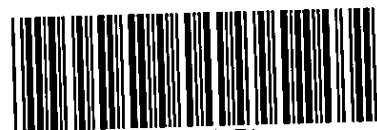


REPORT OF THE DIRECTORS AND  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2008  
FOR  
CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC

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**CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC**

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for the Year Ended 31 December 2008**

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**CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC**

**COMPANY INFORMATION**

**for the Year Ended 31 December 2008**

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<b>DIRECTORS:</b>	Sir W H W Wells S A Banks-Cooper H Bellingham A S Wilson D R Walton Masters J F Thornton	
<b>SECRETARY:</b>	C W Lawes	
<b>REGISTERED OFFICE:</b>	58 Queen Anne Street London W1G 8HW	
<b>REGISTERED NUMBER:</b>	5535356 (England and Wales)	
<b>AUDITORS:</b>	Rees Pollock Chartered Accountants & Registered Auditors 35 New Bridge Street London EC4V 6BW	
<b>SOLICITORS:</b>	Cobbetts 70 Gray's Inn Road London WC1X 8BT	Travers Smith 10 Snow Hill London EC1A 2AL
<b>REGISTRARS:</b>	Equiniti Limited Aspect House Spencer Road Lancing BN99 6DA	
<b>BANKERS:</b>	HSBC Bank plc 27 – 32 Poultry London EC2P 2BX	
<b>NOMINATED ADVISER:</b>	Strand Partners Limited 26 Mount Row London W1K 3SQ	

## **CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC**

### **CHAIRMAN'S STATEMENT**

**for the Year Ended 31 December 2008**

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I present below my Chairman's statement to you on your Company's activities for the year to 31 December 2008.

#### **Overview**

The year under review has seen one of the most significant adjustments in world financial markets, and this has resulted in some fundamental changes to the structure and business of your Company. One of the most visible changes is that of the name, which is now Consolidated Asset Management (Holdings) plc (CAM).

In my statement for the year ended 31 December 2007, I noted that we had experienced a year of change and transition, but 2008 has seen this carried to a much greater level, leading to a loss for the full year to 31 December 2008 of £9.85m.

The year has been characterised by unparalleled turmoil in the global financial markets, and with the financial services focus to our businesses, CAM was more immediately and more directly exposed to the prevailing economic climate than many other organisations. Indeed, I doubt that many would have predicted that starting 2008 with interest rates at 5.5% and the pound worth €1.36, we would end the year with interest rates at 2% and the euro close to parity with sterling.

At the beginning of the year we acquired Independent Investment Associates Limited (IIA), a high-quality IFA business based at Grange over Sands in Cumbria, and in May, we completed the purchase of Manchester based Throgmorton Financial Services Limited (TFS), a broadly-based IFA business.

Both of these acquisitions were in support of our strategy to build an investment management boutique.

In these volatile financial conditions, the Board has continued to keep the strategic direction of the business under review, and to reassess the strengths and weaknesses of the Group. This has resulted in a complete change of management and Christopher Rowe, CEO, and John Gracey, Finance Director, left the Company in September.

Simon Banks-Cooper was appointed as Chief Executive in September and the Group was subsequently restructured with the corporate finance, broking and structured products business being sold.

The results for the period reflect the difficulties that the Group, in common with other financially-driven businesses, has faced. In particular, we have needed to recognise an impairment in the value of our subsidiaries, reflecting the Board's outlook that markets will continue to remain challenging for some time to come.

#### **Activities in the period**

Our third trading year as an AIM-listed company started with the acquisition in January of IIA, followed with TFS in May. The combination of these acquisitions, with a full year contribution from TAM, lifted revenues from continuing operations from £0.5m in 2007 to £2.3m for 2008. However, the trading loss increased from £0.4m to £1.4m on a comparative basis.

Over the summer months of 2008, it became clear that the gross profit from all Group businesses was insufficient to meet our overhead requirements. The Board concluded that the basic business model was unlikely to withstand the severe and prolonged economic downturn that the country had begun to enter.

Arc Fund Management Limited (AFM) and Arc Equities Limited (AEL), which formed our corporate finance and advisory business, had experienced a diminishing appetite amongst the core retail investor base, along with a decline in the prospective fortunes of their areas of specialism, early-stage companies. As a result, it proved difficult to generate acceptable returns in these areas. In July, these commercial considerations precipitated the resignation of AFM as the fund manager of the Arc Growth Company VCT plc. The Arc European Property Fund also suffered as investors sought to withdraw funds, following a trend which afflicted many funds invested in illiquid assets.

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## **CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC**

### **CHAIRMAN'S STATEMENT**

**for the Year Ended 31 December 2008**

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Arc Capital & Income plc (ACI), the structured products business, is generally helped by market volatility. However, such was the wave of sentiment against any investment connected with equity portfolios, that this also suffered. The situation was exacerbated by the decision to allow Lehman Brothers to fail, which caused shock waves across the derivative markets, and where the repercussions will take some considerable time to settle.

This background necessitated drastic and rapid action by the Board, and the resultant strategic review culminated in the disposal of three of the Group businesses, AFM, AE and ACI, in a management buy out to John Gracey, our former Finance Director.

The Board subsequently decided to change the Company's name to Consolidated Asset Management (Holdings) plc, and that our strategic focus should be to concentrate on the wealth management arena.

The acquisitions of IIA and TFS were agreed under significantly healthier market conditions with more optimistic investment outlooks. We are required to assess the valuations of our subsidiaries at the period end, based on their current projections and forecasts. These are driven primarily from a pragmatic assessment of their prospective performance, which has led to a value impairment of some £6.55m.

Simon Banks-Cooper, our new Chief Executive, has a challenging task of refocusing the Company in the current difficult market conditions.

However, we are fortunate to have the support of Mayfair Limited through this difficult period. In October, Mayfair invested £676,009 in exchange for 24,470,933 shares thus facilitating the reorganisation at that time, and has invested significant further funds since the end of the period.

#### **Activities post period**

Since the end of the period, in February 2009, we held an EGM to approve the additional investment of £1.75m made by Mayfair Limited. The EGM was necessary because the depressed share price meant that Mayfair's subscription for shares would take them over the 30% shareholding limit above which an offer for the Company is triggered under the Takeover Code. The Takeover Panel approved a waiver to this rule, subject to independent shareholders' approval, which was duly obtained at the EGM. As a result Mayfair now holds 59% of the issued share capital of the Company.

We have also issued £150,000 in convertible redeemable loan notes to City of London Group plc, and David Walton Masters, its Chairman.

Subsequently, David Walton Masters was appointed to the Board as non-executive Director along with James Thornton. I welcome them to the Board and they bring skills and experience which will be invaluable.

The conditions for our IFA businesses continue to be challenging, requiring a continued focus on performance and cost control. Their performance will be kept under close review and evaluation. We are currently considering a range of potential options for their future.

## **CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC**

### **CHAIRMAN'S STATEMENT**

**for the Year Ended 31 December 2008**

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#### **Outlook**

The prevailing economic outlook shows every sign of persisting for some time and with reduced business levels, 2009 will present fresh challenges. It is also not clear to what extent the broader political decisions relating to savings and pensions will impact individuals and their investment decisions. However, these factors are having a wide impact on markets and businesses across the industry but will enable us to look at new opportunities.

We have made much progress on refocusing the business and with the actions already taken are in a good position to take advantage of the current market opportunities.

We are continuing our strategy of developing a broad based wealth management business, and are actively seeking acquisition opportunities, where we can find businesses of the right quality and valuation, and that can fit into our Group vision.

I would like to thank all our investors for their support, and in particular Mayfair and City of London for enabling us to rescue and stabilise the Company. With their continuing long term support we can progress with cautious confidence. We have the ability to sustain the current operations, can invest when we identify the right opportunities, and will be well placed to take advantage of any future improvements in the economy.

I do also wish to thank all our staff for their efforts during what has proved to be a turbulent and difficult year.

**Sir William Wells**  
**Chairman**

## **CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC**

### **PROFILE OF THE DIRECTORS for the Year Ended 31 December 2008**

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#### **Non-Executive chairman**

##### **Sir William Wells (aged 69) Non-Executive Chairman**

Sir William graduated from Cambridge University in 1964. He is a fellow of The Royal Institution of Chartered Surveyors and began his career as a property consultant becoming a Partner in Chesterton and Sons in 1966, Managing Partner in 1984 and Chairman following incorporation in 1991 until retirement in 1998. He is a Pro Chancellor of the University of Surrey & Vice President of the Royal College of Nursing, a member of the General Council of the King's Fund, and a Trustee of the National Museum of Science and Industry. He is an Honorary Fellow of the Royal College of Physicians. He sits on a number of Private Sector boards including being Chairman of ADL plc; Consolidated Asset Management (Holdings) plc; Ashley House plc; CMG plc; Covenant Healthcare Ltd; Pure Sports Medicine and he is a Non Executive Director of Hillgate (220) Limited and SQW plc. Sir William was Chairman of the NHS Appointments Commission from 2001 to 2007 and Chairman of the DoH Commercial Advisory Board from 2003 to 2007. He was a non-executive in the NHS for nearly 40 years.

#### **Chief executive officer**

##### **Simon Banks-Cooper (aged 43) Chief Executive**

Simon graduated from the University of Hull in 1996, qualified as a Chartered Management Accountant in 1999 and became a Fellow of the Institute in 2003. Simon has managed development and implementation of corporate and financial strategy, planning and financial forecasting from board level, as executive and non executive director, for a number of AIM and PLUS listed companies.

#### **Non-Executive Directors**

##### **Henry Bellingham (aged 53) Non-Executive Director**

Henry graduated from Cambridge University with an MA in Law and was called to the Bar in 1978. He then spent a number of years as a barrister at chambers in Middle Temple and in Norwich whilst also pursuing his political career. In 1990 Henry began serving full time as parliamentary private secretary to the Rt. Hon Malcolm Rifkind QC MP. In 2001 Henry became a member of select committees for Northern Ireland and the DTI before becoming Shadow Minister and principal opposition spokesman on small businesses and employment in 2002. Henry served in the Opposition Whips Office for nearly 2 years after the 2005 election, before his current appointment as Shadow Minister for Justice.

##### **Andrew Wilson (aged 49) Non-Executive Director**

Andrew joined the Board in April 2008. Andrew graduated from Cambridge University and is a director of numerous companies including The Priory Group, Global Health Partner AB, Impellam PLC, London Town PLC and Digital Marketing Group PLC. Previously he was an investment banker with UBS specialising in mergers and acquisitions.

##### **David Walton Masters (age 65) Non-Executive Director**

David Walton Masters has an extensive City and international investment management background including Managing Partner at Phillips and Drew where he headed the International Department; Chief Executive, County NatWest Securities; and Executive Chairman, Morning Star Investment Management, Hong Kong. He has been a Director of a number of other companies both publicly quoted and private. He is currently Executive Chairman, City of London Group Plc; Deputy Chairman, Laura Ashley Holdings Plc; and Chairman, HCM Asset Management Ltd.

## **CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC**

### **PROFILE OF THE DIRECTORS for the Year Ended 31 December 2008**

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#### **James Thornton (age 51) Non-Executive Director**

James Thornton started his financial services career at Morgan Stanley from 1990 to 1995 and was subsequently Head of Finance at BAT Industries PLC, where he managed the demerger of its financial services interests and their merger with Zurich Financial Services. He was Deputy Group and UK Finance Director at Old Mutual PLC following its listing, and also for a time Vice Chairman of its UK wealth management subsidiary Gerrard PLC, and a Director of Old Mutual Asset Management. Since then he has led the turnaround of IFX's Foreign Exchange Division prior to IFX PLC's sale and was most recently a Director of Global Health Partner PLC. He is currently a Director of Spoken Entertainment Limited. He is a Chartered Accountant and a Harvard MBA.



## **CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC**

### **REPORT OF THE DIRECTORS for the Year Ended 31 December 2008**

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The Directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2008.

#### **CHANGE OF NAME**

The Group passed a special resolution on 21 November 2008 changing its name from Arc Fund Management Holdings plc to Consolidated Asset Management (Holdings) plc.

#### **PRINCIPAL ACTIVITIES**

The principal activities of the Group are that of wealth management and the provision of independent financial advice. During the year under review, the activities of fund management, corporate finance and the issue and sale of structured products were discontinued.

#### **REVIEW OF BUSINESS**

The year under review has seen a number of significant changes in the Group, and we end this year with a fundamentally different focus from that with which we ended 2007.

Our principal objective has been to develop the wealth management division, and in January 2009 we were pleased to add to this operation with the acquisition of Independent Investment Associates Limited (IIA). This built on the acquisition of Throgmorton Asset Management Ltd (TAM) in 2007, and was followed with the acquisition of Throgmorton Financial Services Limited (TFS) in May.

We anticipate that IIA, led by two highly qualified and experienced IFAs, will make a significant contribution to the development of our wealth management businesses. We continue to lay the foundations of a sound future structure, meeting both the market and regulatory demands and directions, whilst aligning operations to the Board's commercial aims.

