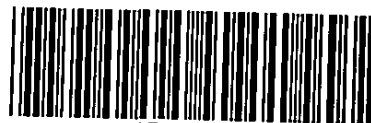


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**Mason Owen Financial Services Limited**  
**Report and Financial Statements**

30 June 2010

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**Mason Owen Financial Services Limited**

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Registered No 2217933

**Directors**

M B Owen

A Gibbons

**Secretary**

C E Shaw

**Auditors**

Ernst & Young LLP

20 Chapel Street

Liverpool

L3 9AG

**Registered Office**

Gladstone House

Union Court

Castle Street

Liverpool

L2 4UQ

## Directors' report

The directors present their report and the financial statements for the year ended 30 June 2010

### Principal activity and review of the business

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

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

The business continues to be 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 FSA, there remains a responsibility of management to ensure that the business remains fully compliant yet is 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 further increased cost to the business that will continue to increase in subsequent 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 is also successful in maintaining its status as one of a minority of insurance brokers 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 had a detrimental effect on the income earned from certain clients and therefore profitability, but good performance in the main KPI's means that the company has remained profitable in extremely testing times and has achieved a level of profit forecast at the commencement of the year

The company has further developed new income streams and in providing specialist Legal Indemnity products, which has involved the addition of one member of staff in a sales role to add to the existing team, the prospects of business development in this area are encouraging. Overall staffing levels have reduced due to general staff turnover and re-deployment of existing staff rather than as a result of any planned redundancy programmes

Major investment in the company's computer systems has now been concluded, along with some significant one off costs as a result of the renewal of software licences and the installation of a dedicated internet connection that was seen as a key factor in business continuity planning. This should pay dividends in business efficiency and reduced costs in the next 2 to 3 years in this area

It is envisaged that the insurance market in general will continue on its current downward cycle that has been evident in the current financial year, but the company remains in a strong position and is able to take advantage of opportunities that may arise in the future

### 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

### Results

The profit for the year after taxation was £95,000 (2009 £218,000)

### Directors

The directors who served the company during the year were

M B Owen  
A Gibbons

## Directors' report

### 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 sections 485 of the Companies Act 2006

This report was approved by the board on 28 March 2011 and signed on its behalf

*C E Shaw*

C E Shaw  
Secretary

Date

*28th March 2011*

## **Statement of directors' responsibilities in respect of the financial statements**

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 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.

## **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 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 17. 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 auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 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**

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.

### **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 2010 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 auditors' report**

**to the members of Mason Owen 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



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

Date 30/3/2011

## Profit and loss account

For the year ended 30 June 2010

	<i>Notes</i>	<i>2010</i> <i>£000</i>	<i>2009</i> <i>£000</i>
<b>Turnover</b>	1	1,728	1,705
Administrative and practising expenses		(1,616)	(1,480)
<b>Operating profit</b>	2	112	225
Bank interest receivable		15	93
<b>Profit on ordinary activities before taxation</b>		127	318
Tax on profit on ordinary activities	5	(32)	(100)
<b>Profit retained for the financial year</b>		95	218

All amounts relate to continuing operations

There were no recognised gains and losses for 2010 or 2009 other than those included in the Profit and loss account

The notes on pages 9 to 14 form part of these financial statements



## Balance sheet

At 30 June 2010

	<i>Notes</i>	<i>2010</i> <i>£000</i>	<i>2009</i> <i>£000</i>
<b>Fixed assets</b>			
Tangible assets	6	42	50
<b>Current assets</b>			
Debtors	7	2,518	2,739
Cash at bank	8	4,009	3,955
		6,527	6,694
<b>Creditors</b> amounts falling due within one year	9	(5,278)	(5,048)
<b>Net current assets</b>		1,249	1,646
<b>Total assets less current liabilities</b>		1,291	1,696
<b>Provisions for liabilities and charges</b>	10	(4)	(4)
		1,287	1,692
<b>Capital and reserves</b>			
Called up share capital	11	1	1
Profit and loss account	12	1,286	1,691
<b>Equity shareholders' funds</b>	13	1,287	1,692

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 March 2011



A Gibbons  
Director

The notes on pages 9 to 14 form part of these financial statements

## Notes to the accounts

At 30 June 2010

### 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 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 3 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 and fittings                      -                      over 5 years

#### **1 5 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.

#### **1.6 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 7 Cash flow statements**

The company has taken advantage of the exemption available under FRS1 not to prepare a cash flow statement on the grounds that the company is wholly owned and its parent publishes a cash flow statement.

