

**Mason Owen Financial Services Limited**

**Directors' report and financial statements**

**for the year ended 30 June 2011**



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**Mason Owen Financial Services Limited**

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**Company Information**

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<b>Directors</b>	M B Owen A Gibbons
<b>Company secretary</b>	C E Shaw
<b>Company number</b>	2217933
<b>Registered office</b>	Gladstone House Union Court Castle Street Liverpool L2 4UQ
<b>Auditors</b>	Ernst & Young LLP 20 Chapel Street Liverpool L3 9AG

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**Mason Owen Financial Services Limited**

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## **Mason Owen Financial Services Limited**

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### **Directors' report for the year ended 30 June 2011**

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The directors present their report and the financial statements for the year ended 30 June 2011

#### **Principal activities and review of business**

The principal activities of the company during the year remain those of insurance consultancy and insurance broking

During the year, a total of 5% shareholding was transferred to the Managing Director of the Company, Andrew Gibbons, which took effect from 1st July 2010

The company continues to develop within the intermediary sector, specialising in commercial property insurance and related products. The company also provides a valued complimentary service to clients of Mason Owen & Partners Ltd

The business is authorised and regulated by the Financial Services Authority (FSA), and due to the ongoing regulatory requirements placed upon the business both in terms of day to day operation and regular reports to the FSA, there remains a responsibility of management to ensure that the business remains fully compliant, yet still able to trade effectively and profitably. The additional burdens of FSA compliance in areas such as staff training and development, increases in fees payable to the FSA and professional advice represent increased cost to the business that will continue to increase in subsequent years

The heightened awareness to the regulation of the Financial Services Sector, has resulted in increased fees payable to FSA and due to the amount of claims paid out from the Financial Services Compensation Scheme as a result of the cross subsidy of the claims pool resulting from Bank failures and other related issues, the proportionate increase in fees and levies placed upon the firm have increased and will continue to do so in future years

The company has maintained membership with the British Insurance Brokers Association (BIBA), which provides valuable support to the business in terms of the ability to access new markets, to provide networking opportunities and in depth technical information concerning matters such as regulation. The firm has again been successful in maintaining its status as one of less than 80 insurance brokers in the United Kingdom who are "Chartered Insurance Broker" as a firm, with the Chartered Insurance Institute

In assessing the performance of the business, key performance indicators (KPI's) such as income, cost control and overall profitability are monitored closely to ensure a continued good performance of the business. During the year, the overall performance of the economy has continued to have a detrimental effect on income earned from certain clients and therefore profitability. Good performance in the main KPI's means that the company has remained profitable in extremely testing times and has also exceeded a level of profit anticipated at the commencement of this financial year

The development of the new income stream of legal indemnity products has continued, producing some excellent results. During the current financial year the team has written in excess of £600,000 new premium, which is over £500,000 up on the previous year. In view of the fact that the company's earnings are commission based, such an increase has a direct effect on the company's overall income figures. Staffing levels have increased overall by one person due to the need to cover maternity leave in one area of the business

There have been no exceptional items of infrastructure required due to past investment, though cost reduction measures throughout the business will be continued due to external economic circumstances, including a review of the lease arrangements for the North House office. The negotiations of the lease concluded in the lease being terminated on 24th February 2012 and the business relocated to Gladstone House, Union Court, Liverpool, the offices of the Company's Parent Company, Mason Owen & Partners Ltd. An impairment charge of £34,000 was recognised in the year in relation to fixture and fittings at the North House office

It is envisaged that the insurance market in general will continue on its downward cycle in terms of rates that

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**Mason Owen Financial Services Limited**

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**Directors' report  
for the year ended 30 June 2011**

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has been evident during the current financial year. The company remains positive regarding the future in spite of current economic conditions

**Results and dividends**

The profit for the year, after taxation, amounted to £179,000 (2010 - £95,000)

The directors declared and paid a dividend of £300,000 in 2011 (2010 £500,000)

**Directors**

The directors who served during the year were

M B Owen  
A Gibbons

**Principal risks and uncertainties**

**Exposure to credit risk**

The risk of non-payment by any of our customers is assessed by the directors. The company aims to minimise this risk by management of credit limits and monthly review of debtor days

**Provision of information to auditors**


Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

**Auditors**

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board on 29/3/12 and signed on its behalf

  
A Gibbons  
Director

Date 30/3/12

**Directors' responsibilities statement  
for the year ended 30 June 2011**

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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 elected to prepare 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 judgments and 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.