IIA, TAM, and TFS are companies which offer independent financial advice to individuals through financial advisers, primarily targeting those with a high net worth. Income is generated from a combination of initial commissions on new business written, and recurring income on investment products held by clients. These businesses are exposed to the financial market conditions, which were especially difficult in the second half of 2008. Where the investment outlook is uncertain, clients are reluctant to invest, with a risk that new business is reduced. Unfortunately, the well-publicised failures of many household name financial institutions, particularly those which had significant presences in the UK savings market, coupled with the decline in stock market values, have depleted the appetite of many for investments. The recurring income is also generally linked to the value of client investments, and therefore can reduce as market values fall.

This has meant that, at the end of the year, we have had to reconsider the carrying value of our investments in these businesses against a background of much worse broader economic conditions than those prevailing when we began the acquisition process. Our current assessment must therefore be made at a difficult stage in the cycle, and has to reflect the current investment trough. Accordingly, we have taken a prudent view, leading to significant impairment charges against the goodwill and client relationships acquired.

The market conditions also led the Board to decide to exit the fund management, corporate finance and structured products segments, which were conducted through Arc Fund Management Limited (AFML), Arc Equities Limited (AEL) and Arc Capital & Income plc (ACI).

AFML is regulated by the FSA, and was engaged in the management of a series of EIS growth funds, a VCT and an FSA-approved OEIC. AFML's speciality is investment in smaller early stage companies, to which it also offers corporate finance services, and relies on this corporate finance fee income to cover its operating costs. This income is, by its nature, irregular and difficult to forecast. The poor performance of the financial markets during the year markedly worsened the outlook both for the early stage companies which comprised the investments in the funds managed by AFML, and for AFML's corporate finance income. AFML resigned as fund manager of the VCT in July 2008.

## **CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC**

### **REPORT OF THE DIRECTORS - continued for the Year Ended 31 December 2008**

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AEL was engaged in selling shares in early stage companies prior to their admission to a trading facility. However, there are limited opportunities to find suitable companies with high growth potential whose shares can be marketed in this way. In particular, stock market confidence has a significant impact on AEL's business prospects, and this was a significant factor in 2008.

Consequently, the operating costs for AFML and AE in 2008 were in excess of their income levels. The outlook was also increasingly uncertain, which cast doubt on the viability of these businesses. The market confidence which drives much of the demand still shows little sign of returning.

Accordingly, the Board decided in September 2008 that it should dispose of these companies so as to reduce the continuing exposure to their operating costs.

ACI creates and issues structured products for sale to investors. However, ACI's ability to produce new products relies on market conditions, and in particular volatility. It also relies on the availability and ability of suitable market counterparties for the underlying derivatives which make up the structured products. The business model relies on the maintenance of regular issuance of new products. This became increasingly difficult during 2008, again as a consequence of the state of global financial markets. This culminated with the collapse of Lehman Brothers in September 2008. Lehman Brothers had been a significant counterparty in the financial markets, and it was considered probable that their failure would adversely impact the opportunities for the derivative trades which are an essential component of structured products.

Even prior to September 2008, ACI was struggling to generate sufficient income to cover its operating costs. With the added uncertainties in the derivative markets leading to grave concerns over ACI's ability to deliver new products, along with investor reactions against any kind of counterparty risk, the Board decided that the most expedient course of action would also be to dispose of the ACI business.

Consequently, in October 2008, it was announced that the Group had sold AFML, AEL and ACI to John Gracey, who had previously been the Group's Finance Director.

Following these changes, the name of the Group was changed to Consolidated Asset Management (Holdings) plc.

TAM and TFS principally operate as providing a regulatory and administrative framework for self-employed independent financial advisers (IFAs). The revenues generated are then split between the company and the IFA. This arrangement does have the benefit that there is no obligation to employment costs in respect of IFAs, who have to generate revenue for the company in order to get paid themselves. However, with FSA proposals potentially increasing regulations, the Board are currently undertaking a strategic review of this business model to ensure that we are positioned to take advantage of an upturn.

The Board's strategy is to continue to seek acquisitions of financial services businesses, and is currently examining a range of potential opportunities. However, the outlook for the sector is challenging at present, and a further realignment of the valuations at which a number of organisations are being offered for sale is required for these to progress further.

In December 2007, the Board was fortunate in securing the support of Mayfair Limited as a long term investor. During the year, Mayfair subscribed for a further £676,009 of share capital, and has increased this by a further £1.75m since the period end. We are therefore able to take a positive long term view from a secure capital base.

#### **DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2008.

#### **POLITICAL AND CHARITABLE CONTRIBUTIONS**

During the period, the Group made charitable contributions of £1,376.

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## CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC

### REPORT OF THE DIRECTORS - continued for the Year Ended 31 December 2008

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#### GROUP'S POLICY ON PAYMENT OF CREDITORS

It is the Group's policy to settle the terms of payment with suppliers on the commencement of a business relationship. This ensures that suppliers are made aware of those terms. Trade creditors represented 11 days purchases at 31 December 2008 (2007: 137 days).

#### DIRECTORS

The Directors shown below have held office during the whole of the period from 1 January 2008 to the date of this report.

Sir W H W Wells  
H Bellingham

Other changes in Directors holding office are as follows:

C J Rowe - resigned 11 September 2008  
J C Gracey - resigned 11 September 2008  
S A Banks-Cooper - appointed 9 September 2008  
A S Wilson - appointed 28 April 2008  
S D G Hadley - resigned 15 February 2008

D R Walton Masters and J F Thornton were appointed as Directors on 20 March 2009, after the 31 December 2008 year end but prior to the date of this report.

#### DIRECTORS INTERESTS

The interests of the Directors who served during the year in the share capital of the Company as at 31 December 2008 are set out below:

Director	Number of Ordinary Shares
Sir W H W Wells	954,701
J C Gracey	2,615,570
C J Rowe	13,048,276
S D G Hadley	2,328,000

The shareholding of S D G Hadley includes 465,600 shares held in the name of Mrs H Hadley. S D G Hadley is also able to exercise voting rights in respect of 1,164,000 shares held in trust by an independent nominee as set out in note 19.

The interests of the Directors in options over shares of the Company are:

Director	Number of shares under option	Type of option	Date of grant	Exercise price	Exercise period
Sir W H W Wells	250,000	Unapproved share option	4 July 2006	0.5p	July 2016
Sir W H W Wells	1,000,000	Unapproved share option	4 October 2007	14.0p	October 2017
H Bellingham	250,000	Unapproved share option	4 July 2006	0.5p	July 2016
H Bellingham	150,000	Unapproved share option	4 October 2007	14.0p	October 2017
H Bellingham	250,000	Unapproved share option	21 November 2008	9.6p	November 2018
S A Banks-Cooper	9,393,472	Unapproved share option	10 February 2009	1.0p	February 2019

D R Walton Masters has an interest in £25,000 of the convertible redeemable loan notes issued by the Company on 22 January 2009, as set out in note 26.

## CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC

### REPORT OF THE DIRECTORS - continued for the Year Ended 31 December 2008

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The interests of former Directors in options over shares of the Company are:

Director	Number of shares under option	Type of option	Date of grant	Exercise price	Exercise period
J C Gracey	500,000	Unapproved share option	4 July 2006	6.5p	July 2016
J C Gracey	355,263	Unapproved share option	17 April 2007	19.0p	April 2017
J C Gracey	2,500,000	Unapproved share option	4 October 2007	14.0p	October 2017
C J Rowe	500,000	Unapproved share option	4 July 2006	6.5p	July 2016
C J Rowe	355,263	Unapproved share option	17 April 2007	19.0p	April 2017
C J Rowe	2,500,000	Unapproved share option	4 October 2007	14.0p	October 2017
S D G Hadley	1,000,000	Unapproved share option	21 November 2008	6.5p	November 2018

Under the terms of the agreements between the Company and J C Gracey and C J Rowe on their resignation as Directors, they have retained the share option entitlements which had previously been granted to them.

#### SUBSTANTIAL SHAREHOLDINGS

At 11 May 2009, the Company had been notified of the following interests which exceed 3% of the Company's issued share capital:

	%
Mayfair Limited	58.94
Fiske Nominees Limited	7.13
City of London Group plc	5.29
Christopher Rowe	4.35

City of London Group plc also has an interest in convertible redeemable Loan Notes as set out in note 26 to the financial statements. If these Loan Notes were to be converted at the above date, their holding would represent 9.85% of the enlarged share capital of the Company.

#### DIRECTORS INDEMNITIES

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which remain in force at the date of this report.

#### POST BALANCE SHEET EVENTS

Details of the post balance sheet events are set out in note 26 to the financial statements.

#### RELATIONS WITH SHAREHOLDERS

The Board attaches great importance to maintaining good relationships with shareholders. The Board regards the Annual General Meeting as an opportunity to communicate directly with investors, who are encouraged to attend and participate.

The Directors acknowledge the importance of the Principles set out in The Combined Code issued by the Committee on Corporate Governance. Although the Combined Code is not compulsory for AIM companies, the Directors intend to apply the principles as far as practicable and appropriate for a relatively small public company as follows:

#### THE BOARD OF DIRECTORS

The Board is responsible for strategy, performance, approval of major capital projects and the framework of internal controls. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings. All Directors have access to the advice and services of the company secretary, who is responsible for ensuring that board procedures are followed and that applicable rules and regulations are complied with.

## **CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC**

### **REPORT OF THE DIRECTORS - continued for the Year Ended 31 December 2008**

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#### **AUDIT COMMITTEE**

The Audit Committee comprises Henry Bellingham as Chairman, and James Thornton. It receives and reviews reports from management and the Company's auditors relating to the annual and interim accounts and the accounting and internal control systems of the Group. The Audit Committee has unrestricted access to the Group's auditors.

#### **REMUNERATION COMMITTEE**

The remuneration committee comprises Sir William Wells as Chairman, and David Walton Masters. It reviews the performance of the Executive Directors, sets their remuneration, determines the payment of bonuses to Executive Directors and considers the allocation of share options to Directors and employees

#### **INTERNAL FINANCIAL CONTROL**

The Board is responsible for establishing and maintaining the Group's system of internal financial control and places importance on maintaining a strong control environment. The key procedures which the Directors have established with a view to providing effective internal financial control are as follows:

- The Group's organisational structure has clear lines of responsibility;
- The Company prepares a comprehensive annual budget that is approved by the Board. Results are reported against the budget and variances are closely monitored by the Directors;
- The Board is responsible for identifying the major business risks faced by the Company and for determining the appropriate courses of action to manage those risks;
- The Board is involved in regular subsidiary company board meetings and with structured operational reporting requirements.

The Directors recognise, however, that such a system of internal financial control can provide only reasonable, not absolute, assurance against material misstatement or loss. The Directors have reviewed the effectiveness of the system of internal financial control that will be operated by the Group.

#### **SERVICE CONTRACTS**

The Directors have service contracts and letters of appointment, which require not less than 3 months' notice of termination.

#### **MODEL CODE**

The Company has adopted and operates a share dealing code for Directors and senior executives on the same terms as the London Stock Exchange Model Code for companies whose shares have been admitted to AIM.

#### **GOING CONCERN**

At 31 December 2008, the Group's current liabilities exceeded its current assets by £293,410. On 19 January 2009, the Company entered into a short-term loan agreement with Mayfair Limited with a facility of £250,000. This incorporated the loan of £74,194 from Mayfair referred to in note 25 as outstanding at 31 December 2008.

Subsequently, on 23 February 2009 as set out in note 26, the Company raised £1.75m from the issue of new Ordinary Shares to Mayfair Limited, and repaid the loan from the proceeds.

On 23 January 2009, as referred to in note 26, the Company entered into an agreement for convertible redeemable loan notes to the value of £150,000 with City of London Group plc and David Walton Masters.

The combination of these activities has provided the Company with approximately £1.9m as additional working capital since 31 December 2008.

Based on a review of the Group's budgets and cash flow plans, the Directors are satisfied that this funding means that the Group has sufficient resources to continue its operations and to meet its commitments for a period of not less than one year from the date of signature of this report.

## CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC

### REPORT OF THE DIRECTORS - continued for the Year Ended 31 December 2008

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#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations. The Directors are required to prepare accounts for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and have chosen to prepare Company financial statements in accordance with IFRS.

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies as described on pages 24 to 30 and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

In the case of IFRS accounts, IAS 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. The Directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, [consolidatedassetmanagement.co.uk](http://consolidatedassetmanagement.co.uk). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the Group's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

#### AUDITORS

The auditors, Rees Pollock, will be proposed for re-appointment at the forthcoming Annual General Meeting.

#### BY ORDER OF THE BOARD:



C W Lawes  
Secretary  
20 May 2009



## REES POLLOCK

*Chartered Accountants*

35 New Bridge Street  
London  
EC4V 6BW  
Telephone 020 7778 7200  
Fax 020 7329 6408  
[www.reespollock.co.uk](http://www.reespollock.co.uk)

### **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC**

We have audited the group and parent company financial statements ('the financial statements') of Consolidated Asset Management (Holdings) plc for the year ended 31 December 2008 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

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

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

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC - continued**

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**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.



