

Company registration number: 02192234

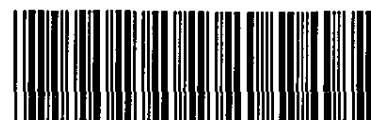
OVAL FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2012

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OVAL FINANCIAL SERVICES LIMITED

COMPANY INFORMATION

Directors	R P Hodson P W Blanc I G Story S Mitchell W J Johnson
Company secretary	S B Benev
Company registration number	02192234
Registered office	9 South Parade Wakefield WF1 1LR
Bankers	Barclays Bank plc 2 nd Floor 1 Park Row Leeds LS1 5WU
Independent Auditor	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Benson House 33 Wellington Street Leeds LS1 4JP

OVAL FINANCIAL SERVICES LIMITED

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OVAL FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2012

The directors present their report together with the audited financial statements of the company for the year ended 31 May 2012

Principal activities, review of business and future developments

The principal activity of the company during the year was that of provision of advisory services in respect of life insurance and pensions, pension scheme administration and investment advisory business

Business review

The main objectives throughout this year have been to win and retain clients, to improve processes and reduce costs where appropriate, and to continue to develop and provide a market leading financial services package

The company continues to grow, with turnover of £16.1 million (2011: £13.5 million), driven by a strong performance in the pensions advisory division. This performance is a direct result of the ability and knowledge of the high quality advisers and consultants which Oval employs, who have delivered successful projects in the year to a significant number of blue chip clients.

The business has continued to prepare for the changes coming into force as a result of the Retail Distribution Review in order to be in a leading position in the market once changes come into force.

Financial highlights

- Profit before tax increased by £0.29 million (> 100%) from £0.01 million to £0.3 million
- Turnover increased by £2.6 million (20%) from £13.5 million to £16.1 million
- The average number of employees within the company has increased compared to the prior year, being 212 during the year ended 31 May 2012 and 187 in the prior year
- EBITDAE increased by £0.2 million (67%) from £0.3 million in 2011 to £0.5 million in 2012

Risk Management

The activities of the company expose it to a variety of risks, both financial and operational. Those which have a material impact on the company are as follows:

Performance risk The company may under-perform its chosen benchmarks. To mitigate this risk, performance in all areas of the business is monitored on a monthly basis, allowing remedial action to be taken when necessary.

Recruitment and retention risk The company relies heavily on its employees for the delivery of high quality service to its customers. The loss of key employees is a risk to the company. Reward schemes and staff development programmes are in place to minimise attrition and retain key employees.

Operational risk The business is exposed to the risk of disruption to its operations arising from systems failures or management stretch. This risk is mitigated by ensuring the business has a strong and capable senior management team, ensuring that acquisitions are planned to minimise disruption and putting in place appropriate disaster recovery plans.

Regulatory risk The company requires FSA approval to undertake its Financial Services business and a breach of the FSA's rules might lead to the withdrawal of this approval. Oval continues to mitigate this risk by utilising the experienced and dedicated compliance team employed by the Oval group.

OVAL FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2012

Risk Management (continued)

Banking risk A breach of Oval group's loan covenants might lead to guarantees to which the company is party being called. This risk is mitigated by closely monitoring performance against these covenants.

Reputational risk Inadequate service levels within the business may result in breaches of client and business partner trust and confidence as well as regulatory infringements. Our client-first culture coupled with continuous training and development programmes assist in managing this risk.

All risk exposures are monitored by the Board regularly, with the prime focus being on performance and strategy issues surrounding the mitigation and management of these above risks at an acceptable level.

Results and dividends

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

No dividends were paid during the year and the directors do not recommend a final dividend (2011: £nil).

Key Performance Indicators

The company's key business drivers and performance indicators are detailed below.

Profitability: The company uses a number of profitability measures to set targets and monitor performance. These include operating profit margins and profit per head measures. Profit before tax increased by £291,000 (> 100%) from £7,000 for the year ended 31 May 2011 to £298,000 for the year ended 31 May 2012.

Income: The company also uses several income performance indicators, including income yield and income per head measures. Turnover increased by £2,646,000 (20%) from £13,488,000 in 2011 to £16,134,000 in 2012.

Costs: Costs are monitored in detail at profit and cost centre level. In addition, the company targets and monitors cost income ratios to ensure that its cost base is appropriate relative to the level of income being generated. Administrative expenses increased by £2,116,000 (16%) from £13,142,000 in the year ended 31 May 2011 to £15,258,000 in the year ended 31 May 2012.