## Notes to the accounts

At 30 June 2010

### 1. Accounting policies (continued)

#### 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.

#### 1.9 Related party transactions

The company has taken advantage of the exemption in paragraph 3(c) of FRS 8 from disclosing transactions with related parties that are part of the Mason Owen & Partners (Holdings) Limited group.

### 2. Operating profit

	2010 £000	2009 £000
Depreciation of tangible fixed assets		
- owned by the company	11	10
Auditors' remuneration	12	12
Operating lease rentals		
- plant and machinery	32	50
- other operating leases	65	66
	<u>118</u>	<u>138</u>

### 3. Staff costs

	2010 £000	2009 £000
Wages and salaries	922	834
Social security costs	99	75
Other pension costs	119	49
	<u>1,140</u>	<u>958</u>

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

	2010 No	2009 No
Professional and administrative	21	20

## Notes to the accounts

At 30 June 2010

### 4. Directors' remuneration

	2010	2009
	£000	£000
Director's emoluments		
Emoluments	220	168

The highest paid director received remuneration of £160,000 (2009 £125,000)

The value of the company's contributions to a money purchase pension scheme in respect of the highest paid director amounted to £19,000 (2009 £nil)

### 5. Tax on profit on ordinary activities

	2010	2009
	£000	£000
<b>Analysis of tax charge in the year</b>		
UK corporation tax charge on profit for the year	32	99
Adjustments in respect of prior periods	-	1
<b>Tax on profit on ordinary activities</b>	32	100

#### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2009 – higher than) the standard rate of corporation tax in the UK (28%) The differences are explained below

	2010	2009
	£000	£000
Profit on ordinary activities before tax	127	318
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	36	89
<b>Effects of.</b>		
Expenses not deductible for tax purposes	7	10
Adjustments in respect of previous periods	-	1
Effects of group relief	(11)	-
<b>Current tax charge for the year</b> (see note above)	32	100

## Notes to the accounts

At 30 June 2010

### 6. Tangible fixed assets

	<i>Furniture, fittings and equipment £000</i>
Cost	
At 1 July 2009	92
Additions	3
At 30 June 2010	95
Depreciation	
At 1 July 2009	42
Provided during the year	11
At 30 June 2010	53
Net book value at 30 June 2010	42
Net book value at 30 June 2009	50

### 7. Debtors

	<i>2010 £000</i>	<i>2009 £000</i>
Insurance broking debtors	2,484	2,739
Amount due from parent undertaking	25	-
Corporation tax recoverable	9	-
	2,518	2,739

### 8. Cash at bank

	<i>2010 £000</i>	<i>2009 £000</i>
Insurance broking account	1,454	1,045
Other accounts	2,555	2,910
	4,009	3,955

# Notes to the accounts

At 30 June 2010

## 9. Creditors:

### Amounts falling due within one year

	2010 £000	2009 £000
Insurance broking creditors	2,849	2,370
Amount due to parent undertaking	225	156
Corporation tax	-	46
Accruals	2,204	2,476
	<u>5,278</u>	<u>5,048</u>

## 10. Deferred taxation

	2010 £000	2009 £000
At beginning and end of year	4	4

The provision for deferred taxation is made up as follows

	2010 £000	2009 £000
Accelerated capital allowances	4	4

## 11. Share capital

	2010 £000	2009 £000
Allotted, called up and fully paid 1,000 Ordinary shares of £1 each	1	1

## 12. Profit and loss account

	2010 £000
As at 1 July 2009	1,691
Profit for the year	95
Dividends paid	(500)
At 30 June 2010	<u>1,286</u>

## Notes to the accounts

At 30 June 2010

### 13. Reconciliation of movement in shareholders' funds

	2010 £000	2009 £000
Opening shareholders' funds	1,692	1,474
Profit for year	95	218
Dividends paid	(500)	0
Closing shareholders' funds	1,287	1,692

### 14. 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.

### 15. Operating lease commitments

At 30 June 2010 the company had annual commitments under non-cancellable operating leases as follows

	<i>Land &amp; building</i>		<i>Other</i>	
	2010 £00	2009 £000	2010 £000	2009 £000
<b>Expiry date</b>				
Within 1 year	-	-	25	43
Between 2 and 5 years	47	47	53	6

### 16. Related party transactions

M B Owen, a director of the company, is 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 £294,000 (2009 £359,000). At the balance sheet date a debtor of £374,000 (2009 £390,000) is due which consisted of insurance premiums due and commissions payable. The company also leased premises from 1 November 2004 from Ethel Austin Investments Limited, a company in which M B Owen is a director and shareholder. The annual rental charge is £65,000 (2009 £66,000).

### 17. Ultimate parent undertaking

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.