordinated loans are non-derivatives with fixed or determinable payments that are not quoted in an active market They are included in current assets, except for loans with maturities greater than twelve months after the Balance Sheet date in which case these are classified as non current assets These loans are measured at amortised costs together with any directly attributable transaction costs

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables Evidence that an impairment of the asset may be required includes ageing of the debt beyond 180 days, persistent lack of communication and internal awareness of third party trading difficulties

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate The amount of the provision is recognised in the Income Statement within operating expenses

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value Such investments are normally those with original maturities of three months or less

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES

Financial assets and liabilities (continued)

Trade and other payables

Trade and other payables are recognised initially at fair value, which is the agreed market price at the time goods or services are provided The Company accrues for all goods and services consumed but yet unbilled at amounts representing management's best estimate of fair value

Evolution Group employees share trust

The Trust is a separately administered trust, which is funded by loans from the Company, and the assets of which comprise shares in the Company The Company recognises the assets and liabilities of the Trust in its Financial Statements and shares held by the Trust are recorded at cost as a deduction in arriving at shareholders' funds until the shares vest unconditionally with employees

IAS 39 has a scope for exclusion of treasury share transactions linked to share-based payment awards The Trust is considered to act as an agent for the Company, and accordingly the Trust's assets and liabilities have been aggregated to reflect the substance of the relationship between itself and the Company

Group Recharge

The Company, through the normal course of business, incurs costs on behalf of its subsidiaries These costs are recharged, where relevant, to those subsidiaries

The Company recharges its subsidiaries for cash for the cost of share options The amount of the recharge is equivalent to the cost of shares purchased by the Company to satisfy the awards made to subsidiary employees under the Group's employee share scheme This recharge reduces the investment in subsidiary and a corresponding entry is made to increase retained earnings

Employee benefits

(a) Pension obligations

The Company does not offer any company pension schemes However, the Company does make defined contributions to employees' approved personal pension plans, and the costs of these are charged to the Income Statement when they are incurred

(b) Share-based plans

The Company's management awards high-performing employees bonuses in the form of equity-settled share based payments, from time to time, on a discretionary basis Equity-settled share-based payments are measured at fair value at the date of grant Fair value is measured by use of the Black-Scholes pricing model or, in the case of awards of call rights, which have an exercise price of 1p per ordinary share, the fair value is based on the market value at the time of grant discounted by the dividend yield over the expected life The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the number of shares, which will eventually vest The options are generally subject to a three year service vesting condition, and their fair value is recognised as an employee benefit expense with a corresponding increase in retained earnings within the vesting period The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised

The issuance by the Company to employees of its subsidiaries of an award over the Company's shares is treated as a capital contribution by the Company in its subsidiaries This additional investment in subsidiaries results in a corresponding entry to shareholders' equity The additional capital contribution is based on the fair value of the awards issued allocated on a straight line basis over the relevant vesting period

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES

Current and deferred taxes

Current taxes are computed on a basis of the tax laws enacted or substantially enacted at the Balance Sheet date in the countries where the Company's subsidiaries operate and generate income

Deferred Taxes are computed using the liability method, on temporary differences between the bases of assets and liabilities and their carrying amounts in financial statements The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss

The Company is entitled to a tax deduction for amounts treated as compensation on exercise of certain employee share options under UK tax rules As explained under "Share-based plans" above, a compensation expense is recorded in the Company's Income Statement over the period from the grant date to the vesting date of the relevant options As there is a temporary difference between the accounting and tax bases, a deferred tax asset is recorded The deferred tax asset arising is calculated by comparing the estimated amount of tax deduction to be obtained in the future (based on the Company's share price at the Balance Sheet date) with the cumulative amount of the compensation expense recorded in the Income Statement If the amount of estimated future tax deduction exceeds the cumulative amount of the remuneration expense, at the statutory tax rate, the excess is recorded directly in equity, against retained earnings

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The risk management process of the Company is aligned with those of the Group as a whole and are fully integrated into the risk management framework and processes described within note 3 of the Group's Financial Statements