Customer Retention and Net New Business The company is fully aware of the importance of organic growth and the cost of losing existing business. The company therefore monitors new business and retention rates for each of its business segments.

Treating Customers Fairly ("TCF"): The company is committed to meeting its TCF obligations and a number of different indicators are monitored routinely to ensure it does so including cancellations, complaints, client losses and compliance monitoring results.

Staff Turnover: The company is fully aware of the importance of having a stable and experienced team. Staff turnover rates and employee relations issues are therefore monitored closely.

OVAL FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2012

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were

R P Hodson	
P W Blanc	(appointed 22 November 2011)
I G Story	(appointed 21 October 2011)
S Mitchell	
W J Johnson	(appointed 9 May 2012)
S A Shaw	(resigned 31 August 2012)
J N Heidman	(resigned 19 March 2012)

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Director's indemnity

As permitted by the articles of association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Statement of disclosure of information to auditors

In the case of each of the persons who were directors of the company at the date when this report was approved

- so far as he is aware, there is no relevant audit information of which the company's auditors are unaware, and
- he has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

OVAL FINANCIAL SERVICES LIMITED

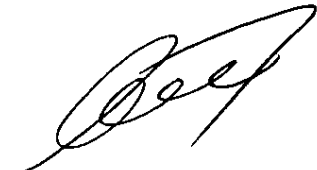
DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2012

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting

This report was approved by the Board on 15 August 2012 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'S B Benev', written in a cursive style.

S B Benev
Company Secretary

OVAL FINANCIAL SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF OVAL FINANCIAL SERVICES LIMITED

We have audited the financial statements of Oval Financial Services Limited for the year ended 31 May 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 May 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

OVAL FINANCIAL SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF OVAL FINANCIAL SERVICES LIMITED (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



Mark Hannam
(Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
15 August 2012

OVAL FINANCIAL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MAY 2012

	Note	31 May 2012 £000	31 May 2011 £000
Turnover	2	16,134	13,488
Cost of sales		(578)	(337)
Gross profit		<u>15,556</u>	<u>13,151</u>
Administrative expenses		(15,258)	(13,142)
Operating profit	6	<u>298</u>	<u>9</u>
Interest payable and similar charges	7	-	(2)
Profit on ordinary activities before taxation		<u>298</u>	<u>7</u>
Taxation on profit on ordinary activities	8	(104)	(3)
Profit for the financial year	15, 16	<u><u>194</u></u>	<u><u>4</u></u>

The company has no recognised gains or losses other than the results above, and therefore no separate statement of recognised gains and losses has been presented

All amounts relate to continuing operations

There is no material difference between the profit on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents

OVAL FINANCIAL SERVICES LIMITED

BALANCE SHEET

AS AT 31 MAY 2012

	Note	31 May 2012 £000	31 May 2011 £000
Fixed assets			
Tangible assets	9	170	50
Investments	10	13	13
		<u>183</u>	<u>63</u>
Current assets			
Debtors	11	3,479	2,396
Cash at bank and in hand		613	1,703
		<u>4,092</u>	<u>4,099</u>
Creditors amounts falling due within one year	12	(2,693)	(2,842)
Net current assets		<u>1,399</u>	<u>1,257</u>
Total assets less current liabilities		<u>1,582</u>	<u>1,320</u>
Net assets		<u>1,582</u>	<u>1,320</u>
Capital and reserves			
Called up share capital	14	125	125
Profit and loss account	15	1,389	1,195
Share option reserve	15	68	-
Shareholder's funds	16	<u>1,582</u>	<u>1,320</u>

The financial statements were approved and authorised for issue by the board on 15 August 2012 and were signed on its behalf by



I G Story
Director

Company registration number: 02192234

The notes on pages 9 to 18 form part of these financial statements

OVAL FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2012

1. Accounting policies

Accounting convention

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards. The principal accounting policies, which have been applied consistently, are set out below.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard (FRS) number 1 (revised) from including a cash flow statement on the grounds that the company is a wholly owned subsidiary and the ultimate parent company published consolidated financial statements.

Consolidation

The company is a wholly-owned subsidiary of Oval Management Services Limited and is included in the consolidated financial statements of Oval Limited which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

Turnover

In accordance with FRS 5, Application Note G, income relating to financial services commission arising on transactions in life and pension contracts is recognised once the policy has incepted and placement services are substantially complete. Renewal commission is recognised at the date of settlement by the life and pensions company. Commission received on indemnity terms is recognised in full at the date receivable. Full provision is made for the claw back of indemnity commission immediately a policy lapse has been identified.