Rees Pollock  
Chartered Accountants & Registered Auditors

20 May 2009



**CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC**

**CONSOLIDATED INCOME STATEMENT**  
for the Year Ended 31 December 2008

	Notes	31.12.08 £	31.12.07 £
<b>CONTINUING OPERATIONS</b>			
Revenue	5	2,327,530	537,119
Cost of sales		<u>(1,285,982)</u>	<u>(389,048)</u>
<b>GROSS PROFIT</b>		<b>1,041,548</b>	<b>148,071</b>
Other gains and losses		(624,827)	(35,841)
Administrative expenses		(1,846,999)	(597,644)
Finance costs	7	-	(21)
Finance income	7	<u>44,579</u>	<u>49,003</u>
<b>TRADING LOSS</b>		<b>(1,385,699)</b>	<b>(436,432)</b>
Amortisation of intangible assets	13	(588,272)	(92,593)
Provision for impairment of intangible assets	13	(5,445,192)	-
Amortisation of goodwill	12	(800)	-
Provision for impairment of goodwill	12	<u>(1,109,133)</u>	<u>(876,803)</u>
<b>LOSS BEFORE TAX</b>	8	<b>(8,529,096)</b>	<b>(1,405,828)</b>
Tax	9	<u>1,704,578</u>	<u>107,186</u>
<b>LOSS FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>(6,824,518)</b>	<b>(1,298,642)</b>
<b>DISCONTINUED OPERATIONS</b>			
(Loss)/profit from discontinued operations	8, 30	<u>(3,026,182)</u>	<u>760,102</u>
<b>LOSS FOR THE YEAR</b>		<b><u>(9,850,700)</u></b>	<b><u>(538,540)</u></b>
Attributable to:			
Equity holders of the parent		<u>(9,850,700)</u>	<u>(538,540)</u>
Loss per share expressed			
in pence per share:	11		
Continuing operations			
Basic		(4.64)	(1.62)
Diluted		<u>(4.62)</u>	<u>(1.58)</u>
Continuing and discontinued operations			
Basic		(6.70)	(0.67)
Diluted		<u>(6.67)</u>	<u>(0.66)</u>

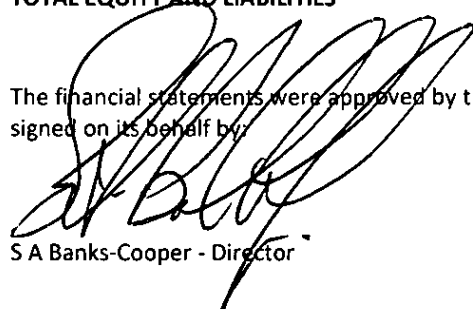
The notes on pages 24 to 61 form part of these financial statements

**CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC**

**CONSOLIDATED BALANCE SHEET  
for the Year Ended 31 December 2008**

	Notes	31.12.08 £	31.12.07 £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Goodwill	12	2,600	-
Intangible assets	13	532,237	3,547,435
Property, plant and equipment	14	60,898	76,304
Investments	15	-	-
		<u>595,735</u>	<u>3,623,739</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	16	128,720	996,392
Other financial assets	17	46,500	1,672,411
Cash and cash equivalents	18	<u>202,883</u>	<u>3,709,347</u>
		<u>378,103</u>	<u>6,378,150</u>
<b>TOTAL ASSETS</b>		<u>973,838</u>	<u>10,001,889</u>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Ordinary share capital	19	865,579	618,181
Share premium	20	8,709,572	6,239,777
Other reserves	20	88,316	79,663
Retained earnings	20	<u>(9,483,369)</u>	<u>367,331</u>
<b>TOTAL EQUITY</b>		<u>180,098</u>	<u>7,304,952</u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax	23	<u>122,227</u>	<u>809,452</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	21	666,088	1,778,348
Tax payable		<u>5,425</u>	<u>109,137</u>
		<u>671,513</u>	<u>1,887,485</u>
<b>TOTAL LIABILITIES</b>		<u>793,740</u>	<u>2,696,937</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>973,838</u>	<u>10,001,889</u>

The financial statements were approved by the Board of Directors and authorised for issue on 20 May 2009 and were signed on its behalf by:



S A Banks-Cooper - Director

The notes on pages 24 to 61 form part of these financial statements

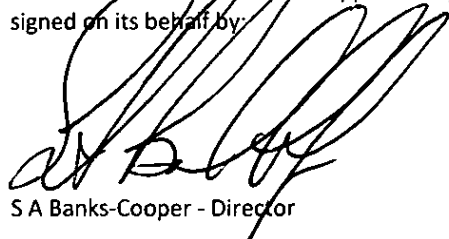
**CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC**

**COMPANY BALANCE SHEET**

**for the Year Ended 31 December 2008**

	Notes	31.12.08 £	31.12.07 £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	4,316	-
Investments	15	678,002	3,227,585
Deferred tax	23	-	1,749
		<u>682,318</u>	<u>3,229,334</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	16	81,558	364,540
Other financial assets	17	-	59,399
Cash and cash equivalents	18	50,250	2,366,709
		<u>131,808</u>	<u>2,790,648</u>
<b>TOTAL ASSETS</b>		<u>814,126</u>	<u>6,019,982</u>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Ordinary share capital	19	865,579	618,181
Share premium	20	8,709,572	6,239,777
Other reserves	20	88,316	79,663
Retained earnings	20	(9,473,221)	(1,249,360)
<b>TOTAL EQUITY</b>		<u>190,246</u>	<u>5,688,261</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	21	623,880	331,721
<b>TOTAL LIABILITIES</b>		<u>623,880</u>	<u>331,721</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>814,126</u>	<u>6,019,982</u>

The financial statements were approved by the Board of Directors and authorised for issue on 20 May 2009 and were signed on its behalf by:



S A Banks-Cooper - Director

The notes on pages 24 to 61 form part of these financial statements

**CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the Year Ended 31 December 2008

	Share capital £	Share premium £	Other reserve £	Profit and loss account £	Total £
At 1 January 2007	307,272	265,149	7,545	905,871	1,485,837
Loss for the period	-	-	-	(538,540)	(538,540)
Employee share option scheme: value of employee services	-	-	72,118	-	72,118
Total recognised income and expense for the period	-	-	72,118	(538,540)	(466,422)
Shares issued during the period	310,909	6,214,091	-	-	6,525,000
Cost of share issues	-	(239,463)	-	-	(239,463)
At 31 December 2007	618,181	6,239,777	79,663	367,331	7,304,952
	Share capital £	Share premium £	Other reserve £	Profit and loss account £	Total £
At 1 January 2008	618,181	6,239,777	79,663	367,331	7,304,952
Loss for the period	-	-	-	(9,850,700)	(9,850,700)
Employee share option scheme: value of employee services	-	-	8,653	-	8,653
Total recognised income and expense for the period	-	-	8,653	(9,850,700)	(9,842,047)
Shares issued during the period	247,398	2,469,795	-	-	2,717,193
At 31 December 2008	865,579	8,709,572	88,316	(9,483,369)	180,098

The notes on pages 24 to 61 form part of these financial statements

**CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC**

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
for the Year Ended 31 December 2008

	Share capital £	Share premium £	Other reserve £	Profit and loss account £	Total £
At 1 January 2007	307,272	265,149	7,545	(43,387)	536,579
Loss for the period	-	-	-	(1,205,973)	(1,205,973)
Employee share option scheme: value of employee services	-	-	72,118	-	72,118
Total recognised income and expense for the period	-	-	72,118	(1,205,973)	(1,133,855)
Shares issued during the period	310,909	6,214,091	-	-	6,525,000
Cost of share issues	-	(239,463)	-	-	(239,463)
At 31 December 2007	618,181	6,239,777	79,663	(1,249,360)	5,688,261
	Share capital £	Share premium £	Other reserve £	Profit and loss account £	Total £
At 1 January 2008	618,181	6,239,777	79,663	(1,249,360)	5,688,261
Loss for the period	-	-	-	(8,223,861)	(8,223,861)
Employee share option scheme: value of employee services	-	-	8,653	-	8,653
Total recognised income and expense for the period	-	-	8,653	(8,223,861)	(8,215,208)
Shares issued during the period	247,398	2,469,795	-	-	2,717,193
At 31 December 2008	865,579	8,709,572	88,316	(9,473,221)	190,246

The notes on pages 24 to 61 form part of these financial statements

**CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC**

**CONSOLIDATED CASH FLOW STATEMENT**  
for the Year Ended 31 December 2008

		31.12.08 £	31.12.07 £
	Notes		
<b>Cash flows from operating activities</b>			
Cash used in operations	1	(1,915,376)	(681,941)
Tax paid		<u>(169,773)</u>	<u>(199,001)</u>
Net cash used in operating activities		<u>(2,085,149)</u>	<u>(880,942)</u>
 <b>Cash flows from investing activities</b>			
Purchase of property plant and equipment		(40,118)	(41,553)
Acquisition of subsidiaries net of cash acquired		(1,540,268)	(1,744,581)
Disposal of subsidiaries		(864,840)	-
Interest received		<u>273,707</u>	<u>443,429</u>
Net cash used in investing activities		<u>(2,171,519)</u>	<u>(1,342,705)</u>
 <b>Cash flows from financing activities</b>			
New loans in year		74,195	-
Proceeds from share issues		676,009	5,070,537
Interest paid		<u>-</u>	<u>(2,019)</u>
Net cash from financing activities		<u>750,204</u>	<u>5,068,518</u>
 <b>Net (decrease)/Increase in cash and cash equivalents</b>		<u>(3,506,464)</u>	<u>2,844,871</u>
<b>Cash and cash equivalents at beginning of year</b>	2	<u>3,709,347</u>	<u>864,476</u>
<b>Cash and cash equivalents at end of year</b>	2	<u><u>202,883</u></u>	<u><u>3,709,347</u></u>

The notes on pages 24 to 61 form part of these financial statements

**CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC**

**COMPANY CASH FLOW STATEMENT**  
for the Year Ended 31 December 2008

		31.12.08 £	31.12.07 £
<b>Cash flows from operating activities</b>	<b>Notes</b>		
Cash used in operations	1	(1,106,586)	(192,531)
Tax paid		<u>72,406</u>	<u>-</u>
Net cash used in operating activities		<u>(1,034,180)</u>	<u>(192,531)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(5,436)	-
Purchase of non-current investments		(1,757,960)	(2,500,829)
Purchase of financial assets		-	(59,399)
Disposal of subsidiaries		(300,000)	-
Interest received		<u>30,914</u>	<u>48,000</u>
Net cash used in investing activities		<u>(2,032,482)</u>	<u>(2,512,228)</u>
<b>Cash flows from financing activities</b>			
New loans in year		74,194	-
Share issue		<u>676,009</u>	<u>5,070,537</u>
Net cash from financing activities		<u>750,203</u>	<u>5,070,537</u>
<b>(Decrease)/Increase in cash and cash equivalents</b>		<u>(2,316,459)</u>	<u>2,365,778</u>
<b>Cash and cash equivalents at beginning of year</b>	<b>2</b>	<u>2,366,709</u>	<u>931</u>
<b>Cash and cash equivalents at end of year</b>	<b>2</b>	<u><u>50,250</u></u>	<u><u>2,366,709</u></u>

The notes on pages 24 to 61 form part of these financial statements

**CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC**

**COMPANY CASH FLOW STATEMENT**  
for the Year Ended 31 December 2008

**1. RECONCILIATION OF LOSS BEFORE TAX TO CASH USED IN OPERATIONS**

**Group**

	31.12.08	31.12.07
	£	£
(Loss)/profit before tax – continuing operations	(8,529,096)	(1,405,828)
(Loss)/profit before tax – discontinued operations	(3,100,630)	1,091,752
Depreciation charges	43,360	285,220
Loss on disposal of property, plant and equipment	5,915	-
Loss on disposal of subsidiaries	1,305,420	-
Client relationships amortisation	743,477	-
Impairment of client relationships	5,445,192	-
Goodwill amortisation	800	-
Impairment of goodwill	1,109,133	876,803
Equity settled share based transactions	8,653	72,118
Fair value adjustment to financial assets	1,151,274	(406,249)
(Increase)/decrease in financial assets	(81,583)	(404,385)
Finance costs	-	2,019
Finance income	<u>(273,707)</u>	<u>(443,429)</u>
	(2,171,792)	(331,979)
Decrease in trade and other receivables	767,982	249,147
Decrease in trade and other payables	<u>(511,566)</u>	<u>(599,109)</u>
<b>Cash used in operations</b>	<b><u>(1,915,376)</u></b>	<b><u>(681,941)</u></b>

**Company**

	31.12.08	31.12.07
	£	£
Loss before tax	(8,222,112)	(1,285,429)
Depreciation charges	1,120	-
Loss on disposal of subsidiaries	1,337,156	-
Investment provision	5,387,779	876,803
Net movement in financial assets	59,399	-
Equity settled share based transactions	8,653	72,118
Finance income	<u>(30,914)</u>	<u>(48,000)</u>
	(1,458,919)	(384,508)
Decrease/(Increase) in trade and other receivables	334,368	(139,744)
Increase in trade and other payables	<u>17,965</u>	<u>331,721</u>
<b>Cash used in operations</b>	<b><u>(1,106,586)</u></b>	<b><u>(192,531)</u></b>

The notes on pages 24 to 61 form part of these financial statements



## CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC

### NOTES TO THE CASH FLOW STATEMENTS for the Year Ended 31 December 2008

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#### 2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the cash flow statements in respect of cash and cash equivalents are in respect of these balance sheet amounts:

	Group		Company	
Year ended 31 December 2008	31.12.08	1.1.08	31.12.08	1.1.08
	£	£	£	£
Cash and cash equivalents	<u>202,883</u>	<u>3,709,347</u>	<u>50,250</u>	<u>2,366,709</u>
Year ended 31 December 2007	31.12.07	1.1.07	31.12.07	1.1.07
	£	£	£	£
Cash and cash equivalents	<u>3,709,347</u>	<u>864,476</u>	<u>2,366,709</u>	<u>931</u>

#### 3. ACQUISITION OF BUSINESS

During the year the Group acquired the entire issued share capital of Independent Investment Associates Limited and Throgmorton Financial Services Limited.

