Financial Statements
Mason Owen Financial Services Limited

For the year ended 30 June 2012

Registered number: 2217933

Mason Owen Financial Services Limited

Company Information

Directors	M B Owen A Gibbons
Company secretary	C E Shaw
Company number	2217933
Registered office	Gladstone House Union Court Castle Street Liverpool L2 4UQ
Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Royal Liver Building Liverpool L3 1PS
Bankers	HSBC Bank Plc 99-101 Lord Street Liverpool L2 6PG
Solicitors	Hill Dickinson LLP No 1 St Pauls Square Liverpool L3 9SJ

Mason Owen Financial Services Limited

Contents

Directors' Report
For the year ended 30 June 2012

The directors present their report and the financial statements for the year ended 30 June 2012

Principal activities and review of business

The principal activities of the company continue to be insurance consultancy and insurance broking

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 Limited

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 ongoing additional burdens of FSA Compliance in areas such as staff training and development, increases the cost in fees payable to the FSA and professional advice represent continued increased costs to the business that will continue to increase in subsequent years

The calls upon the Financial Services Compensation Scheme as a result of the cross subsidy of the claims pool for compensation payments following the failure of the banks and more recently the compensation redress from the sale of PPI products has affected the industry as a whole, but the actual fees payable directly to the FSA by the company has in fact reduced from the previous year However the indirect costs of remaining compliant as a business continue to increase and it is anticipated that in regard to future fees payable to the FSA, the fact that the company holds client money in a non-statutory trust, may require increased direct fees to be paid to the FSA This is something that the business must be aware of in determining the business model in coming years

The company has maintained membership of 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 continues to be one of less than 100 Insurance Brokers in the United Kingdom who have attained "Chartered Insurance Broker" status 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 that the business continues to perform well The ongoing economic conditions have had a detrimental effect on income along with the fact that the effect of the loss of a major client during 2010 has now dropped out of the income figures and has resulted in the reduction in income reported in these accounts

The previously reported development of the new income stream of Legal Indemnity Insurance has continued to produce an excellent result which has exceeded the production figures in 2011 Staffing levels had to be reduced by two due to the closure of the company's operation in London, resulting from the loss of the business of one particular client and a further redundancy was necessary in Liverpool to ensure that the long term profitability of the company was maintained

This short term action has produced another profitable year for the business that has laid the platform for the business to progress, with the prospects of additional members of staff being recruited to facilitate the continued growth of the Legal Indemnity account during 2012/13

There will be no exceptional items of infrastructure required due to past investment, though following determination of the lease arrangements at the company's previous office in North House, a more cost effective opportunity arose for the business to move back into Gladstone House, the existing offices of our parent company Mason Owen & Partners Limited This has and will continue to have an effect on cost mitigation for both the company and the group of companies as a whole Provision has been made to cover the dilapidation costs relative to the now terminated lease for North House

Directors' Report
For the year ended 30 June 2012

It is envisaged that the Insurance Market in general will continue on its downward cycle that has been evident during the current financial year, but the company remains positive regarding the future in spite of ongoing issues in the general economy

Results

The profit for the year, after taxation, amounted to £40,375 (2011 - £180,496)
A dividend of £200,000 (2011 £300,000) was declared during the year

Directors

The directors who served during the year were

M B Owen
A Gibbons

Political and charitable contributions

Charitable donations in the year amounted to £2,802 (2011 £5,120)

Principal risks and uncertainties

Exposure to credit risk

The risk of non payment by clients is assessed by the directors The company aims to minimise the risk by management of credit limits and monthly review of debtor days

Directors' responsibilities statement

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,
- 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

Mason Owen Financial Services Limited

Directors' Report

For the year ended 30 June 2012

Provision of information to auditor

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 auditor is 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 auditor in connection with preparing its report and to establish that the company's auditor is aware of that information

Auditor

Grant Thornton, who were appointed as auditors after the year end, will be proposed for re-appointment in accordance with section 487(2) of the Companies Act 2006

This report was approved by the board and signed on its behalf

A Gibbons
Director

Date 20 March 2013

Grant Thornton

Independent Auditor's Report to the Members of Mason Owen Financial Services Limited

We have audited the financial statements of Mason Owen Financial Services Limited for the year ended 30 June 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)