Deferred income relates to transactions which have been invoiced prior to the performance of services. Income is accrued where services have been rendered but not invoiced.

Exceptional costs

Exceptional costs are those items which are separately disclosed by virtue of their size and one-off nature, in order to enable a better understanding of the group's financial performance.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost, being the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life as follows:

Leasehold property	straight line over period of lease
Fixtures and fittings and computer equipment	20%-25% straight line

Investments

Investments are included at cost, less any impairment in value.

Leased assets

All the leases of the company are regarded as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

OVAL FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2012

1. Accounting policies (continued)

Deferred tax (continued)

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis

Pension costs

Defined contribution scheme

Contributions payable to the company's defined contribution pension scheme are charged to the profit and loss account in the period to which they relate

Defined benefit scheme

Pension scheme liabilities are measured using a projected unit method and discounted at an AA corporate bond rate. The pension scheme assets are valued at market rate. The pension scheme deficits are recognised in full on the balance sheet. The scheme is closed to further accruals. Further details of the scheme are set out in note 18

2. Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom

3. Exceptional costs

Included in administrative expenses are the following exceptional items	2012 £000	2011 £000
Restructuring costs	162	-
Professional indemnity claim	-	204
	<u>162</u>	<u>204</u>

In response to the exceptional economic circumstances the business has been restructured to improve efficiency and reduce costs. Administrative expenses include one-off costs totalling £162,000 (2011: £nil) relating to this restructuring

The company faced a claim against it relating to pension advice provided by a company Oval Limited acquired in 2005. The claim, dating back to advice provided in 1992, was successful. Administrative expenses include one-off costs totalling £nil (2011: £204,000) relating to the compensation paid

OVAL FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2012

4. Employee costs

	31 May 2012 £000	31 May 2011 £000
Wages and salaries	8,718	7,804
Social security costs	1,003	856
Other pension costs	384	320
	<u>10,105</u>	<u>8,980</u>

Number of employees

The average monthly number of employees, (including executive directors) during the year was

	31 May 2012 Number	31 May 2011 Number
Management and administration	<u>212</u>	<u>187</u>

5. Directors' emoluments

	31 May 2012 £000	31 May 2011 £000
Remuneration in respect of directors was as follows		
Emoluments for qualifying services	164	152
Company pension contributions to defined contribution scheme	13	18
	<u>177</u>	<u>170</u>

Benefits were accruing to 4 directors under the defined contribution pension scheme (2011 3)

6. Operating profit

Operating profit is stated after charging/(crediting)	31 May 2012 £000	31 May 2011 £000
Depreciation of tangible assets – owned	52	47
Profit on disposal of fixed assets	-	(6)
Auditors' remuneration - audit services	25	20
Rental of land and buildings – operating leases	<u>504</u>	<u>482</u>

7. Interest payable and similar charges

	31 May 2012 £000	31 May 2011 £000
Finance leases and hire purchase agreement interest payable	<u>-</u>	<u>2</u>

OVAL FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2012

8. Taxation on profit on ordinary activities

a) Analysis of charge in the year

	31 May 2012 £000	31 May 2011 £000
Current tax:		
In respect of the year		
UK corporation tax based on the results for the year	94	32
Adjustment in respect of prior periods	-	1
	<hr/>	<hr/>
Total current tax (see (b) below)	94	33
Deferred tax		
Accelerated capital allowances	10	(30)
	<hr/>	<hr/>
	104	3
	<hr/>	<hr/>

b) factors affecting tax charge for the year

The tax assessed for the year is higher (2011 higher) than the standard rate of corporation tax in the UK of 24% (2011 26%). The differences are explained below,

	31 May 2012 £000	31 May 2011 £000
Profit on ordinary activities before taxation	298	7
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2011 26%)	71	2
Effects of		
Expenses not deductible for tax purposes	24	9
Depreciation (lower than)/in excess of capital allowances	(18)	6
Profit on disposal of fixed assets	-	(2)
Other tax adjustments	11	(9)
Group relief	(86)	27
Effect of adjustment in corporation tax rate	4	(1)
Adjustment in respect of prior periods	-	1
	<hr/>	<hr/>
Total tax charge to be paid to HMRC	8	33
Group relief paid on behalf of fellow subsidiary	86	-
	<hr/>	<hr/>
Current tax charge for year (see (a) above)	94	33
	<hr/>	<hr/>

c) Factors that may affect future tax charges

The standard rate of Corporation Tax in the UK changed from 26% to 24% with effect from 1 April 2012. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 24.7% and will be taxed at 24% in the future.