Through its normal operations, the Company is exposed to a number of risks, the most significant of which are market and credit risks Its strong cash and cash equivalents position ensures that it has low liquidity risk

(a) Market Risk

Equity Risk

The Company is exposed to equity market risk in respect of its equity holdings, which comprise available-for-sale financial assets

The Board continues to review the performance of existing available-for-sale financial assets in the Company's portfolio and realises these investments when deemed appropriate Note 10 summarises the available-for-sale financial assets at the year end date and the disposals and fair value movements made in the year

A sensitivity analysis has been performed on the Company's exposure to equity risk The analysis is based on the assumption that underlying equity prices had an increase / decrease of 10% with all other variables held constant at the year end The results as outlined below, are only representative of the impact that is observed at the year end, and not of the impact that was observed during the year This occurs due to a varying investment held throughout the year

A 10% increase / decrease in equity prices would result in an increase / decrease in equity reserves of £1 2m (2008 £0 2m)

Foreign exchange risk

The Company's activities are primarily denominated in Sterling and it therefore has limited foreign exchange risk The majority of transactions denominated in a foreign currency that would expose the Company to currency risk are hedged immediately, normally in the spot market The Company does not enter into forward exchange contracts for hedging anticipated transactions The table below summarises the Company's currency exposure arising from unmatched monetary assets or liabilities not denominated in the functional currency of the Company

Net liabilities	2009 £m	2008 £m
US Dollar	**(0 1)**	-
	(0.1)	-

Interest rate risk

The Company has interest bearing assets in mainly cash and cash equivalents The Company has a policy of maintaining excess funds in cash and short term deposits and is exposed to short term interest rate risk At the year end, all of the Company's excess funds were invested in cash and short-term deposits The Company does not use any derivatives to hedge interest rate risk

If LIBOR market interest rates had been 100 basis points higher / lower during 2009, with all other variables held constant, loss for the year (2008 profit for the year) would have been £1 2m (2008 £0 8m) (lower) and £1 2m (2008 £0 8m) (higher)

(b) Credit Risk

The quality of the financial assets in terms of their credit rating is "AAA-A" rated 79% (2008 95%) and "Un-Rated" 21% (2008 5%) Of the "Un-Rated" balance 16% relates to the Company's investment in WDB Capital UK Equity Fund Limited

The ratings noted above have been derived using source information from Standard & Poors and Moody's All financial assets over an "A" rating are consolidated under the "AAA-A" category and represent assets such as cash and cash equivalents and trade receivables All "Un-Rated" assets have undergone a thorough credit review and have been allocated internal ratings based on this review All items classified as neither past due nor impaired, following the credit reviews described above, are considered to be recoverable and therefore of a credit quality that do not require impairment

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The following table of financial assets analyses amounts due by ageing

As at 31 December 2009	Neither past due nor impaired £m	Carrying value £m
Other receivables	**1.1**	**1.1**
Available-for-sale investments	**12.1**	**12.1**
Amounts owed by Group undertakings	**3.2**	**3.2**
Cash and cash equivalents	**61.3**	**61.3**
	77.7	**77.7**

As at 31 December 2008	Neither past due nor impaired £m	Carrying value £m
Other receivables	1 2	1 2
Available-for-sale investments	11 7	11 7
Amounts owed by Group undertakings	2 8	2 8
Cash and cash equivalents	75 5	75 5
	91 2	91 2

The carrying amounts disclosed above for the Companies financial assets represents the maximum exposure to credit risk No collateral is held as security on these exposures, and the terms have not been renegotiated

(c) Liquidity Risk

The Company seeks to manage liquidity risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably The Company actively maintains a mixture of cash and short term deposits that are designed to ensure the Company has sufficient available funds for its operations The Company deems there is sufficient liquidity for the near future

The tables below analyse the Company's future cash outflows based on the remaining period to the contractual maturity date The amounts disclosed are the contractual undiscounted cash flows

As at 31 December 2009	Less than 1 year £m	Total £m
Trade and other payables	**3.1**	**3.1**
	3.1	**3.1**

As at 31 December 2008	Less than 1 year £m	Total £m
Trade and other payables	2 2	2 2
	2 2	2 2