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 Auditor's 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 auditor
As explained more fully in the Directors' responsibilities statement, 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 (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www frc org uk/apb/scope/private cfm

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 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

Independent Auditor's Report to the Members of Mason Owen Financial Services Limited

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

Grant Thornton UK LLP

Kevin Engel (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Liverpool

21 March 2013

Profit and Loss Account

For the year ended 30 June 2012

	Note	2012 £	2011 £
Turnover	1,2	**1,407,477**	1,785,964
Administrative expenses		**(1,376,038)**	(1,501,143)
Operating profit	3	**31,439**	284,821
Exceptional items			
Impairment of tangible fixed assets	7	**-**	(34,049)
Profit on ordinary activities before interest		**31,439**	250,772
Interest receivable and similar income		**15,619**	12,724
Profit on ordinary activities before taxation		**47,058**	263,496
Tax on profit on ordinary activities	8	**(6,683)**	(83,000)
Profit for the financial year	13	**40,375**	180,496

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 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 2012

	Note	£	2012 £	£	2011 £
Fixed assets					
Tangible assets	9		-		3,593
Current assets					
Debtors	10	**814,051**		785,022	
Cash at bank	21	**4,571,588**		4,656,577	
		5,385,639		5,441,599	
Creditors. amounts falling due within one year	11	**(4,378,890)**		(4,278,818)	
Net current assets			**1,006,749**		1,162,781
Net assets			**1,006,749**		1,166,374
Capital and reserves					
Called up share capital	12		**1,000**		1,000
Profit and loss account	13		**1,005,749**		1,165,374
Shareholders' funds	14		**1,006,749**		1,166,374

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 March 2013

A Gibbons
Director

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

Notes to the Financial Statements
For the year ended 30 June 2012

1. Accounting Policies

1 1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards The accounting policies of the company remain unchanged from the prior year and are set out below

1.2 Cash flow

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company

1 3 Turnover

Turnover comprises revenue recognised by the company in respect of commission relating to insurance premiums finalised with insurers and confirmed by the client within the accounting period, net of commission shared with third parties Commissions on returns, additional premiums and adjustments are brought into account when these occur Profit shares from insurance companies are recognised on a received basis

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation Depreciation is provided on a straight line basis 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

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

1.6 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as 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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

Notes to the Financial Statements
For the year ended 30 June 2012

1. Accounting Policies (continued)

1.7 Pensions
Pension contributions in respect of two defined contribution schemes operated by the parent undertaking are charged in the 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

FRS5 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 offset would survive the insolvency of that party, in which case they are aggregated into a single net balance

1 9 Current taxation

The current tax charge is based on the profit for the year and is measured at the amounts expected to be paid based on the tax rates and laws substantially enacted by the balance sheet date Current and deferred tax is recognised in the profit and loss account for the period

1.10 Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

2. Turnover

The whole of the turnover is attributable to 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 accounts when these occur

All turnover arose within the United Kingdom

Notes to the Financial Statements

For the year ended 30 June 2012

3. Operating profit

The operating profit is stated after charging

	2012	2011
	£	£
Depreciation of tangible fixed assets		
- owned by the company	**4,142**	39,579
Operating lease rentals		
- plant and machinery	**18,828**	18,809
- other operating leases	**37,280**	60,716

4. Auditors' remuneration

	2012	2011
	£	£
Fees payable to the company's auditor for the audit of the company's annual accounts	**12,500**	12,000
Fees payable to the company's auditor and its associates in respect of		
Other services relating to taxation	**-**	4,000

5. Staff costs

Staff costs, including directors' remuneration, were as follows

	2012	2011
	£	£
Wages and salaries	**778,497**	811,445
Social security costs	**86,166**	95,530
Other pension costs	**86,362**	114,020
	951,025	1,020,995

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

	2012	2011
	No	No
	19	20

Notes to the Financial Statements

For the year ended 30 June 2012

6. Directors' remuneration

	2012	2011
	£	£
Emoluments	**175,289**	198,398
Company pension contributions to defined contribution pension schemes	**18,750**	18,750

During the year retirement benefits were accruing to 1 director (2011 - 1) in respect of defined contribution pension schemes