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**Mason Owen Financial Services Limited**

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**Independent auditors' report to the members of Mason Owen Financial Services Limited**

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We have audited the financial statements of Mason Owen Financial Services Limited for the year ended 30 June 2011, which comprise the Profit and loss account, the Balance sheet and the related notes 1 to 18. 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As 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.

**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 30 June 2011 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.

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**Mason Owen Financial Services Limited**

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**Independent auditors' report to the members of Mason Owen Financial Services Limited**

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**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



Barry Flynn (Senior Statutory Auditor)  
for and on behalf of  
**Ernst & Young LLP**  
Liverpool

30 March 2012



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**Mason Owen Financial Services Limited**

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**Profit and loss account  
for the year ended 30 June 2011**

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	<b>Note</b>	<b>2011 £000</b>	<b>2010 £000</b>
<b>Turnover</b>	1	1,786	1,728
Administrative and practising expenses		<u>(1,502)</u>	<u>(1,616)</u>
<b>Operating profit</b>	2	284	112
Exceptional items	5	<u>(34)</u>	<u>-</u>
<b>Profit on ordinary activities before interest</b>		250	112
Interest receivable and similar income		<u>13</u>	<u>15</u>
<b>Profit on ordinary activities before taxation</b>		263	127
Tax on profit on ordinary activities	6	<u>(84)</u>	<u>(32)</u>
<b>Profit for the financial year</b>		<u><u>179</u></u>	<u><u>95</u></u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and loss account

The notes on pages 8 to 15 form part of these financial statements

**Mason Owen Financial Services Limited**  
**Registered number 2217933**

**Balance sheet**  
**as at 30 June 2011**

	Note	£000	2011 £000	£000	2010 £000
<b>Fixed assets</b>					
Tangible assets	7		4		42
<b>Current assets</b>					
Debtors	8	785		2,518	
Cash at bank and in hand	9	4,657		4,009	
		<u>5,442</u>		<u>6,527</u>	
<b>Creditors</b> amounts falling due within one year	10	(4,280)		(5,278)	
<b>Net current assets</b>			<u>1,162</u>		<u>1,249</u>
<b>Total assets less current liabilities</b>			<u>1,166</u>		<u>1,291</u>
<b>Provisions for liabilities</b>					
Deferred tax	11		-		(4)
<b>Net assets</b>			<u><u>1,166</u></u>		<u><u>1,287</u></u>
<b>Capital and reserves</b>					
Called up share capital	12		1		1
Profit and loss account	13		<u>1,165</u>		<u>1,286</u>
<b>Shareholders' funds</b>	14		<u><u>1,166</u></u>		<u><u>1,287</u></u>

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



Andrew Gibbons  
 Director

Date 30/3/12

The notes on pages 8 to 15 form part of these financial statements

**Notes to the financial statements  
for the year ended 30 June 2011**

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**1. Accounting policies**

**1.1 Basis of preparation of financial statements**

The accounts are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

**1.2 Cash flow**

The company's ultimate parent undertaking and controlling party, Mason Owen & Partners (Holdings) Limited, prepares accounts which are publicly available and include a consolidated cashflow statement. The company meets the criteria as defined in Financial Reporting Standard No 1 (Revised) for exemption from preparing a cash flow statement

**1.3 Turnover**

Turnover, all of which occurs in the United Kingdom and relates to continuing activities, comprises commission relating to insurance premiums finalised with insurers and confirmed by the client within the accounting period, net of commission shared with third parties. Commission on returns, additional premiums and adjustments are brought into account when these occur