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

d) Capital risk

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders of the Company and the Company monitors capital risk on the basis of total shareholder funds, at 31 December 2009 the Company had shareholder funds of £123 5m (2008 £143 2m)

The Company is not regulated by the Financial Services Authority ("FSA"), but is part of an FSA regulated group

e) Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for the financial instruments that are measured in the Balance Sheet at fair value This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy

- Level 1 – Quoted prices unadjusted in active markets for identical assets or liabilities,
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly as prices or indirectly derived from prices,
- Level 3 – Inputs for the asset or liability that are not based on observable market data

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2009

Assets	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	12 1	-	-	12 1
	12.1	-	-	**12.1**

There have not been any changes in level 3 instruments for the year ended 31 December 2009

The carrying values of assets and liabilities not held at fair value (cash and cash equivalents, trade receivables, counterparty receivables, other receivables, and trade and other payables) are not significantly different from fair value

3. AUDITORS' REMUNERATION

During the year, the Company obtained the following services from the Company's auditors at costs as detailed below

	2009 £m	2008 £m
Audit services·		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**0.1**	0 1
Fees payable to the Company's auditor and its associates for other services		
Services relating to taxation	**0.1**	0 1
All other services	-	0 1
	0.2	0 3

Taxation services include compliance services such as tax return preparation and advisory services such as consultation on tax matters, tax advice relating to transactions and other tax planning and advice

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2008 28 5%)

The movement on the deferred tax assets is detailed below

	2009 £m	2008 £m
At 1 January	**0.9**	1 7
Income Statement charge – share options	**-**	(0 1)
Income Statement charge - share options exercised	**(0.3)**	(0 1)
Equity credit – tax deductions on share options exercised	**1.4**	-
Equity charge - stock options	**-**	(0 6)
At 31 December	**2 0**	0 9

Deferred tax assets are expected to be recovered as follows

	2009 £m	2008 £m
Within twelve months	**0 4**	0 8
After twelve months	**1 6**	0 1
Total deferred tax asset	**2 0**	0 9

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. INVESTMENT IN SUBSIDIARIES

	2009 £m	2008 £m
Cost		
At 1 January	**63.4**	74 8
Additions	**1.2**	5 0
Issue of equity options to employees of subsidiaries	**3.7**	10 7
Deduction to investment in subsidiaries for the cost of options recharged	**(7 8)**	(27 1)
Deemed disposals (note 7)	**(3.8)**	-
At 31 December	**56 7**	63 4
Provision for impairment		
At 1 January	**5.9**	5 9
At 31 December	**5.9**	5 9
Net book values		
At 1 January	**57.5**	68 8
At 31 December	**50.8**	57 5

Additions

During the year the Company made a further investment into ESCL of £1 2m

During the year, in recognition of grant of options over equity instruments to employees of subsidiaries the Company has increased its investments in subsidiaries by £3 7m in the year (2008 £10 7) The credit entry to this represents an increase in the Company's available-for-sale and other reserves as shown in note 13

The deduction to investment in subsidiaries of £7 8m in the year (2008 £27 1m) relates to the recharge by the Company for market purchases and costs associated with the employee share scheme to its underlying subsidiaries

On 8 November 2009 the Company incorporated a new legal entity by the name Darwin Strategic Limited, this entity has not commenced trading

In the prior year the Company made a further investment into Williams de Broë Limited of £5 0m

Deemed Disposals

On the 31 March 2009 ESCL issued new equity to First Eastern Financial Holdings Limited The issue of this new equity caused the Company's shareholding in ESCL to fall from 71% to 48 5% As a result of this transaction the Group has ceased to control ESCL, and hence has changed its holding in ESCL from an investment in subsidiary to an investment in associate