The net cash outflow on acquisitions, as set out in note 29 amounted to £1,107,742 in respect of Independent Investment Associates Limited, £432,526 in respect of Throgmorton Financial Services Limited and £1,540,268 in total.

#### 4. DISPOSAL OF BUSINESS

During the year Arc Fund Management Limited, Arc Equities Limited and Arc Capital & Income plc were disposed of by the Group as set out in note 30. These discontinued operations expended £402,033 to net operating cash outflows and received £73,593 in respect of investing activities.

The net cash outflows on disposal, as set out in note 30, amounted to:

	£
Arc Fund Management Limited	397,507
Arc Equities Limited	1,310
Arc Capital & Income plc	<u>466,023</u>
	<u>864,840</u>

The notes on pages 24 to 61 form part of these financial statements

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**1. GENERAL INFORMATION**

Consolidated Asset Management (Holdings) plc is a company incorporated in England and Wales. The Company is quoted on the London Stock Exchange's Alternative Investment Market (AIM). The address of the registered office and registered number of the Company are disclosed on page 1 of these financial statements. The principal activities of the Group are described in the Directors report, and details of the principal subsidiaries are included in note 15.

The functional and presentational currency of the Group is £ sterling.

**2. ACCOUNTING POLICIES**

**Basis of preparation**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standard, Statements of the Standing Interpretations Committee and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS for accounting periods commencing on or after 1 January 2008. The financial statements have been prepared on the historical cost basis as modified by the revaluation of financial assets at fair value through profit and loss.

The parent company financial statements are the first financial statements of the parent company to have been prepared in accordance with International Financial Reporting Standards, Statements of the Standing Interpretations Committee and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS for accounting periods commencing on or after 1 January 2008. The financial statements have been prepared on the historical cost basis as modified by the revaluation of financial assets at fair value through profit and loss.

Reconciliations and descriptions of the effect of the transition to IFRS from UK GAAP are set out in note 31.

The principal accounting policies are set out below.

**Standards, interpretations and amendments to published standards effective in 2008**

For the purposes of the preparation of the accounts, the Group has applied all standards and interpretations that will be effective for the accounting periods commencing on or after 1 January 2008.

The following standards and interpretations have been adopted:

- IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions".
- IFRIC 12 "Service concession arrangements"
- IFRIC 14 "IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction.
- Amendments to IAS 39 and IFRS 7 "Financial instruments: disclosures".

Management has assessed the impact of these standards and interpretation on the Group and concluded they are not applicable to the Group's circumstances and do not require amendment of the Group's accounting policies.

2. ACCOUNTING POLICIES - continued

**Standards, interpretations and amendments to published standards that are not yet effective**

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but which the Group has not adopted early as follows:

- IFRS 8 "Operating segments" (effective for accounting periods beginning on or after 1 January 2009);
- Amendment to IAS 23 "Borrowing costs" (effective for accounting periods beginning on or after 1 January 2009);
- Amendment to IAS 1 "Presentation of financial statements" (effective for accounting periods beginning on or after 1 January 2009);
- Amendment to IFRS 3 "Business combinations" (effective from 1 July 2009)\*;
- Amendment to IAS 27 "Consolidated and separate financial statements" (effective from 1 July 2009)\*;
- Amendment to IFRS 2 "Share based payments" – vesting conditions and cancellations (effective for accounting periods beginning on or after 1 January 2009);
- Amendments to IAS 32 "Financial instruments: presentation" and IAS 1 "Presentation of financial statements" puttable financial instruments and obligations arising on liquidation (effective for accounting periods beginning on or after 1 January 2009);
- Amendments to IFRS 1 "First time adoption of IFRS" and IAS 27 – Cost of an investment in a subsidiary, jointly controlled entity or associate (effective for accounting periods beginning on or after 1 January 2009);
- Amendment to IAS 39 "Financial instruments: recognition and measurement" – eligible hedged items (effective for accounting periods beginning on or after 1 July 2009)\*;
- IFRIC 13 "Customer loyalty programmes" (effective for accounting periods beginning on or after 1 July 2008);
- IFRIC 15 "Agreements for the construction of real estate" (effective for accounting periods beginning on or after 1 January 2009)\*;
- IFRIC 16 "Hedges of a net investment in a foreign operation" (effective for accounting periods beginning on or after 1 October 2008)\*;
- IFRIC 17 "Distributions of non-cash assets to owners" (effective for accounting periods beginning on or after 1 July 2009)\*;
- IFRIC 18 "Transfers of assets from customers" (effective prospectively to such transfer after 1 July 2009)\*;

\* Yet to be endorsed by the EU.

Management is currently assessing the impact of the adoption of IFRS 8. While it is not anticipated that this will lead to changes in the identification of business segments, it may lead to changes to the detail of the Group's segmental disclosures.

Management is also considering the applicability and impact of the revision to IAS 23 which requires borrowing costs directly attributable to assets which 'necessarily take a substantial period of time to get ready for intended use or sale' to be capitalised as part of the cost of that asset. No retrospective application is required by this standard.

The amendment to IAS 1 will lead to some changes in the presentation of the Group's financial statements in 2009. These will include the replacement of the statement of changes in equity with a statement of comprehensive income.

2. **ACCOUNTING POLICIES - continued**

The amendment to IFRS 3 will lead to all transaction costs on future acquisitions being written off to the income statement immediately rather than being carried as part of the consideration for the acquisitions. Retrospective application will not be required so the impact of this change will be restricted to future acquisitions falling into the scope of IFRS 3.

Management does not believe that the other amendments and interpretations listed above will have a material effect on the Group's financial reporting.

**Basis of consolidation**

Subsidiaries are all 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 de-consolidated from the date that control ceases.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of the minority interest. The excess of the cost of acquisition over the fair value of the Group's share of identifiable assets is recorded as goodwill.

Transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed (where necessary) to ensure consistency with the policies adopted by the Group.

The Group has taken advantage of IFRS 1 and has chosen not to restate acquisitions undertaken prior to the date of transition to IFRS.

**Revenue recognition**

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and that the revenue can be reliably measured and when the specific criteria have been met for each of the Group's activities as described below. Revenue is measured at the fair value of consideration received or receivable, excluding Value Added Tax (VAT) and after eliminating sales within the Group.

**Wealth Management**

Income generated from advising on wealth management products is recognised on receipt of the first payment by the product provider or when funds are transferred. Typically this is when the product goes on risk. Depending on the nature of the product wealth management income is recognised at this point either by way of an upfront commission or by way of an ongoing trail income which will continue throughout the life of the product.

2. ACCOUNTING POLICIES - continued

**Goodwill**

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the separately identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition. In accordance with IFRS 3 Business Combinations, goodwill is not amortised but reviewed annually for impairment and as such, is stated at cost less any provision for impairment of value. Any impairment is recognised immediately in the income statement and is not subsequently reversed. On acquisition, any goodwill acquired is allocated to cash generating units for the purposes of impairment testing. The allocation is made to those cash generating units that are expected to benefit from the business combination in which the goodwill arose. Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

**Intangible assets - client relationships**

Client relationships acquired in a business combination are initially recognised at fair value on the acquisition date. Client relationships have a finite useful life. Amortisation is calculated using the straight line method to allocate the carrying value of customer relationships over their estimated useful life of 5 to 10 years.

**Impairment of non-financial assets**

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill and assets assessed as having indefinite useful economic lives are reviewed for impairment at least annually, and more often where events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal at each balance sheet date.

**Property, plant and equipment**

Property, plant and equipment is measured at historical costs less accumulated depreciation.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Leasehold improvements	- Over the term of the lease
Plant and machinery	- 25% on cost

**Financial assets**

The Group classifies its financial assets at fair value through the profit or loss account. Management determines the classification of its financial assets at initial recognition or on the date of transition to IFRS.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

2. ACCOUNTING POLICIES - continued

The value of financial assets reflects shares issued by listed and non-listed companies as part of either a listing or capital raising in recognition of services provided by the Group and any adjustment to the fair value of those assets impacts the profitability and performance of the Group as a whole and reflects on the business performance during the year. Any adjustments to the fair value are recognised in the profit and loss account for the period.

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 investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other gains and losses' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, making maximum use of market inputs and relying as little as possible on entity specific inputs.

**Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is charged or credited to the income statement, except where it relates to items charged or credited directly to equity, in which case the tax is also dealt with in equity.

Current tax is the expected tax payable on the taxable profits for the period, using tax rates enacted or substantially enacted by the balance sheet date, and any adjustments in respect of prior years.

Deferred tax represents the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits.

Deferred tax liabilities are generally recognised on all temporary timing differences, except where the difference arises from the initial recognition of goodwill arising on a business combination.

Deferred tax assets are recognised only to the extent that the Directors consider it more probable than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply to the period in which the timing differences are expected to reverse, based on tax rates and laws which have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account and included within administrative expenses in arriving at the trading result.

2. ACCOUNTING POLICIES - continued

**Operating leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received) are charged to the income statement on a straight line basis.

**Pension costs**

The pension costs charged in the financial statements represent the defined contributions payable by the Group during the period.

**Trading profit**

Trading profit is stated before the amortisation and impairment of intangible assets, and the impairment of goodwill. It includes finance income, finance expense and other gains and losses as these are deemed to reflect the trading activity of the Group. Other gains and losses represents fair value adjustments to the Group's financial assets.

**Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. A provision for impairment 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. Indicators that a trade receivable is impaired include significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments.

**Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

**Borrowings**

Borrowings are initially recognised at fair value. Subsequently borrowings are measured at amortised cost with the borrowing costs being accounted for on an accruals basis in the income statement using the effective interest method. At the balance sheet date accrued interest is recorded separately from the associated borrowings within current liabilities.

**Share capital**

Ordinary shares are classed as equity. Incremental costs directly attributable to the issues of new ordinary shares or options are shown in equity as a deduction from the proceeds.

**Share based payments**

The Company awards share options to certain Directors and employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the Directors and employees become unconditionally entitled to the options. The fair value of such options has been calculated using a Black-Scholes model, based upon publicly available market data, and is charged to the income statement over the vesting period taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest only where vesting is dependent upon the satisfaction of service and non-market vesting conditions or where the vesting periods themselves are amended by the introduction of new schemes and the absorption of earlier schemes by agreement between the Company and the relevant Directors and employees. Where options or warrants granted are cancelled, all future charges arising in respect of the grant are charged to the income statement on the date of cancellation.

2. **ACCOUNTING POLICIES - continued**

**Revenue recognition policies specific to discontinued activities**

*Corporate Finance & Advisory*

Revenue is recognised on the completion of services in accordance with terms of engagement at the fair value of cash and financial assets received. Financial assets received are treated as fair value through profit and loss account in accordance with the policies above.

*Structured Products*

Income is received on the sale of a structured product but is recognised in Group revenues on a basis that matches the Directors' best estimate of the costs incurred in creating, supporting and redeeming each product.

**Going concern**

At 31 December 2008, the Group's and the Company's current liabilities exceeded their current assets. Since the balance sheet date, actions have been taken to redress this situation. On 19 January 2009, the Company entered into a short-term loan agreement with Mayfair Limited with a facility of £250,000. This incorporated the loan of £74,194 from Mayfair referred to in note 25 as outstanding at 31 December 2008.

Subsequently, on 23 February 2009 as set out in note 26, the Company raised £1.75m from the issue of new Ordinary Shares to Mayfair Limited, and repaid the loan from the proceeds.

On 23 January 2009, as referred to in note 26, the Company entered into an agreement for convertible redeemable loan notes to the value of £150,000 with City of London Group plc and David Walton Masters.

The combination of these activities has provided the Company with approximately £1.9m as additional working capital since 31 December 2008.

Based on a review of the Group's and Company's budgets and cash flow plans, the Directors are satisfied that this funding means that the Group and the Company have sufficient resources to continue their operations and to meet their commitments for a period of not less than one year from the date of signature of this report.

Accordingly they continue to adopt the going concern basis in the preparation of the financial statements.

3. **FINANCIAL RISK MANAGEMENT**

**Financial risk management objectives and policies**

The Group and the Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group and of the Company's operations whilst managing its financial risks, including, interest rate risk, market risk, credit risk, liquidity risk, price risk and cash flow risk.

**Interest rate risk**

The Group's and the Company's income and operating cash flows are dependent on changes in market interest rates. Interest rate exposure arises from the Group's and the Company's deposits. The Group and the Company monitors the interest rates constantly although the prevailing interest rates are low. The Group cash balances at the year end were held with a number of different UK banks in both current and deposit accounts.



3. FINANCIAL RISK MANAGEMENT - continued

**Credit risk**

The Group's and the Company's exposure to credit risk arises mainly from receivables and cash holdings. Receivables are monitored on an ongoing basis via management reporting procedures and action is taken to recover debts when due. There was no overdue unimpaired debt at the year end. The maximum potential exposure is the carrying amount as set out in note 16. The Group's cash holdings are all held with major financial institutions whose financial status is regularly reviewed. The Group's exposure to credit risk here is the remote possibility of default of the deposit taker, with a maximum exposure equal to the carrying value of these holdings as set out in note 18.