**1.4 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Fixtures & fittings	-	over 5 years
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The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate that the carrying value may not be recoverable

**1.5 Operating leases**

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term

**Notes to the financial statements  
for the year ended 30 June 2011**

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**1. Accounting policies (continued)**

**1.6 Deferred taxation**

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely 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 on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

**1.7 Pension costs**

Pension contributions in respect of two defined contribution schemes operated by the parent undertaking are charged in the accounting period in which they become payable

**1.8 Insurance broking assets and liabilities**

The company acts as an agent in broking the insurable risks of its clients and, generally, is not liable as principal for premiums due to underwriters or for claims payable to clients. Notwithstanding the company's legal relationship with clients and underwriters and since in practice premium monies are usually accounted for by insurance intermediaries, it has followed generally accepted accounting practice by showing cash, debtors and creditors relating to insurance business as assets and liabilities of the company itself

FRS 5 requires that debit and credit balances arising from insurance broking transactions are reported as separate assets or liabilities unless such balances are due to or from the same party and the offset would survive the insolvency of that party, in which case they are aggregated into a single net balance

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**Mason Owen Financial Services Limited**

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**Notes to the financial statements  
for the year ended 30 June 2011**

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**2. Operating profit**

The operating profit is stated after charging

	2011 £000	2010 £000
Depreciation of tangible fixed assets		
- owned by the company	4	11
Auditors' remuneration	15	12
Operating lease rentals		
- plant and machinery	25	32
- other operating leases	61	65
	<u>105</u>	<u>120</u>

**3 Staff costs**

Staff costs, including directors' remuneration, were as follows

	2011 £000	2010 £000
Wages and salaries	811	922
Social security costs	96	99
Other pension costs	114	119
	<u>1,021</u>	<u>1,140</u>

The average monthly number of employees, including the directors, during the year was as follows

	2011 No.	2010 No.
Professional and administrative	<u>20</u>	<u>21</u>

**4. Directors' remuneration**

	2011 £000	2010 £000
Emoluments	<u>198</u>	<u>233</u>

Retirement benefits are accruing to 1 director (2010: 1) under money purchase pension schemes

The highest paid director received remuneration of £140,000 (2010: £160,000)

The value of the company's contributions to a money purchase pension scheme in respect of the highest paid director amounted to £19,000 (2010: £19,000)

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**Mason Owen Financial Services Limited**

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**Notes to the financial statements  
for the year ended 30 June 2011**

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**5 Exceptional items**

	<b>2011 £000</b>	<b>2010 £000</b>
Impairment of tangible fixed assets	<b>34</b>	-

**6 Taxation**

	<b>2011 £000</b>	<b>2010 £000</b>
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profit for the year	<b>90</b>	32
<b>Deferred tax</b> (see note 11)		
Origination and reversal of timing differences	<b>(6)</b>	-
<b>Tax on profit on ordinary activities</b>	<b>84</b>	32

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2010 - lower than) the standard rate of corporation tax in the UK of 27.5% (2010 - 28%). The differences are explained below

	<b>2011 £000</b>	<b>2010 £000</b>
Profit on ordinary activities before tax	<b>263</b>	127
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 27.5% (2010 - 28%)	<b>72</b>	36
<b>Effects of:</b>		
Expenses not deductible for tax purposes	<b>12</b>	7
Depreciation in excess of capital allowances for year	<b>6</b>	-
Effects of group relief	-	(11)
<b>Current tax charge for the year</b> (see note above)	<b>90</b>	32

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**Mason Owen Financial Services Limited**

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**Notes to the financial statements  
for the year ended 30 June 2011**

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**7 Tangible fixed assets**

	<b>Fixtures &amp; fittings £000</b>
<b>Cost</b>	
At 1 July 2010 and 30 June 2011	<u>95</u>
<b>Depreciation</b>	
At 1 July 2010	53
Charge for the year	4
Impairment charge	34
At 30 June 2011	<u>91</u>
<b>Net book value</b>	
At 30 June 2011	<u>4</u>
At 30 June 2010	<u>42</u>