6 PRINCIPAL SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

Subsidiaries owned by the Company	Business	Percentage Owned 2009	Country of Incorporation
Evolution Securities Limited	Investment banking	100	UK
Williams de Broë Limited	Private client	100	UK
Evolution Group Services Limited	Shared services	100	UK
Evolution Capital Investment Limited	Private equity portfolio	100	UK
WDB Capital Limited	Private client	100	UK
Darwin Strategic Limited	Debt Capital Markets	52	UK
Associates owned by the Group			
Evolution Securities China Limited	Investment banking	48 5	UK
WDB Capital UK Equity Fund Limited	Hedge Fund	44 8	Cayman Islands
Subsidiaries owned by other Group companies			
Evolution Securities (US) Inc	Investment banking	100	US
Williams de Broë Management Company Limited	Asset Management	100	Ireland
WDB Asset Management Limited	Asset Management	100	UK

Shareholdings in the above subsidiaries are of ordinary equity shares except for the interest in WDB Capital UK Equity Fund Limited, which is in the form of investment shares In accordance with section 410 of the Companies Act 2006, the above information is solely provided in relation to principal subsidiary undertakings Full information is included within the Annual Return to be filed at Companies House

On 17 April 2007 W Deb MVL Plc was placed into Members Voluntary Liquidation

7. INVESTMENT IN ASSOCIATES

	2009 £m	2008 £m
Cost and net book value		
At 1 January	-	-
Transfer from investment in subsidiaries (Note 5)	3 8	-
At 31 December	3 8	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 SUBORDINATED LOAN

	2009 £'000	2008 £'000
At 1 January	-	-
Subordinated loan to Williams de Broë Limited	2.0	-
At 31 December	2 0	-

The subordinated loan of £2 0m owed to the Company by Williams de Broë Limited, was entered into on 30 January 2009, and is repayable on the date specified by notice in writing by either party being not less than two years after the date of which the notice is given

The loan is interest bearing at a rate of 10% per annum During the period the Company received interest of £0 2m

9 TRADE AND OTHER RECEIVABLES

	2009 £m	2008 £m
Current		
Other receivables	1 1	1 1
Amounts owed by Group undertakings	3.2	2 8
Prepayments and accrued income	0 1	-
At 31 December	4 4	3 9

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009 £m	2008 £m
At 1 January	11.7	10 5
Additions at fair value	-	0 2
	11.7	10 7
Revaluation surplus recognised in equity (note 13)	0 4	1 0
At 31 December	12.1	11 7
Available-for-sale financial assets include the following:		
Listed securities		
Equity securities	12.1	11 7
	12 1	11 7

Available-for-sale financial assets include amounts invested in the WDB Capital UK Equity Fund Limited, an entity managed by WDB Capital Limited The Company did not invest into the Fund during 2009 (2008 £0 2m) The fair value of the investment has been increased by £0 4m (2008 £1 0m) with a corresponding credit to available-for-sale and other reserves

11 CASH AND CASH EQUIVALENTS

	2009 £m	2008 £m
Cash and cash equivalents		
Cash at bank and in hand	7.3	0 2
Short term bank deposits	54.0	75 3
At 31 December	61 3	75 5

12 TRADE AND OTHER PAYABLES

	2009 £m	2008 £m
Amount owed to Group undertaking	9 5	4 1
Other taxation and social security	0.1	0 2
Accruals and deferred income	3.3	2 0
At 31 December	12 9	6 3

13 OTHER RESERVES

	Note	Capital redemption reserve £m	Merger reserve £m	Available-for-sale and other reserves £m	Total Other reserves £m
Balance at 1 January 2009		0.4	29 3	9.6	39 3
Revaluation of available-for-sale financial assets	10	-	-	0 4	0.4
Transfer arising from recharge of equity undervalue to subsidiaries[1]		-	-	(7 8)	(7 8)
Issue of equity instruments to employees of subsidiaries		-	-	3 7	3.7
Balance at 31 December 2009		0 4	29 3	5 9	35 6

	Note	Capital redemption reserve £m	Merger reserve £m	Available-for-sale and other reserves £m	Total Other reserves £m
Balance at 1 January 2008		0 4	51 2	25 0	76 6
Revaluation of available-for-sale financial assets	10	-	-	1 0	1 0
Transfer of merger reserve to retained earnings		-	(21 9)	-	(21 9)
Transfer arising from recharge of equity undervalue to subsidiaries[1]		-	-	(27 1)	(27 1)
Issue of equity instruments to employees of subsidiaries		-	-	10 7	10 7
Balance at 31 December 2008		0 4	29 3	9 6	39 3