**Foreign currency exchange risk**

During the period, the Group undertook a specific transaction denominated in euros, which gave rise to a foreign exchange gain. This was an isolated transaction, and consequently the Group does not have any foreign currency exchange risk as it does not trade in foreign currencies.

**Liquidity and cash flow risks**

The Group's subsidiaries manage their liquidity risk by ensuring that commissions payable to advisers are not remitted until funds have been received. In addition, the Group maintains a certain level of cash and cash convertible investments to meet working capital requirements on a day to day basis.

**Price risk**

The Group's income is directly aligned to external market conditions. Lower returns reduce investors' appetite for investment products, and reduce the income from these products. The Group is exposed to financial assets price risk because of investments held by the Group and classified on the consolidated balance sheet at fair value through profit or loss. The Group is not exposed to commodity price risk. If the valuation of investments declined by 10% at the balance sheet date profits of the Group would fall by £4,650 and an equal and opposite impact would be seen for a 10% price increase. Financial assets are monitored by discussions with the companies to which the financial assets relate to ensure no changes are made to each company's fair value. The maximum exposure to price risk for the Group and the Company is the carrying amount of the financial assets shown in the balance sheet.

**Capital risk management**

The Group's objectives when managing capital are 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. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to raise further capital if required.

The Company's subsidiaries, Throgmorton Asset Management Ltd, Independent Investment Associates Ltd and Throgmorton Financial Services Ltd are subject to regulatory capital requirements.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires the use of certain estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually reviewed and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The management of the Group has used its judgement and knowledge of the business to determine the fair value of:

**Useful lives of intangible assets, property, plant and equipment**

The Group's management has used its judgement and knowledge of the business in determining the apportionment between goodwill and an appropriate fair value for intangible assets acquired in relation to its acquisitions of new businesses and in estimating an appropriate useful life for the intangible assets.

Generally, the life of these intangible assets is estimated as between 5 and 10 years.

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates in forecasting the operating performance, revenues and costs of each cash generating unit, together with suitable future projected growth and discount rates.

An impairment review of the goodwill as set out on note 12, and other intangible assets as set out in note 13, has been undertaken, with the recoverable amounts assessed on a value in use basis. Value in use is established by discounting future cash flows attributable to the cash generating units expected to benefit from the business combinations in which the goodwill and other intangible assets arose. Pre tax projections are based on financial budgets approved by management covering a one year period. Cash flows beyond the first year are extrapolated for the following four years using growth rates ranging from 3% to 8%, and operating margins based on past performance and the expectation of market developments. Beyond this point, the cash flows have been projected using a constant long term growth rate of 2.25% in perpetuity. A discount rate of 16.5% has been applied. For the year ended 31 December 2007, growth rates were projected at 8% for the first four years, and 3% in perpetuity thereafter, discounted at 9.72%. The changes in growth and discount rates reflect the current assessment of the outlook for the financial services sector.

**Share based payments**

In order to calculate the charge for share-based payments as required by IFRS2, the Company makes estimates relating to assumptions used in its option-pricing model as set out in note 28.

**Fair value of financial assets held at fair value through profit and loss account**

The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. For listed entities, market mid prices have been used for valuations. For investments that are not traded in active markets, the Group has used recent arms length transactions where these are available. Where these are not available, the Group has used other data, including net assets and reported results as a basis for valuation, taking into account factors such as market conditions and the absence of liquidity.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS - continued

**Consideration in respect of acquisitions**

The deferred consideration payable in respect of the acquisition of Throgmorton Financial Services Limited set out in note 29 is dependent on the achievement by this entity of certain performance targets. These targets are based on recurring income levels. Management have used available financial information to make an assessment as to whether these targets will be met. The deferred consideration is to be settled through a combination of cash and the release of shares to the vendors. These shares were issued on the completion of the acquisition, and are held in trust to be transferred to the vendors on the achievement of these performance targets.

**Structured products revenues**

In respect of the discontinued structured products business, estimates were made of the costs incurred in creating, supporting and redeeming each product so as to allocate income over the life of the product.

5. SEGMENTAL REPORTING

As set out in note 30, during the period the Group has disposed of three subsidiaries which formed separate lines of business and so are classified as discontinued activities. These lines of business were the Group's Corporate Finance and Advisory and Structured Products business segments.

The Group now has only one segment, Wealth Management, which is shown in the income statement on page 15. The prior year comparative numbers have also been restated, with discontinued activities included only as a single line in the consolidated income statement. Corporate overheads which were reported in 2007 as unallocated, are now allocated in full to the Wealth Management segment.

The detailed information for the current and preceding periods for the Corporate Finance and Advisory and the Structured Products business segments is set out in note 30.

The Group operates in one geographic area, the United Kingdom.

6. EMPLOYEES AND DIRECTORS

The aggregate employment costs of staff, including Directors, were:

	31.12.08	
	Continuing operations	Discontinued activities
	£	£
Wages and salaries	934,678	720,610
Social security costs	101,930	108,913
Other pension costs	9,518	14,277
Compensation for loss of office	40,000	-
Share based payments	8,653	-
	<u>1,094,779</u>	<u>843,800</u>
		<u>1,938,579</u>

CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the Year Ended 31 December 2008

6. EMPLOYEES AND DIRECTORS - continued

	31.12.07		
	Continuing operations	Discontinued activities	Total
	£	£	£
Wages and salaries	455,172	905,820	1,360,992
Social security costs	46,338	98,333	144,671
Other pension costs	5,063	15,043	20,106
Compensation for loss of office	84,000	-	84,000
Share based payments	63,095	9,023	72,118
	<u>653,668</u>	<u>1,028,219</u>	<u>1,681,887</u>

The average monthly number of staff employed by the Group during the year, including Directors, was:

	31.12.08		
	Continuing operations	Discontinued activities	Total
Administrative	22	14	36
Managerial	7	4	11
	<u>29</u>	<u>18</u>	<u>47</u>

	31.12.07		
	Continuing operations	Discontinued activities	Total
Administrative	14	19	33
Managerial	4	-	4
	<u>18</u>	<u>19</u>	<u>37</u>

The aggregate Directors emoluments were:

	31.12.08	31.12.07
	£	£
Salaries	350,000	400,376
Compensation for loss of office	40,000	84,000
Pensions	-	3,750
Share based payments	-	63,095
	<u>390,000</u>	<u>551,221</u>

Emoluments disclosed above include emoluments for qualifying services of the highest paid Director of £110,000 (2007: £138,000)

In the opinion of the Directors there were no other key management personnel.

**CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the Year Ended 31 December 2008**

**7. NET FINANCE INCOME**

	31.12.08		
	Continuing operations	Discontinued activities	Total
	£	£	£
Finance income			
Interest receivable	<u>44,579</u>	<u>229,128</u>	<u>273,707</u>
Bank interest payable	<u>-</u>	<u>-</u>	<u>-</u>
Net Finance income	<u>44,579</u>	<u>229,128</u>	<u>273,707</u>

	31.12.07		
	Continuing operations	Discontinued activities	Total
	£	£	£
Finance income			
Interest receivable	<u>49,003</u>	<u>394,426</u>	<u>443,429</u>
Bank interest payable	<u>21</u>	<u>1,998</u>	<u>2,019</u>
Net Finance income	<u>48,982</u>	<u>392,428</u>	<u>441,410</u>

**8. LOSS BEFORE TAX**

The loss before tax is stated after charging/(crediting):

	31.12.08		
	Continuing operations	Discontinued activities	Total
	£	£	£
Operating lease rentals - land and buildings	48,393	47,713	96,106
Depreciation - owned assets	22,225	21,135	43,360
Loss on disposal of tangible fixed assets	-	5,915	5,915
Impairment of goodwill	1,109,133	-	1,109,133
Amortisation of goodwill	800	-	800
Impairment of client relationships	5,445,192	-	5,445,192
Amortisation of client relationships	588,272	155,205	743,477
Foreign exchange differences	(6,311)	-	(6,311)
Losses/(gains) on change to fair value of financial assets	624,827	526,447	1,151,274
Auditors remuneration - as auditor	20,000	-	20,000
Auditors remuneration - as auditor for subsidiary undertakings	23,000	-	23,000
Auditors remuneration - additional costs in respect of 2007 audit	48,000	-	48,000
Auditors remuneration - for other services relating to tax	8,000	-	8,000
Auditors remuneration - for other services	<u>10,400</u>	<u>-</u>	<u>10,400</u>

**CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the Year Ended 31 December 2008

**8. LOSS BEFORE TAX - continued**

		31.12.07	
	Continuing operations	Discontinued activities	Total
	£	£	£
Operating lease rentals - land and buildings	5,767	50,009	55,776
Operating lease rentals - other	-	3,447	3,447
Depreciation - owned assets	2,817	17,360	20,177
Loss on disposal of tangible fixed assets	-	-	-
Impairment of goodwill	876,803	-	876,803
Amortisation of goodwill	-	-	-
Impairment of client relationships	-	-	-
Amortisation of client relationships	92,593	172,450	265,043
Foreign exchange differences	-	-	-
Losses/(gains) on change to fair value of financial assets	35,841	(442,090)	(406,249)
Auditors remuneration - as auditor	26,500	-	26,500
Auditors remuneration - as auditor for subsidiary undertakings	36,000	-	36,000
Auditors remuneration - for other services relating to tax	1,000	-	1,000
Auditors remuneration - for other services	6,920	-	6,920

**9. TAX**

**Analysis of the tax credit:**

		31.12.08	
	Continuing operations	Discontinued activities	Total
	£	£	£
Current tax			
Tax	(22,594)	-	(22,594)
Adjustments in respect of prior periods	2,717	64,082	66,799
Total current tax	(19,877)	64,082	44,205
Deferred tax	(1,684,701)	(138,530)	(1,823,231)
	(1,704,578)	(74,448)	(1,779,026)

		31.12.07	
	Continuing operations	Discontinued activities	Total
	£	£	£
Current tax			
Tax	(70,510)	160,042	89,532
Total current tax	(70,510)	160,042	89,532
Deferred tax	(36,676)	171,608	134,932
	(107,186)	331,650	224,464

**CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the Year Ended 31 December 2008****9. TAX - continued**

The 2008 adjustment in respect of prior periods arising on discontinued activities represents an adjustment to the group relief relating to the corporation tax charge for 2007, where losses will now not be surrendered following the disposal of these companies by the Group.

**Factors affecting the tax charge**

The tax assessed for the year differs from that calculated using the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.08	31.12.07
	£	£
Loss on ordinary activities before tax – continuing activities	(8,529,096)	(1,405,828)
Profit/(loss) on ordinary activities before tax – discontinued activities	<u>(3,100,630)</u>	<u>1,091,752</u>
Total loss on ordinary activities before tax	<u>(11,629,726)</u>	<u>(314,076)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2007 - 30%)	(3,256,323)	(94,223)
Effects of:		
Rate change on deferred taxation	-	3,322
Movement in tax losses	1,082,678	(11,328)
Expenses and provisions not deductible for tax purposes	378,563	308,159
Capital allowances in excess of depreciation	9,969	(1,364)
Provision for unrelieved capital losses	7,988	9,401
Marginal relief	3,534	(5,021)
Under provision in prior year	2,717	15,518
Tax on pre acquisition profits	<u>(8,152)</u>	<u>-</u>
Total tax	<u>(1,779,026)</u>	<u>224,464</u>

**10. LOSS OF PARENT COMPANY**

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £(8,223,861) (2007 - £(1,205,973)).

**11. 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 outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares which were capable of conversion during the period. Share options have been assumed to be capable of conversion where the option price is less than the average share price of the Company during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the Year Ended 31 December 2008

11. EARNINGS PER SHARE - continued

Reconciliations are set out below.

	Earnings £	31.12.08 Weighted average number of shares	Per-share amount pence
<b>Continuing operations</b>			
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholders	(6,824,518)	147,117,892	(4.64)
<b>Effect of dilutive securities</b>			
Effect of options granted	-	461,263	-
<b>Diluted EPS</b>			
Adjusted earnings	<u>(6,824,518)</u>	<u>147,579,155</u>	<u>(4.62)</u>
<b>Continuing and discontinued operations</b>			
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholders	(9,850,700)	147,117,892	(6.70)
<b>Effect of dilutive securities</b>			
Effect of options granted	-	461,263	-
<b>Diluted EPS</b>			
Adjusted earnings	<u>(9,850,700)</u>	<u>147,579,155</u>	<u>(6.67)</u>
	Earnings £	31.12.07 Weighted average number of shares	Per-share amount pence
<b>Continuing operations</b>			
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholders	(1,298,642)	80,322,543	(1.62)
<b>Effect of dilutive securities</b>			
Effect of options granted	-	1,803,035	-
<b>Diluted EPS</b>			
Adjusted earnings	<u>(1,298,642)</u>	<u>82,125,578</u>	<u>(1.58)</u>
<b>Continued and discontinued operations</b>			
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholders	(538,540)	80,322,543	(0.67)
<b>Effect of dilutive securities</b>			
Effect of options granted	-	1,803,035	-
<b>Diluted EPS</b>			
Adjusted earnings	<u>(538,540)</u>	<u>82,125,578</u>	<u>(0.66)</u>



**CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the Year Ended 31 December 2008****12. GOODWILL****Group****COST**

At 1 January 2007	-
Acquisitions through business combinations	<u>876,803</u>
At 31 December 2007	876,803
Acquisitions through business combinations	<u>1,112,533</u>
At 31 December 2008	<u>1,989,336</u>

**AMORTISATION**

At 1 January 2007	-
Provision for impairment	<u>876,803</u>
At 31 December 2007	876,803
Charge for year	800
Provision for impairment	<u>1,109,133</u>
At 31 December 2008	<u>1,986,736</u>

**NET BOOK VALUE**

At 31 December 2008	<u>2,600</u>
At 31 December 2007	<u>-</u>

The goodwill arose on the acquisitions of Throgmorton Asset Management Limited during 2007, and the acquisitions of Independent Investment Associates Limited and Throgmorton Financial Services Limited during 2008. Details of the acquisitions of Independent Investment Associates Limited and Throgmorton Financial Services Limited are set out in note 29.