**8 Debtors**

	<b>2011 £000</b>	<b>2010 £000</b>
Insurance broking debtors	766	2,484
Amounts owed by group undertakings	17	25
Corporation tax recoverable	-	9
Deferred tax asset (see note 11)	2	-
	<u>785</u>	<u>2,518</u>

**9 Cash at bank**

	<b>2011 £000</b>	<b>2010 £000</b>
Insurance broking account	1,548	1,454
Other accounts	3,109	2,555
	<u>4,657</u>	<u>4,009</u>

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**Mason Owen Financial Services Limited**

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**Notes to the financial statements  
for the year ended 30 June 2011**

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**10 Creditors.  
Amounts falling due within one year**

	2011 £000	2010 £000
Insurance broking creditors	1,739	2,849
Amount due to parent undertaking	151	225
Corporation tax	89	-
Accruals	2,301	2,204
	<u>4,280</u>	<u>5,278</u>

**11 Deferred taxation**

	2011 £000	2010 £000
At beginning of year	(4)	(4)
Other movement	6	-
	<u>2</u>	<u>(4)</u>
At end of year		

The deferred taxation balance is made up as follows

	2011 £000	2010 £000
(Decelerated)/accelerated capital allowances	<u>(2)</u>	<u>4</u>

**12. Share capital**

	2011 £000	2010 £000
<b>Allotted, called up and fully paid</b>		
1,000 Ordinary shares of £1 each	<u>1</u>	<u>1</u>

**13 Reserves**

	Profit and loss account £000
At 1 July 2010	1,286
Profit for the year	179
Dividends paid	(300)
	<u>1,165</u>
At 30 June 2011	



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**Mason Owen Financial Services Limited**

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**Notes to the financial statements  
for the year ended 30 June 2011**

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**14 Reconciliation of movement in shareholders' funds**

	2011 £000	2010 £000
Opening shareholders' funds	1,287	1,692
Profit for the year	179	95
Dividends paid	(300)	(500)
Closing shareholders' funds	<u>1,166</u>	<u>1,287</u>

**15. Contingent liabilities**

The company has given cross guarantees in connection with bank borrowings of its immediate parent undertaking and is a member of a VAT group with that company. In the opinion of the directors, no liabilities will arise under these arrangements.

**16 Operating lease commitments**

At 30 June 2011 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2011 £000	2010 £000	2011 £000	2010 £000
<b>Expiry date:</b>				
Within 1 year	31	-	-	25
Between 2 and 5 years	-	47	28	53

**17 Related party transactions**

M B Owen, a director of the company, is also a director of and shareholder in Ethel Austin Investments Limited and Ethel Austin Properties Holdings Limited. The company provided insurance broking and consultancy services on an arms length basis to these companies for which the earned commission was £396,000 (2010 £294,000). At the balance sheet date a debtor of £274,000 (2010 374,000) is due which consisted of insurance premiums due and commissions payable. The company also leased premises from 1 November 2004 from a subsidiary of Ethel Austin Investments Limited. The annual rental charge is £61,000 (2010 £65,000).

During the year the company entered into transactions, in the ordinary course of business, with parent company Mason Owen & Partners Limited. Amounts recharged from Mason Owen & Partners Limited totalled £1,180,000 (2010 £1,478,000), and the balance outstanding at 30 June 2011 was £151,000 (2010 £225,000). These transactions include recharged amounts relating to personnel and services such as payroll.

Mason Owen & Partners Limited owns a 95% shareholding of Mason Owen Financial Services Limited. The remaining 5% shareholding was transferred to Andrew Gibbons, a Director of Mason Owen Financial Services Limited on 1 July 2010.

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**Mason Owen Financial Services Limited**

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**Notes to the financial statements  
for the year ended 30 June 2011**

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**18 Ultimate parent undertaking and controlling party**

The ultimate parent undertaking is Mason Owen & Partners (Holdings) Limited

Copies of the group accounts may be obtained from the ultimate parent undertaking at Gladstone House, Union Court, Liverpool L2 4UQ