OVAL FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2012

9. Tangible fixed assets

	Leasehold property £000	Fixtures, fittings and computer equipment £000	Total £000
Cost			
At 1 June 2011	6	122	128
Transfers from group undertakings	41	13	54
Additions	16	120	136
Disposals	-	(20)	(20)
At 31 May 2012	63	235	298
Accumulated depreciation			
At 1 June 2011	1	77	78
Transfers from group undertakings	9	9	18
Charge for the year	8	44	52
Disposals	-	(20)	(20)
At 31 May 2012	18	110	128
Net book value			
At 31 May 2012	45	125	170
At 31 May 2011	5	45	50

10. Investments

	Unlisted investments £000
Cost	
At 1 June 2011 and 31 May 2012	13
Net book value	
At 31 May 2012	13
At 31 May 2011	13

The directors believe that the carrying value of the investments is supported by their underlying net assets

OVAL FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2012

11. Debtors

	31 May 2012 £000	31 May 2011 £000
Amounts falling due within one year		
Trade debtors	3,369	1,999
Other debtors	16	22
Corporation tax receivable	20	123
Prepayments and accrued income	54	222
Deferred tax asset	20	30
	<u>3,479</u>	<u>2,396</u>

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset has been recognised in these financial statements

12. Creditors: amounts falling due within one year

	31 May 2012 £000	31 May 2011 £000
Trade creditors	22	5
Amounts owed to group undertakings	724	1,301
Other creditors	102	124
Accruals and deferred income	1,845	1,412
	<u>2,693</u>	<u>2,842</u>

13. Share based payments

(a) The Oval Limited Company Share Option Plan ("CSOP") is an equity settled share option plan adopted on 1 April 2004. Options, granted by Oval Limited, the company's ultimate parent company, are granted to eligible employees at the discretion of the Board. Options cannot be exercised until the earliest of the third anniversary of the date of grant, the death of the participant, or a takeover, reconstruction or winding-up of the company.

(b) The Oval Limited Unapproved Share Options Scheme ("USOS") was adopted by the Board of Oval Limited on 24 November 2004. This is an equity settled scheme where options are granted to eligible employees at the discretion of the Board. Options cannot be exercised until the earliest of the third anniversary of the date of grant, the death of the participant, or a takeover, reconstruction or winding-up of the company.

OVAL FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2012

13. Share based payments (continued)

	2012		2011	
	Options Number	Weighted average exercise price £	Options Number	Weighted average exercise price £
Oval Limited CSOP				
Outstanding at beginning of period	143,874	1.52	143,874	1.52
Granted during the period	-	-	-	-
Forfeited during the period	(38,331)	1.85	-	-
Exercised during the period	-	-	-	-
Outstanding at end of period	<u>105,543</u>	<u>1.42</u>	<u>143,874</u>	<u>1.52</u>

The options outstanding at 31 May 2012 had exercise prices ranging from £1.00 to £2.50 (2011: £1.00 to £2.50) and a weighted average remaining contractual life of 5 years (2011: 6 years)

	2012		2011	
	Options Number	Weighted average exercise price £	Options Number	Weighted average exercise price £
Oval Limited USOS				
Outstanding at beginning of period	77,614	1.51	77,614	1.51
Granted during the period	1,159,170	1.01	-	-
Forfeited during the period	(82,755)	1.56	-	-
Exercised during the period	-	-	-	-
Outstanding at end of period	<u>1,154,029</u>	<u>1.03</u>	<u>77,614</u>	<u>1.51</u>

The options outstanding under the USOS scheme at 31 May 2012 had exercise prices ranging from £1.00 to £1.10 (2011: £1.00 to £1.10) and a weighted average remaining contractual life of 8 years (2011: 7 years)

The cost of options granted under the USOS and CSOP was £68,000 (2011: £nil)

OVAL FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2012

13. Share based payments (continued)

The fair value of share options is estimated at the date of grant using the Black-Scholes option pricing model. The following rates give the assumptions applied to the options granted during the year

	USOS	
	2012	2011
Expected dividend yield	0%	-
Expected volatility	43%	-
Risk free interest rate	0.9%	-
Expected life of option (years)	3	-
Probability of forfeiture	-	-
Weighted average share price (£)	1	-
Weighted average exercise price (£)	1	-
Weighted average fair value of options granted (p)	30.1	-

Volatility is a measure of the amount by which a price is expected to fluctuate during a period. As Oval Limited is an unlisted company the volatility has been determined by taking an average share price of listed companies with similar activities.