Goodwill with a cost of £8,000 had previously been recognised by Independent Investment Associates Limited on the acquisition of a business in 2002. This is being amortised over a period of 10 years.

In the 2007 financial statements, an impairment of the goodwill arising from Throgmorton Asset Management Limited was recognised.

An impairment review of the goodwill has been undertaken, with the recoverable amounts assessed on a value in use basis as set out in note 4.

As a result of this exercise, an impairment to the carrying value of the goodwill arising from the acquisitions by the Group in the period of Independent Investment Associates Limited and Throgmorton Financial Services Limited has been recognised.

**CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the Year Ended 31 December 2008****13. INTANGIBLE ASSETS****Group**

	Client relationships £
<b>COST</b>	
At 1 January 2007	-
Acquisitions through business combinations	<u>3,812,478</u>
At 31 December 2007	3,812,478
Acquisitions through business combinations	3,893,557
Business disposals	<u>(1,034,700)</u>
At 31 December 2008	<u>6,671,335</u>
<b>AMORTISATION</b>	
At 1 January 2007	-
Amortisation for year	<u>265,043</u>
At 31 December 2007	265,043
Amortisation for year	743,477
Provision for impairment	5,445,192
Acquisitions through business combinations	13,041
Business disposals	<u>(327,655)</u>
At 31 December 2008	<u>6,139,098</u>
<b>NET BOOK VALUE</b>	
At 31 December 2008	<u>532,237</u>
At 31 December 2007	<u>3,547,435</u>

**Group**

The carrying amount of the intangible assets at 31 December 2007 in respect of client relationships was split between the client relationships of Throgmorton Asset Management Limited of £2,685,185 and those of Arc Capital & Income plc of £862,250.

The client relationships in respect of Arc Capital & Income plc have been eliminated on the disposal of Arc Capital & Income during the period, as set out in note 30.

During the year, additions to the client relationship intangible asset arose on the acquisitions of Independent Investment Associates Limited and Throgmorton Financial Services Limited as set out in note 29.

Throgmorton Financial Services Limited had previously recognised intangible assets on client relationships acquired in 2006. These are being amortised over a period of 10 years.

**CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the Year Ended 31 December 2008****13. INTANGIBLE ASSETS - continued**

The useful economic lives used in the calculation of the amortisation of the client relationships arising on acquisition were:

- Arc Capital & Income plc client relationships - 5 years
- Throgmorton Asset Management Limited client relationships - 10 years
- Independent Investment Associates Limited client relationships - 10 years
- Throgmorton Financial Services Limited client relationships - 10 years

An impairment review of the client relationships intangible assets has been undertaken, with the recoverable amounts assessed on a value in use basis as set out in note 4. As a result of this review, an impairment has been recognised to the carrying value of the intangible assets arising on the acquisition of Throgmorton Asset Management Limited in 2007, and of Independent Investment Associates Limited and Throgmorton Financial Services Limited in 2008.

**14. PROPERTY, PLANT AND EQUIPMENT****Group**

	Leasehold improvements £	Plant and machinery £	Totals £
<b>COST</b>			
At 1 January 2007	6,520	30,734	37,254
Additions	2,700	38,853	41,553
Acquisitions through business combinations	<u>11,386</u>	<u>48,389</u>	<u>59,775</u>
At 31 December 2007	20,606	117,976	138,582
Additions	-	40,118	40,118
Disposals	-	(14,042)	(14,042)
Acquisitions through business combinations	-	85,764	85,764
Business disposals	<u>(10,970)</u>	<u>(85,855)</u>	<u>(96,825)</u>
At 31 December 2008	<u>9,636</u>	<u>143,961</u>	<u>153,597</u>
<b>DEPRECIATION</b>			
At 1 January 2007	6,520	12,240	18,760
Charge for year	1,008	19,169	20,177
Acquisitions through business combinations	<u>1,544</u>	<u>21,797</u>	<u>23,341</u>
At 31 December 2007	9,072	53,206	62,278
Charge for year	1,635	41,725	43,360
Eliminated on disposal	-	(8,127)	(8,127)
Acquisitions through business combinations	-	44,440	44,440
Business disposals	<u>(9,096)</u>	<u>(40,156)</u>	<u>(49,252)</u>
At 31 December 2008	<u>1,611</u>	<u>91,088</u>	<u>92,699</u>
<b>NET BOOK VALUE</b>			
At 31 December 2008	<u>8,025</u>	<u>52,873</u>	<u>60,898</u>
At 31 December 2007	<u>11,534</u>	<u>64,770</u>	<u>76,304</u>

**CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the Year Ended 31 December 2008****14. PROPERTY, PLANT AND EQUIPMENT - continued****Company**

	Plant and machinery £
<b>COST</b>	
At 1 January 2007 and 31 December 2007	-
Additions	<u>5,436</u>
At 31 December 2008	<u>5,436</u>
<b>DEPRECIATION</b>	
At 1 January 2007 and 31 December 2007	-
Charge for year	<u>1,120</u>
At 31 December 2008	<u>1,120</u>
<b>NET BOOK VALUE</b>	
At 31 December 2008	<u><u>4,316</u></u>
At 31 December 2007	<u><u>-</u></u>

**15. INVESTMENTS****Group**

	Unlisted investments £
<b>COST</b>	
At 1 January 2007 and 31 December 2007	-
Acquisitions through business combinations	<u>10,000</u>
At 31 December 2008	<u>10,000</u>
<b>PROVISIONS</b>	
At 1 January 2007 and 31 December 2007	-
Acquisitions through business combinations	<u>10,000</u>
At 31 December 2008	<u>10,000</u>
<b>NET BOOK VALUE</b>	
At 31 December 2008	<u><u>-</u></u>
At 31 December 2007	<u><u>-</u></u>

**CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the Year Ended 31 December 2008****15. INVESTMENTS - continued****Company**

Shares in  
group  
undertakings  
£

**COST**

At 1 January 2007

388,559

Additions

3,715,829

At 31 December 2007

4,104,388

Additions

3,999,143

Disposals

(1,160,947)

At 31 December 2008

6,942,584**PROVISIONS**

At 1 January 2007

-

Provision for year

876,803

At 31 December 2007

876,803

Provision for year

5,387,779

At 31 December 2008

6,264,582**NET BOOK VALUE**

At 31 December 2008

678,002

At 31 December 2007

3,227,585

The additions and disposals of subsidiaries in the period are set out in notes 29 and 30.

The increase in the provision in the year results from a reassessment of the carrying value of the Company's investments in subsidiaries in line with the impairment reviews of goodwill and client relationships as set out in notes 12 and 13.

The Group or the Company's investments at the balance sheet date in the share capital of companies include the following:

**Subsidiaries****Consolidated Asset Management Ltd**

Nature of business: Administrative services

Class of shares:

Ordinary

%  
holding  
100.00

# **CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** **for the Year Ended 31 December 2008**

### **15. INVESTMENTS - continued**

#### **Subsidiaries - continued**

##### **Throgmorton Asset Management Ltd**

Nature of business: Independent financial advisers

	%
Class of shares:	holding
Ordinary	100.00

##### **Independent Investment Associates Ltd**

Nature of business: Independent financial advisers

	%
Class of shares:	holding
Ordinary	100.00

##### **Throgmorton Financial Services Ltd**

Nature of business: Independent financial advisers

	%
Class of shares:	holding
Ordinary	100.00

##### **Arc Private Equity plc**

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

### **16. TRADE AND OTHER RECEIVABLES**

	<b>Group</b>		<b>Company</b>	
	31.12.08	31.12.07	31.12.08	31.12.07
	£	£	£	£
Trade debtors	34,549	184,770	-	-
Amounts owed by group undertakings	-	-	11,545	240,306
Other debtors	62,503	518,177	62,189	122,707
Prepayments and accrued income	<u>31,668</u>	<u>293,445</u>	<u>7,824</u>	<u>1,527</u>
	<u>128,720</u>	<u>996,392</u>	<u>81,558</u>	<u>364,540</u>

**CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the Year Ended 31 December 2008**

**17. OTHER FINANCIAL ASSETS**

	<b>Group</b>		<b>Company</b>	
	31.12.08	31.12.07	31.12.08	31.12.07
	£	£	£	£
Listed investments	-	175,969	-	-
Unlisted investments	46,500	1,496,442	-	59,399
	<u>46,500</u>	<u>1,672,411</u>	<u>-</u>	<u>59,399</u>

Financial assets are classified as held at fair value through the profit and loss account either on acquisition or at the date of transition to IFRS.

**Group**

	31.12.08	31.12.07
	£	£
At 1 January	1,672,411	746,703
Additions	235,662	557,068
Disposals	(154,079)	(152,683)
Acquired with subsidiary	-	115,074
Disposals with subsidiaries	(556,220)	-
Movements in fair value recognised through profit and loss account	<u>(1,151,274)</u>	<u>406,249</u>
At 31 December	<u>46,500</u>	<u>1,672,411</u>

**Company**

	31.12.08	31.12.07
	£	£
At 1 January	59,399	-
Additions	-	65,230
Disposals	(34,983)	-
Transferred from subsidiary	564,290	-
Movements in fair value recognised through profit and loss account	<u>(588,706)</u>	<u>(5,831)</u>
At 31 December	<u>-</u>	<u>59,399</u>

It is impracticable to predict what proportion of the financial assets is to be sold during the coming year.

**18. CASH AND CASH EQUIVALENTS**

	<b>Group</b>		<b>Company</b>	
	31.12.08	31.12.07	31.12.08	31.12.07
	£	£	£	£
Cash in hand	642	-	-	-
Bank accounts	202,241	3,709,347	50,250	2,366,709
	<u>202,883</u>	<u>3,709,347</u>	<u>50,250</u>	<u>2,366,709</u>

Cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The carrying value of these assets approximates to their fair values.

**CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the Year Ended 31 December 2008**

**19. CALLED UP SHARE CAPITAL**

Authorised:				
Number:	Class:	Nominal value:	31.12.08	31.12.07
			£	£
600,000,000	Ordinary shares of £0.005 each	£0.005	<u>3,000,000</u>	<u>3,000,000</u>

Allotted and issued

	31.12.08		31.12.07	
	No.	£	No.	£
Ordinary shares of £0.005	<u>173,115,730</u>	<u>865,579</u>	<u>123,636,304</u>	<u>618,181</u>

The movements in the year are summarised below:

	31.12.08		31.12.07	
	No.	£	No.	£
At 1 January	123,636,304	618,181	61,454,486	307,272
Issued during the year	<u>49,479,426</u>	<u>247,398</u>	<u>62,181,818</u>	<u>310,909</u>
At 31 December	<u>173,115,730</u>	<u>865,579</u>	<u>123,636,304</u>	<u>618,181</u>

On 28 January 2008 8,573,094 shares were issued at a value of 11.664p per share in part consideration for the share capital of Independent Investment Associates Limited.

On 14 May 2008 12,628,256 shares were issued at a value of 6.335p per share in part consideration for the share capital of Throgmorton Financial Services Limited.

On 8 August 2008 3,807,143 shares were issued at a value of 6.335p per share in part consideration for the share capital of Throgmorton Financial Services Limited.

On 8 October 2008 24,470,933 shares were issued at a value of 2.7625p per share for cash, raising £676,009.

All fully paid ordinary shares carry one vote and a right to dividends.

Under the terms of the agreements for the acquisitions of Throgmorton Asset Management Limited in 2007 and Throgmorton Financial Services Limited during the period as set out in note 29, a proportion of the purchase consideration was deferred to be settled in shares based on the achievement of certain performance criteria. The shares were issued on completion, and are held in trust by an independent nominee for the vendors pending the satisfaction of the performance targets. The vendors are each able to exercise the voting rights relating to the shares held in trust on their behalf. In total, 8,051,303 shares were held in trust at 31 December 2008.



**CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the Year Ended 31 December 2008**

**20. RESERVES**

**Group**

	Retained earnings £	Share premium £	Other reserves £	Totals £
At 1 January 2008	367,331	6,239,777	79,663	6,686,771
Deficit for the year	(9,850,700)			(9,850,700)
Equity settled share based transactions	-	-	8,653	8,653
Premium on allotment	-	2,469,795	-	2,469,795
At 31 December 2008	<u>(9,483,369)</u>	<u>8,709,572</u>	<u>88,316</u>	<u>(685,481)</u>

**Company**

	Retained earnings £	Share premium £	Other reserves £	Totals £
At 1 January 2008	(1,249,360)	6,239,777	79,663	5,070,080
Deficit for the year	(8,223,861)			(8,223,861)
Equity settled share based transactions	-	-	8,653	8,653
Premium on allotment	-	2,469,795	-	2,469,795
At 31 December 2008	<u>(9,473,221)</u>	<u>8,709,572</u>	<u>88,316</u>	<u>(675,333)</u>

The other reserve arises on the recognition as an expense of the fair value of the share options granted by the Company, as set out in note 2. In accordance with IFRS 2, this expense is recognised as a charge against profits for the period and included in staff costs, with the corresponding credit to the other reserve.

**21. TRADE AND OTHER PAYABLES**

	<b>Group</b>		<b>Company</b>	
	31.12.08 £	31.12.07 £	31.12.08 £	31.12.07 £
Current:				
Trade creditors	127,129	497,950	92,934	14,241
Amounts owed to group undertakings	-	-	102,598	275,074
Social security and other taxes	33,127	-	13,894	4,978
Other creditors	274,834	388,266	274,194	-
Accruals and deferred income	230,998	305,911	140,260	37,428
Deferred income	-	586,221	-	-
	<u>666,088</u>	<u>1,778,348</u>	<u>623,880</u>	<u>331,721</u>

**CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the Year Ended 31 December 2008**

**22. LEASING AGREEMENTS**

**Group**

	Non-cancellable operating leases	
	31.12.08	31.12.07
	£	£
Within one year	53,300	47,489
Between one and five years	158,200	89,956
In more than five years	<u>211,925</u>	<u>239,638</u>
	<u>423,425</u>	<u>377,083</u>

Throgmorton Asset Management Limited, Throgmorton Financial Services Limited and Independent Investment Associates Limited operate from leasehold premises. The landlords are vendors of those subsidiaries, or parties connected to them. The leases are on normal commercial rents and terms.

There are no leasing agreements held by the Company.

**23. DEFERRED TAX**

Deferred tax liabilities arose from changes in the fair value of financial assets during the year, accelerated capital allowances and intangible assets recognised on acquisition. Deferred tax assets arose from the recognition of tax losses and from fair value adjustments in the income statement.

**Group**

	31.12.08	31.12.07
	£	£
Balance at 1 January	809,452	67,185
Movements reflected in the tax credit in the income statement		
Fair value of financial assets	(189,060)	121,875
Accelerated capital allowances	(4,059)	-
Tax losses	-	88,788
Deferred income	-	27,698
Impairment and amortisation of intangible assets	(1,729,212)	(74,212)
Fair value adjustments in the income statement	<u>99,100</u>	<u>(29,217)</u>
	(1,823,231)	134,932
Other movements		
Intangible assets recognised on acquisition	1,053,680	1,067,494
Deferred income recognised on acquisition	-	(191,840)
Tax losses recognised on acquisition	-	(271,098)
Disposal of subsidiaries	78,597	-
Acquired with subsidiaries	<u>3,729</u>	<u>2,779</u>
Balance at 31 December	<u>122,227</u>	<u>809,452</u>

**CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the Year Ended 31 December 2008****23. DEFERRED TAX - continued****Company**

	31.12.08	31.12.07
	£	£
Balance at 1 January	(1,749)	-
Fair value adjustments	<u>1,749</u>	<u>(1,749)</u>
Balance at 31 December	<u>-</u>	<u>(1,749)</u>

The components of the deferred tax provision are set out below:

Group	31.12.08	31.12.07
	£	£
Deferred tax liabilities		
Fair values of financial assets	-	189,060
Accelerated capital allowances	2,449	2,779
Net intangible assets recognised on acquisition	119,778	993,282
Deferred tax assets		
Corporation tax losses	-	(182,310)
Fair value adjustments in the income statement	<u>-</u>	<u>(193,359)</u>
	<u>122,227</u>	<u>809,452</u>
Company	31.12.08	31.12.07
	£	£
Deferred tax asset		
Fair values of financial assets	<u>-</u>	<u>(1,749)</u>
	<u>-</u>	<u>(1,749)</u>

At 31 December 2008, the Company had excess management charges of approximately £885,000 available to carry forward against future taxable profits, and chargeable losses of approximately £1.4m available to offset future chargeable gains. No deferred tax asset has been recognised due to uncertainties as to the extent and timing of their future recovery.

At 31 December 2007, subsidiaries had deferred tax assets of £7,670 relating to accelerated capital allowances. These assets were not recognised due to uncertainties as to the extent and timing of their future recovery.

**24. CONTINGENT LIABILITIES**

Under the terms of two leases entered into by Arc Fund Management Limited (AFM) in November 2006 for premises at Lovat Lane, London, the Company agreed to act as guarantor in respect of AFM's obligations. Each lease is for a term of 5 years, and the aggregate rental payable is £50,000 pa.

The Company therefore has a contingent liability should AFM default on the lease terms. This is not considered sufficiently probable for any provision to have been included within the financial statements.

## CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2008

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#### 25. RELATED PARTY DISCLOSURES

##### Group

Other creditors includes a loan of £74,194 extended to the Company from Mayfair Limited, a significant shareholder, on 5 November 2008. The loan carried interest at 3.5% and was repaid on 25 February 2009 following the subscription for share capital as set out in note 26.

Mr S A Banks-Cooper was appointed a Director of the Company on 9 September 2008.

Mr S A Banks-Cooper is also a director and holds a beneficial interest in Banks Cooper Associates Limited (BCA). During the period 9 September 2008 to 31 December 2008, BCA provided the services of an outsourced finance department to the Group, as well as the services of Mr C W Lawes as company secretary. The value of these services and related disbursements amounted to £78,577.

During the period, as set out in note 30, the Group disposed of Arc Fund Management Limited, Arc Equities Limited and Arc Capital and Income plc. These companies were acquired by Mr J C Gracey, who was a Director of the Company until 11 September 2008.

##### Company

During the period, the Company and its subsidiaries have incurred administrative expenses which relate wholly or partially to other members of the Group, and which have been recharged by or to the Company. In addition, the Company and subsidiaries have made payments to settle trading liabilities of other group members. These amounts have been settled through non-interest bearing intercompany accounts.

At the end of the period, the amounts owed to the Company are as follows:

	£
Consolidated Asset Management Limited	7,289
Throgmorton Asset Management Limited	<u>4,256</u>
	<u>11,545</u>

At the end of the period, the amounts owed by the Company are as follows:

	£
Independent Investment Associates Limited	92,307
Throgmorton Financial Services Limited	<u>10,291</u>
	<u>102,598</u>

In addition, the Company wrote off a working capital loan to Arc Fund Management Limited and Arc Equities Limited as part of the agreement for their disposal, as set out in note 30. An additional £26,210 receivable by the Company from these business was also written off. These amounts have been reflected in the loss on disposal.

**26. POST BALANCE SHEET EVENTS**

On 22 January 2009, the Company entered into an agreement with City of London Group plc and David Walton Masters, under which City of London Group plc and David Walton Masters subscribed for Loan Notes to an aggregate value of £150,000. The Loan Notes bear interest at 3.5% pa until redemption or conversion. The Company may redeem the loan notes at any time between six months after the date of their issue and 21 January 2014 at an amount equal to the nominal value of the Loan Note plus interest accrued to the date of redemption. The Loan Note holder may convert the Loan Notes into fully paid Ordinary Shares at any time until January 2014. On conversion, the interest accrued on the Loan Notes will be added to the principal, and the aggregate amount converted into Ordinary Shares. The maximum number of Ordinary Shares which may be issued on conversion is 17,815,295 if the Loan Notes are not converted until the latest possible date. There are restrictions on the disposal of shares issued as a result of conversion for periods of up to 24 months after the date of issue.

On 25 February 2009, the Company held a general meeting which approved the allotment of 125,000,000 ordinary shares of 0.5p each in the Company to Mayfair Limited at a price of 1.4p per share, raising £1.75m.

Full details of this subscription were set out in the circular sent to shareholders on 9 February 2009.

In summary, the allotment resulted in Mayfair Limited owning approximately 59% of the issued ordinary share capital of the Company. Mayfair Limited was accordingly potentially obliged to make a general offer to all shareholders. In this case, the Takeover Panel agreed to provide a waiver of this obligation, subject to approval by independent ordinary shareholders. A resolution to this effect was passed at the general meeting.

Mayfair Limited undertook, subject to certain exceptions, not to dispose of the shares allotted to it for a period of 12 months from the date of allotment, with certain other restrictions applying to the period from 12 months to 24 months after allotment.

On 25 February 2009, 1,785,714 ordinary shares of 0.5p each were issued to S P Angel & Co Limited at 1.4p per share. This was in settlement of £25,000 in fees for financial advice relating to the Mayfair subscription.

Under the terms of the agreement for the acquisition of Throgmorton Financial Services Limited, as set out in note 29, certain deferred consideration was payable by 31 March 2009. This was subject to the achievement of performance criteria relating to levels of recurring income with no direct relationship to the overall business performance. The consideration has not currently been paid, and is subject to negotiation. Since the balance sheet date, a dispute has arisen concerning warranties given by the vendors at the time of the acquisition, under which the Company has issued a claim. The negotiations are ongoing, and it is not currently practicable to assess their outcome. Consequently no adjustment has been made to the liability recorded in respect of the consideration payable, or to take into account any amounts which may ultimately be recoverable under warranties.

**27. ULTIMATE CONTROLLING PARTY**

During the period under review, in the opinion of the Directors there was no ultimate controlling party. Subsequent to the period end, as set out in note 26, Mayfair Limited became the beneficial owner of approximately 59% of the Company's issued share capital. Mayfair Limited is owned by Lord Ashcroft KCMG who, in the opinion of the Directors, is now the Company's ultimate controlling party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the Year Ended 31 December 2008

28. SHARE OPTIONS

The Company has granted share options to certain employees (including Directors) under the terms of the EMI Scheme and the Unapproved Scheme as follows:

Issued	Number	Vesting period	Expiry date	Exercise price	Volatility	Risk free rate	Fair value
4 July 2006	1,166,667	1-3 years	July 2016	0.5p	22%	5.03%	3.6p
4 July 2006	1,850,000	1-3 years	July 2016	6.5p	22%	5.03%	0.6p
17 Apr 2007	710,526	None	April 2017	19p	11%	5.75%	2.2p
4 Oct 2007	8,700,000	3 months	October 2017	14p	10.5%	5.75%	0.7p
21 Nov 2008	2,000,000	3 years	November 2018	6.5p	74%	3.30%	0.0p
21 Nov 2008	250,000	3 years	November 2018	9.6p	74%	3.30%	0.0p

No options have yet been exercised. In addition, performance conditions in respect of the performance of the Company's earnings per share against the consumer price index are required for a number of the options to vest. An expense is recognised in relation to options over the vesting period at the fair value of the equity instrument granted. The fair value of equity-settled share options granted is estimated as at the date of grant using a Black-Scholes valuation model, taking into account the terms and conditions upon which the options are granted. The risk free rate is determined from the principal portion of gilt strips with a similar life. Volatility has been estimated from the historic share price performance over the financial year.

Details of the share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	31.12.08		31.12.07	
	Number	WAEP £	Number	WAEP £
Outstanding at beginning of year	9,677,193	0.12	3,016,667	0.05
Granted during the year	2,250,000	0.07	9,410,526	0.14
Forfeited during the year	(1,166,667)	0.06	(2,750,000)	0.12
Outstanding at end of year	<u>10,760,526</u>	<u>0.12</u>	<u>9,677,193</u>	<u>0.12</u>

The number of options outstanding at the end of the year and their remaining contractual life are:

	2008		2007	
Option type	No. of outstanding options	Remaining contractual life	No of outstanding options	Remaining contractual life
0.5p	500,000	8 years	1,166,667	9 years
6.5p	1,000,000	8 years	1,100,000	9 years
19p	710,526	8 years	710,526	9 years
14p	6,300,000	9 years	6,700,000	10 years
6.5p	2,000,000	10 years	-	-
9.6p	250,000	10 years	-	-
	<u>10,760,526</u>		<u>9,677,193</u>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the Year Ended 31 December 2008

28. SHARE OPTIONS- continued

The Company recognised expenses of £8,653 (2007: £72,118) relating to equity settled share based payment transactions during the year.

All outstanding options were, subject to the discretion and approval of the remuneration committee, capable of exercise at 31 December 2008.

29. ACQUISITION OF SUBSIDIARIES

During the year, the Company acquired 100% of the issued share capital of Independent Investment Associates Limited and Throgmorton Financial Services Limited. Details of these acquisitions are set out below.

**Independent Investment Associates Limited**

On 28 January 2008 the Company acquired 100% of the issued share capital of Independent Investment Associates Limited (IIA), an independent financial advisory firm based in Grange over Sands, Cumbria for a total consideration of £2,213,615, including costs of £12,415. This consideration included £200,000 which was paid based on the achievement of certain performance targets, and is stated net of a dividend of £281,798 paid from pre-acquisition profits.