[1] The debit taken to other reserves of £7 8m in the year (2008 £27 1m) relates to the recharge by the Company for market purchases and costs associated with the employee share scheme to its underlying subsidiaries, a corresponding credit is taken to retained earnings On receipt of cash by the Company (from the subsidiary) a credit is taken to reduce the historic investment in subsidiary account (Disclosed within note 5)

14. EMPLOYEES AND DIRECTORS

	2009 £m	2008 £m
Employee remuneration expense		
Wages and salaries	**3.4**	2 0
Social security costs	**1.4**	0 1
Cost of share options	**1.5**	0 8
Other staff costs	**0.2**	-
Total employee remuneration expense	**6 5**	2 9

The average number of employees (including Directors) during the year was as follows

	2009	2008
Group	**18**	13

The actual number of full time employees was 18 at 31 December 2009 (2008 15)

15 CASH FLOWS FROM OPERATING ACTIVITIES

Reconciliation of operating loss to net cash generated from operating activities

Cash flows from operating activities	2009 £m	2008 £m
Operating loss	**(2.9)**	(1 3)
Adjustments for:		
Share options charge	**1.4**	0 8
Cost of matching shares issued under share incentive plan	**0.3**	0 7
Changes in working capital:		
Decrease / (increase) in trade and other receivables	**2 7**	(0 3)
Increase in trade and other payables	**1 4**	0 3
Cash generated from operating activities	**2 9**	0 2

16. CAPITAL COMMITMENTS AND CONTINGENCIES

There are no further post capital commitments and contingencies other than those disclosed in note 32 of the Group's Financial Statements

17. LEASE COMMITMENTS

The leases on the Company's main premises are in the name of Evolution Group Services Limited, another Group Company, details of which can be seen in the financial statements of that Company They also form part of the Group's lease commitments as disclosed in note 33 of the Group's Financial Statements Evolution Group Services Limited recharges the Company for usage of these premises

18. POST BALANCE SHEET EVENTS

There are no further post Balance Sheet events other than those disclosed in note 34 of the Group's Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 RELATED PARTY TRANSACTIONS

i) Intra-Group trading

The following table shows the balances owed by / (owed to) the Company to / (from) fellow Group undertakings at the year end

	2009 £m	2008 £m
Williams de Broè Limited	**2 5**	(0 7)
W Deb MVL Plc	**(2 2)**	(2 2)
Evolution Securities Limited	**(6 3)**	0 6
Evolution Group Services Limited	**1.7**	-
Evolution Capital Investment Limited	**-**	0 3
	(4.3)	(2 0)

ii) Fixed assets

The Company pays interest to Evolution Group Services Limited in respect of fixed assets which are used by the Company and owned by Evolution Group Services Limited The interest paid for non current assets during the period was less than £0 1m (2008 less than £0 1m)

iii) Commissions earned on trading with key management and other Group Directors

During the period Directors of the Company paid £375 (2007 £471) in commission to Williams de Broè Limited on private client accounts belonging to Directors of the Company

iv) Dealings with Directors

The Company has had no dealings with companies in which any of the key management, or persons connected to them is a Director

v) Debenture

During 2002, a Director of the Company, Alex Snow, purchased a debenture at Twickenham Rugby for a term of 10 years The debenture was paid by the Company to the value of £26,000 The balance outstanding at 31 December 2009 was £7,454 (2008 £10,065) An agreement is in place that requires the remaining portion of the debenture to be repaid by the Director should he leave prior to the end of the ten year term The debenture is used to facilitate the entertainment of clients

vi) ESCL – Associate undertaking

During the period in which ESCL was treated as an associated undertaking, the Company charged management fees for central administrative services totalling £0 1m (2008 £nil)

vii) Recharge of share options to subsidiaries

During the year the Company charged Evolution Securities Limited £7 8m (2008 £27 1m) for the cost of options purchased by the Trust to satisfy awards made to employees of Evolution Securities Limited

viii) Key management compensation

The compensation paid to key management of the Company is disclosed in the Directors remuneration report on pages 40 to 50

ix) Subordinated loan

During the year the company received £0 2m of interest on the subordinated loan issued to Williams de Broe Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 EMPLOYEE SHARE SCHEMES