7. Exceptional items

	2012	2011
	£	£
Impairment of tangible fixed assets	-	34,049

8. Taxation

	2012	2011
	£	£
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	**14,505**	89,000
Adjustments in respect of prior periods	**(7,822)**	-
Total current tax	**6,683**	89,000
Deferred tax		
Origination and reversal of timing differences	-	(6,000)
Tax on profit on ordinary activities	**6,683**	83,000

Notes to the Financial Statements
For the year ended 30 June 2012

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2011 - higher than) the standard rate of corporation tax in the UK of 20% (2011 - 27 5%) The differences are explained below

	2012 £	2011 £
Profit on ordinary activities before tax	**47,058**	263,496
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2011 - 27 5%)	**9,412**	72,461
Effects of		
Expenses not deductible for tax purposes	**5,194**	12,000
Capital allowances for the year in excess of depreciation	**(101)**	4,539
Adjustments to tax charge in respect of prior periods	**(7,822)**	-
Current tax charge for the year (see note above)	**6,683**	89,000

9. Tangible fixed assets

	Fixtures and fittings £
Cost	
At 1 July 2011	**94,750**
Additions	**549**
At 30 June 2012	**95,299**
Depreciation	
At 1 July 2011	**91,157**
Charge for the year	**4,142**
At 30 June 2012	**95,299**
Net book value	
At 30 June 2012	**-**
At 30 June 2011	3,593

Notes to the Financial Statements
For the year ended 30 June 2012

10. Debtors

	2012	2011
	£	£
Insurance broking debtors	645,883	765,948
Amounts owed by group undertakings	158,413	16,626
Other debtors	8,755	1,448
	813,051	784,022

11. Creditors:
Amounts falling due within one year

	2012	2011
	£	£
Insurance broking creditors	2,018,556	1,736,868
Amounts owed to group undertakings	-	151,171
Corporation tax	27,416	89,000
Accruals and deferred income	2,332,918	2,301,779
	4,378,890	4,278,818

12. Share capital

	2012	2011
	£	£
Allotted, called up and fully paid		
1,000 Allotted, called up and fully paid shares of £1 each	1,000	1,000

13. Reserves

	Profit and loss account
	£
At 1 July 2011	1,164,374
Profit for the year	40,375
Dividends	(200,000)
At 30 June 2012	1,004,749

Notes to the Financial Statements

For the year ended 30 June 2012

14. Reconciliation of movement in shareholders' funds

	2012	2011
	£	£
Opening shareholders' funds	**1,165,374**	1,284,878
Profit for the year	**40,375**	180,496
Dividends (Note 15)	**(200,000)**	(300,000)
Closing shareholders' funds	**1,005,749**	1,165,374

15. Dividends

	2012	2011
	£	£
Dividends declared in the year on equity capital	**200,000**	300,000

16. Contingent liabilities

The company has given unlimited multilateral and cross guarantees in respect of 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

17. Capital commitments

The company had no capital commitments at 30 June 2012 or 30 June 2011

18. Operating lease commitments

At 30 June 2012 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2012	2011	2012	2011
	£	£	£	£
Expiry date:				
Within 1 year	-	31,000	-	-
Between 2 and 5 years	-	-	**13,000**	28,000

Notes to the Financial Statements
For the year ended 30 June 2012

19. 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 Property Holdings Limited The company provided insurance broking and consultancy services on an arms length basis to these companies for which the earned commission was £43,135 (2011 £396,000) At the balance sheet date debtor balances were £306 (2011 274,000) 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 charge in the year to 30 June 2012 was £37,000 (2011 £61,000) The lease terminated in the year

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 £1,107,374 (2011 £1,180,000) and the amount outstanding at 30 June 2012 was £3,380
(2011 £151,000) These transactions include recharged amounts relating to personnel and services such as payroll
The company also rendered insurance broking and consultancy services to Mason Owen & Partners Limited on an arms length basis for which the commission earned was £15,837 (2011 £Nil)

Mason Owen & Partners Limited owns a 95% shareholding in Mason Owen Financial Services Limited The remaining 5% is owned by Andrew Gibbons, a director of Mason Owen Financial Services Limited

20. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Mason Owen & Partners Limited

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

21. Cash at bank

	2012	2011
	£	£
Insurance broking accounts	**1,831,478**	1,548,121
Other accounts	**2,740,110**	3,108,455
	4,571,588	4,656,576