14. Called up share capital

	31 May 2012 £000	31 May 2011 £000
Authorised		
250,000 Ordinary shares of £1 each	<u>250</u>	<u>250</u>
Allotted, called up and fully paid		
125,000 Ordinary shares of £1 each	<u>125</u>	<u>125</u>

15. Reserves

	Share option reserve £000	Profit and loss account £000
At 1 June 2011	-	1,195
Profit for the financial year	-	194
Share based payment charge	68	-
At 31 May 2012	<u>68</u>	<u>1,389</u>

OVAL FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2012

16. Reconciliation of movements in shareholder's funds

	2012 £000	2011 £000
Opening shareholder's funds	1,320	1,316
Profit for the financial year	194	4
Share based payment charge	68	-
	<u>1,582</u>	<u>1,320</u>
Closing shareholder's funds	<u>1,582</u>	<u>1,320</u>

17. Other financial commitments

At the balance sheet date the company was committed to make the following payments under non-cancellable operating leases in the following financial year

	31 May 2012		31 May 2011	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expires				
Within one year	252	-	90	-
Within two to five years	126	-	279	-
	<u>378</u>	<u>-</u>	<u>369</u>	<u>-</u>

18. Pension costs

Defined contribution scheme

The company operates a defined contribution pension scheme. The assets of the company are administered by the trustees in a fund independent from those of the company.

	31 May 2012 £000	31 May 2011 £000
Contributions payable by the company for the year	<u>368</u>	<u>320</u>

Defined benefit schemes

Certain employees of the company participate in the Bland Bankart Retirement Benefit Scheme. The accrual of benefits ceased within the scheme with effect from 31 December 2005. The Bland Bankart Retirement Benefit Scheme is a defined benefit scheme of which Oval Financial Services Limited is one of several participating employers. The assets are held in external funds invested by professional investment managers. It is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers. Therefore the scheme is accounted for as if it were a defined contribution scheme and the profit and loss account charge for the year under FRS17 represents the employer contribution payable.

OVAL FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2012

18. Pension costs (continued)

Pension costs are assessed in accordance with the advice of independent qualified actuaries

The most recent actuarial valuation for the scheme was at 1 June 2008

In the actuarial valuation, the actuary used the projected unit method for determining the future costs. The deficit in the scheme at 31 May 2012 was £4,077,000 (2011: £264,000)

Further information on this scheme is included in the financial statements of Oval Limited

19. Related party transactions

The company has taken advantage of the exemption under FRS8, and not disclosed transactions with other wholly owned group companies, on the grounds that consolidated financial statements are produced by the company's ultimate parent company, Oval Limited

20. Contingent liabilities

(a) Barclays Bank Plc, as Security Agent, hold an unlimited cross guarantee over all of the trading subsidiaries of the group and a mortgage debenture that creates a fixed and floating charge over all the assets of the subsidiaries

(b) Oval Pension Solutions "OPS", a trading division of Oval Financial Services, undertakes projects to advise members of defined benefit pension schemes where the members have received incentivised transfer offers by their employer

In line with our contractual commitments and following changes to the FSA Conduct of Business Sourcebook, OPS is currently undertaking a full file review on these projects to ensure that all members received suitable advice. Should it be found that the record keeping or the advice itself fell short of the industry, or our own, standards then additional work will be undertaken to ensure that the records are complete and/or to reposition the member to ensure they have not been disadvantaged. This could, amongst other things, involve the paying of compensation. The review is still in its early stages and is not expected to be completed until June 2013 and no financial redress has yet been made. Accordingly the directors are unable to estimate the amounts payable, if any, in respect of redress arising from this review

21. Parent undertaking and ultimate controlling party

The company is a wholly owned subsidiary of Oval Management Services Limited, which in turn is a wholly owned subsidiary of Oval Limited. Oval Limited, a company incorporated in England and Wales, is the ultimate parent company and controlling party at 31 May 2012. Copies of the consolidated financial statements of Oval Limited, being the smallest and largest group of undertakings to consolidate these financial statements, are available from Companies House