Movements in the number of share options and their weighted average exercise prices are as follows

	2009		2008	
	Average exercise price (pence per share)	Outstanding options	Average exercise price (pence per share)	Outstanding options
At 1 January	**33 97**	**7,741,565**	39 30	7,191,565
Granted	**1.00**	**2,428,989**	1 00	500,000
Exercised	**36.49**	**(7,191,565)**	41 4	(500,000)
Forfeited	**-**	**-**	1 00	550,000
Employee transferred to subsidiary company	**1.00**	**500,000**	-	-
At 31 December	**1 00**	**3,478,989**	33 97	7,741,565

The weighted average market price of the shares exercised during the year was £1 47 (2008 £1 43)

All options in the above table have a life from grant of 10 years The date range over which the above options may be exercised is described in the relevant scheme details below The overall weighted average life of the remaining options is 9 03 years (2008 6 95 years)

The number of options and share awards outstanding by issue date and exercise price, together with the vesting periods, the fair values, and the assumptions used to calculate the fair value and the actual remaining contractual life as at 31 December 2009 are as follows

	EVG 2002 Executive Share Option Scheme
Grant dates [1]	15/01/08-18/05/09
Weighted average market value at grant date (pence)	110 82
Weighted average exercise price (pence)	1 00
Number of awards outstanding	3,478,989
Vesting period (months)	24-36
Expected share price volatility (%)[2]	N/A
Dividend yield (%)	1 83
Average life remaining (years)	9 03
Number of options / awards expected to vest	100%
Number of options vested but unexercised	-
Average fair value per option / award granted (pence)	105 73
Income statement charge (£m)	1 1

In the above table EVG refers to The Evolution Group Plc

[1] Represents the period since when the performance condition (as described below) can be met at which point all awards meet the vesting criteria

Options under the share incentive schemes are valued using a Black-Scholes model adjusted for dividends according to those declared by the Company The Company estimates the number of options likely to vest and expenses that value over the relevant period

[2] Volatility has been estimated by taking the historical volatility in the Company's share price over a three year period In the case of awards of call rights, which have an exercise price of 1p per ordinary share, the fair value is based on the market value at the time of grant discounted by the dividend yield over the expected life and therefore no volatility or risk free rate is shown within the table above

In the above table EVG refers to The Evolution Group Plc

20 EMPLOYEE SHARE SCHEMES (continued)

The share options outstanding at the end of the year have a weighted average exercise price and expected remaining life as follows

	2009			2008		
Range of exercise prices (pence)	Number of share options	Weighted average exercise price (pence)	Weighted average expected remaining life	Number of share options	Weighted average exercise price (pence)	Weighted average expected remaining life
1	3,478,989	1 00	9 03	3,150,000	1 00	6 41
52 30	-	-	-	1,500,000	52 30	2 49
58 67	-	-	-	3,091,565	58 67	2 36
	3,478,989			7,741,565		

Further details of the Company's employee options schemes are disclosed in the Group's Financial Statements and on Note 36

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DIRECTORS AND ADVISERS

Directors	Martin Gray (Non-executive Chairman) Alex Snow (Group Chief Executive) Andrew Westenberger (Group Finance Director) Lord MacLaurin of Knebworth, DL (Non-executive) Mark Nicholls (Non-executive) Peter Gibbs (Non-executive) Christopher Chambers (Non-executive) Roger Perkin (Non-executive)	
Company Secretary	Tony Lee	
Registered Office	9th Floor 100 Wood Street London EC2V 7AN	
Independent Auditors	PricewaterhouseCoopers LLP Hay's Galleria 1 Hays Lane London SE1 2RD	
Solicitors	Bird & Bird 15 Fetter Lane London EC4A 1JP	Fasken Martineau Stringer Saul LLP 17 Hanover Square London W1S 1HU
Broker	Credit Suisse One Cabot Square London E14 4QJ	Arden Partners 125 Old Broad Street London EC2N 1AR
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4BR	
Registered number	03359425	