The consideration was settled as £1,213,615, including costs, in cash, and £1,000,000 from the issue of 8,573,094 new Ordinary Shares of 0.5p each, credited as fully paid at a premium of 11.164p per share, being the fair value of the shares calculated as an average of the closing share price for the 25 business days prior to completion, as set out in the acquisition agreement.

The net assets acquired in the transaction, the related fair value adjustments and goodwill arising are as follows:

	Acquiree's carrying amount before combination £	Fair value adjustments £	Fair value £
Net assets acquired			
Property, plant and equipment	29,647	-	29,647
Trade and other receivables	22,690	-	22,690
Cash and cash equivalents	105,873	-	105,873
Trade and other payables	(160,410)	-	(160,410)
Intangible asset - client relationships	-	2,138,889	2,138,889
Deferred tax	-	(598,889)	(598,889)
Purchased goodwill	3,400	(3,400)	-
Goodwill	-	675,815	675,815
Fair value of net assets			<u>2,213,615</u>
Consideration settled in cash			1,201,200
Costs settled in cash			12,415
Consideration settled by the issue of shares			<u>1,000,000</u>
			<u>2,213,615</u>

## CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2008

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#### 29. ACQUISITION OF SUBSIDIARIES- continued

Net cash outflow on acquisition

Cash component of consideration	1,201,200
Costs	12,415
Cash and cash equivalents acquired	<u>(105,873)</u>
	<u>1,107,742</u>

The fair value adjustments restate the value of the client relationships acquired, with the related deferred tax provision.

Goodwill arose on the acquisition of IIA as a result of the business being valued on the basis of future expected earnings rather than on its net assets. The goodwill reflects the excess of the value of the business over the fair value of its separable net assets.

For the period from the date of acquisition to 31 December 2008, the profit after tax of Independent Investment Associates Limited was £140,029.

#### **Throgmorton Financial Services Limited**

On 14 May 2008 the Company acquired 100% of the issued share capital of Throgmorton Financial Services Limited, an independent financial advisory firm based in Northenden, Manchester, for a total consideration of £1,785,528, including costs of £20,662.

The consideration comprises £744,345, including costs of £20,662, in cash, and £1,041,183 from the issue of 16,435,399 new Ordinary Shares of 0.5p each, credited as fully paid at a premium of 5.835p per share, being the fair value of the shares calculated as an average of the closing share price for the previous 22 business days, as set out in the acquisition agreement.

Of the cash consideration, £544,345 including costs was paid in the period, with the balance deferred and payable in 2009 contingent on the achievement of certain performance targets. In addition, 5,051,302 of the shares issued are held in trust for the vendors pending achievement of certain performance targets. The deferred elements of the consideration have been recognised in full at the time of acquisition, as it was anticipated that these performance targets, which relate to levels of recurring income, would be met.



**CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the Year Ended 31 December 2008**

**29. ACQUISITION OF SUBSIDIARIES- continued**

The net assets acquired in the transaction, the related fair value adjustments and goodwill arising are as follows:

	Acquiree's carrying amount before combination £	Fair value adjustments £	Fair value £
Net assets acquired			
Property, plant and equipment	11,677	-	11,677
Trade and other receivables	76,521	-	76,521
Cash and cash equivalents	111,819	-	111,819
Trade and other payables	(137,350)	-	(137,350)
Intangible asset - client relationships	117,500	1,624,255	1,741,755
Deferred tax	(821)	(454,791)	(455,612)
Goodwill arising on acquisition	-	436,718	<u>436,718</u>
Total consideration			<u>1,785,528</u>
Consideration settled in cash			523,683
Costs settled in cash			20,662
Deferred contingent cash consideration			200,000
Consideration settled by the issue of shares			721,183
Deferred contingent share consideration			<u>320,000</u>
			<u>1,785,528</u>
Net cash outflow on acquisition			
Cash component of consideration			523,683
Costs			20,662
Cash and cash equivalents acquired			<u>(111,819)</u>
			<u>432,526</u>

The fair value adjustments restated the value of the client relationships acquired, with the related deferred tax provision.

Goodwill arose on the acquisition of Throgmorton Financial Services Limited as a result of the business being valued on the basis of future expected earnings rather than on its net assets. The goodwill reflects the excess of the value of the business over the fair value of its separable net assets.

For the period from the date of acquisition to 31 December 2008, the loss after tax of Throgmorton Financial Services Limited was £18,877.

29. ACQUISITION OF SUBSIDIARIES- continued

**Total business combinations**

The total business combinations for the year were

	Acquiree's carrying amount before combination £	Fair value adjustments £	Fair value £
Net assets acquired			
Property, plant and equipment	41,324	-	41,324
Trade and other receivables	99,211	-	99,211
Cash and cash equivalents	217,692	-	217,692
Trade and other payables	(297,760)	-	(297,760)
Intangible asset - client relationships	117,500	3,763,144	3,880,644
Deferred tax	(821)	(1,053,680)	(1,054,501)
Purchased goodwill	3,400	(3,400)	-
Goodwill arising on acquisition	-	1,112,533	1,112,533
Total consideration			<u>3,999,143</u>
Consideration settled in cash			1,724,883
Costs settled in cash			33,077
Deferred contingent cash consideration			200,000
Consideration settled by the issue of shares			1,721,183
Deferred contingent share consideration			<u>320,000</u>
			<u>3,999,143</u>
Net cash outflow on acquisition			
Cash component of consideration			1,724,883
Costs			33,077
Cash and cash equivalents acquired			<u>(217,692)</u>
			<u>1,540,268</u>

The pro-forma revenue and loss after tax of the continuing operations of the combined entity if the acquisitions had been effective from 1 January 2008 would have been £2,758,612 and £(6,789,692) respectively.

# CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2008

### 30. BUSINESS DISPOSALS

During the year, the Company disposed of its interests in three subsidiaries, Arc Fund Management Limited (AFML), Arc Equities Limited (AEL) and Arc Capital & Income plc (ACI) to Mr J C Gracey, who was a Director of the Company until 11 September 2008.

Arc Fund Management Limited and Arc Equities Limited formed the Corporate Finance and Advisory segment, a major line of business for the Group.

Arc Capital & Income plc formed the Structured Products segment, also a major line of business for the Group.

As a result of the sale, these operations have been treated as discontinued operations for the year ended 31 December 2008. A single amount is shown on the face of the income statement comprising the post tax result of the discontinued operations, and the post tax loss recognised on the remeasurement to fair value on the disposal of the discontinued operations. The continuing operations of the Group are reported separately. The income statement for the prior period has been restated to conform to this style of presentation.

Further details of the amount shown on the income statement are set out below:

Discontinued operations – 2008	Corporate finance & advisory £	Structured Products £	Total £
Total revenue & other income	583,685	1,121,915	1,705,600
Expenses	(1,622,111)	(1,426,175)	(3,048,286)
Fair value of financial assets	(526,797)	350	(526,447)
Amortisation of intangible assets	-	(155,205)	(155,205)
Finance income	7,537	221,591	229,128
Finance costs	-	-	-
Loss before taxation and remeasurement to fair value less costs to sell and on disposal	(1,557,686)	(237,524)	(1,795,210)
Loss recognised on remeasurement to fair value less costs to sell and on disposal	(606,797)	(698,623)	(1,305,420)
Loss before tax	(2,164,483)	(936,147)	(3,100,630)
Tax	24,098	50,350	74,448
Loss from discontinued activities	(2,140,385)	(885,797)	(3,026,182)

The loss per share attributable to discontinued operations is:

Basic	(2.06p)
Diluted	(2.05p)

The consideration under the agreement for the disposal of Arc Fund Management Limited and Arc Equities Limited, was £1 for the entire issued share capital of Arc Fund Management Limited, and £1 for the entire issued share capital of Arc Equities Limited. In addition, the Company provided a loan to Arc Fund Management Limited totalling £450,000. It was agreed that, on completion of the disposal agreement, the loan would not be repaid and the amount outstanding would be written off by the Company. In addition, other intercompany balances of £26,210 were also written off.

**CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the Year Ended 31 December 2008

**30. BUSINESS DISPOSALS - continued**

The consideration for the sale of the entire issued share capital of Arc Capital & Income plc was £150,000 payable in cash on completion, plus deferred consideration based on certain performance criteria for the two years ending 31 December 2010. In the event that the profit before interest and tax of Arc Capital and Income plc exceeds £1,000,000 for this period, the amount payable will be 30% of such profit. Based on the information currently available, it is not considered sufficiently probable that the performance criteria will be attained to take account of any contingent consideration in the calculation of the loss on disposal.

The net cash outflow on disposal was:

	AFML	AE	ACI	Total
	£	£	£	£
Net cash in subsidiaries on disposal	(52,493)	1,310	616,023	564,840
Loans to subsidiaries	450,000	-	-	450,000
Proceeds from sale	-	-	(150,000)	(150,000)
	<u>397,507</u>	<u>1,310</u>	<u>466,023</u>	<u>864,840</u>

The comparative results for 2007 are:

	Corporate finance & advisory	Structured Products	Total
	£	£	£
Discontinued operations - 2007			
Total revenue & other income	2,912,892	1,207,741	4,120,633
Expenses	(2,601,821)	(1,089,128)	(3,690,949)
Fair value of financial assets	442,440	(350)	442,090
Amortisation of intangible assets	-	(172,450)	(172,450)
Finance income	8,741	385,685	394,426
Finance costs	(1,998)	-	(1,998)
Profit/(loss) before taxation and remeasurement to fair value less costs to sell and on disposal	760,254	331,498	1,091,752
Profit/(loss) recognised on remeasurement to fair value less costs to sell and on disposal	-	-	-
Profit/(loss) before tax	760,254	331,498	1,091,752
Tax	(263,557)	(68,093)	(331,650)
Profit from discontinued activities	<u>496,697</u>	<u>263,405</u>	<u>760,102</u>

The earnings per share attributable to discontinued operations were

Basic	0.95p
Diluted	0.92p

## CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the Year Ended 31 December 2008

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#### 31. COMPANY - TRANSITION TO IFRS

Consolidated Asset Management (Holdings) plc and its subsidiaries prepared audited consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union for the first time for the first time for the year ended 31 December 2007.

However, the Company continued to present its results under UK GAAP. The Company has now also adopted IFRS.

This IFRS transition statement has been prepared to explain the impact on the reported results of the Company and to set out the changes to its accounting policies together with provision of reconciliations of the restatement of previously published comparative financial information.

At the date of transition the Company designated its current financial assets to be fair value through profit and loss financial assets with any movements being measured at fair value through the Income statement.

The only significant change in accounting policy was to change the accounting policy for current financial asset from being stated at the lower of cost and net realisable value to being stated at their fair value. The impact of the change in accounting policy is shown below.

Conversion to IFRS affects the Company reporting particularly in respect of financial assets. It does not affect the cashflows or the underlying prospects of the business; however, the implementation of the new standards may result in increased volatility in reported result due to changes in accounting for financial assets.

The net loss reported for the period ended 31 December 2007 under previous GAAP is reduced by £4,082 when reported under IFRS.

	£
Loss for 2007 under UK GAAP	(1,201,891)
Adjustment for fair value of financial assets	(5,831)
Deferred tax on adjusted fair values	<u>1,749</u>
Restated loss under IFRS	<u>(1,205,973)</u>

CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the Year Ended 31 December 2008

31. COMPANY – TRANSITION TO IFRS - continued

Reconciliation of historic balance sheet from UK GAAP to IFRS

	As at 1 January 2007		
	UK GAAP	Effect of	Opening IFRS
	£	transition to	balance sheet
		IFRS	£
Investments in subsidiaries	388,559	-	388,559
Total non-current assets	388,559	-	388,559
Trade and other receivables	147,089	-	147,089
Other financial assets	-	-	-
Cash and cash equivalents	931	-	931
Total current assets	148,020	-	148,020
Trade and other payables	-	-	-
Total current liabilities	-	-	-
Deferred tax	-	-	-
Total non-current liabilities	-	-	-
Total assets	536,579	-	536,579
Capital and reserves			
Share capital	307,272	-	307,272
Share premium	265,149	-	265,149
Other reserve	7,545	-	7,545
Profit and loss account	(43,387)	-	(43,387)
	536,579	-	536,579

CONSOLIDATED ASSET MANAGEMENT (HOLDINGS) PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the Year Ended 31 December 2008

31. COMPANY – TRANSITION TO IFRS - continued

	As at 31 December 2007		
	UK GAAP	Effect of	Opening IFRS
	£	transition to	balance sheet
		IFRS	£
Investments in subsidiaries	3,227,585	-	3,227,585
Total non-current assets	3,227,585		3,227,585
Trade and other receivables	364,540	-	364,540
Other financial assets	65,230	(5,831)	59,399
Cash and cash equivalents	2,366,709	-	2,366,709
Total current assets	2,796,479	(5,831)	2,790,648
Trade and other payables	(331,721)	-	(331,721)
Total current liabilities	(331,721)	-	(331,721)
Deferred tax	-	1,749	1,749
Total non-current liabilities	-	1,749	1,749
	<u>5,692,343</u>	<u>(4,082)</u>	<u>5,688,261</u>
Capital and reserves			
Share capital	618,181	-	618,181
Share premium	6,239,777	-	6,239,777
Other reserve	79,663	-	79,663
Profit and loss account	(1,245,278)	(4,082)	(1,249,360)
	<u>5,692,343</u>	<u>(4,082)</u>	<u>5,688,261</u>