

SUTTON BARNARD LIMITED

**REPORT OF THE DIRECTORS AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED
31 MARCH 2008**

COMPANY NUMBER 2959963

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Sutton Barnard Limited
Report of the directors for the year ended 31 March 2008

The directors present their report together with the financial statements of the company for the year ended 31 March 2008.

So far as each of the persons who are directors at the time of this report are aware:

- there is no relevant audit information of which the company's auditors are unaware;
- the directors confirm that they have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

BUSINESS REVIEW AND PRINCIPAL ACTIVITY

The principal activity of the company during the year was insurance broking and there was not any change in the nature of the company's activities during the year.

The balance sheet on page 5 shows the company's financial position as having net assets of £217,634 at the year end. The results for the year are shown in the profit and loss account on page 4 which shows a retained profit of £111,937.

The results of the company are to a certain extent dependent on market conditions which determine the premiums charged to clients. In addition, in common with other insurance brokers, the company is facing a reasonable degree of competition. The company is reviewing the products that it offers to ensure that they are both competitive and attractive to purchasers and has increased its marketing effort to mitigate the effects of these factors.

The company does not have any external debt and is cash positive. Surplus funds are placed on treasury deposits.

Being office based the company has limited opportunities to reduce environmental damage. The company recycles material and conserves energy where possible.

On 1 April 2008 the whole of the share capital of the company was acquired by Giles Insurance Brokers Limited. The business and trading assets of the company will be transferred as a going concern to a fellow group undertaking during the year ending 31 March 2009 and the company will not trade after that date.

DIRECTORS

The directors of the company during the year were as follows:

M B Baldwin
P H F Barnard
A C Barnard

On 1 April 2008 M B Baldwin, P H F Barnard and A C Barnard resigned as directors and Christopher Giles, Paul Matson and Hazel McIntyre were appointed as directors.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to

Sutton Barnard Limited
Report of the directors for the year ended 31 March 2008

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

AUDITORS

Moore Stephens LLP has expressed its willingness to remain as auditor to the company.

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to be 'A. Hessett', written over a horizontal line.

A Hessett - SECRETARY

Date: 8/1/09

Sutton Barnard Limited
Auditors' Report

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SUTTON BARNARD LIMITED

We have audited the financial statements of Sutton Barnard Limited for the year ended 31 March 2008 which are set out on pages 4 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters that 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

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

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

St Pauls House
Warwick Lane
London EC4M 7BP

Moore Stephens LLP

Moore Stephens LLP
Registered Auditors, Chartered Accountants
Date: 30 January 2009

Sutton Barnard Limited
Profit and loss account for the year ended 31 March 2008

	Notes	2008 £	2007 £
TURNOVER		1,193,569	1,289,550
Other operating income	3	<u>149,065</u>	<u>371,133</u>
		1,342,634	1,660,683
Administrative expenses		<u>(1,252,389)</u>	<u>(1,153,751)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	4	90,245	506,932
Tax on profit on ordinary activities	7	<u>(18,058)</u>	<u>(126,969)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAX		72,187	379,963
Dividends	8	<u>39,750</u>	<u>(439,450)</u>
PROFIT / (LOSS) FOR THE FINANCIAL YEAR		<u>111,937</u>	<u>(59,487)</u>

All activities are classed as continuing.

All recognised gains and losses are included in the profit and loss account.

Sutton Barnard Limited
Balance Sheet as at 31 March 2008

	Notes	31 March 2008		31 March 2007	
		£	£	£	£
FIXED ASSETS					
Tangible assets	9		13,553		41,599
CURRENT ASSETS					
Debtors	10	333,019		373,668	
Cash at bank and in hand	11	<u>672,645</u>		<u>1,082,357</u>	
		1,005,664		1,456,025	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	<u>(801,583)</u>		<u>(1,388,327)</u>	
NET CURRENT ASSETS			204,081		67,698
PROVISIONS FOR LIABILITIES AND CHARGES	13		<u>-</u>		<u>(3,600)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>217,634</u>		<u>105,697</u>
CAPITAL AND RESERVES					
Called up share capital	14		799		799
Capital redemption reserve			201		201
Profit and loss account	15		<u>216,634</u>		<u>104,697</u>
SHAREHOLDERS' FUNDS	16		<u>217,634</u>		<u>105,697</u>

The financial statements were approved by the Board on 8/11/2008

SIGNED ON BEHALF OF THE BOARD


 - Director

Sutton Barnard Limited
Cash Flow Statement for the year ended 31 March 2008

	Notes	2008 £	2008 £	2007 £	2007 £
Net cash (outflow) / inflow from operating activities	17		(141,084)		554,993
Returns on investments and servicing of finance					
Interest received			48,916		33,018
Taxation			(128,284)		(32,019)
Capital expenditure					
Payments to acquire tangible fixed assets			(9,265)		(11,608)
Equity dividends paid			<u>(179,995)</u>		<u>(219,725)</u>
Management of liquid resources			(409,712)		324,659
Cash removed from / (placed on) short term deposits			<u>389,691</u>		<u>(343,872)</u>
(Decrease) in cash			<u><u>(20,021)</u></u>		<u><u>(19,213)</u></u>

Reconciliation of net cash flow to movement in liquid resources

		£	£	£	£
(Decrease) in cash during the period		(20,021)		(19,213)	
Cash used to (decrease) / increase liquid resources		<u>(389,691)</u>		<u>343,872</u>	
			(409,712)		324,659
Net liquid resources at 1 April 2007			1,082,357		757,698
Net liquid resources at 31 March 2008	18		<u><u>672,645</u></u>		<u><u>1,082,357</u></u>

Sutton Barnard Limited
Notes to the financial statements for the year ended 31 March 2008

1 Accounting Policies

Accounting convention

The financial statements have been prepared in accordance with applicable accounting standards.

Commissions receivable

Commission is recognised in the profit and loss account at the inception date of the policy or the date of contractual entitlement if later.

Alterations in commission arising from premium adjustments are taken into account as and when such adjustments are notified. To the extent that the company is contractually obliged to provide services after the balance sheet date, a suitable proportion of income is deferred and recognised over the life of the relevant contracts to ensure that revenue appropriately reflects the fulfilment of those obligations.

Other fees receivable are recognised in the period to which they relate or when they can be measured with reasonable certainty.

Tangible fixed assets

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

Computer equipment	33.33% on cost
Office equipment	15% on cost

Insurance broking debtors and creditors

Insurance brokers normally act as agents in placing the insurable risks of their clients with insurers and, as such, generally are not liable as principals for amounts arising from such transactions. Notwithstanding these legal relationships, debtors and creditors arising from insurance broking transactions are shown as assets and liabilities. This recognises the entitlement of the insurance broker to retain the investment income on any cash flows arising from these transactions.

Debtors and creditors arising from a transaction between client and insurer, such as a premium or claim, are recorded simultaneously. Consequently, there is a high level of correlation between the totals reported in respect of insurance broking debtors and insurance broking creditors.

The position of the insurance broker as an agent means that generally the credit risk is borne by the principals. There can be circumstances where the insurance broker acquires credit risks - through statute, or through the act or omission of the insurance broker or one of the principals. There is significant legal uncertainty surrounding the circumstances and the extent of such exposures, and consequently they cannot be evaluated. However, the total of insurance broking debtors appearing in the balance sheet is not an indication of credit risk.

It is normal practice for insurance brokers to settle accounts with other intermediaries, clients, insurers and market settlement bureaux on a net basis. Thus, large changes in both insurance broking debtors and creditors can result from comparatively small cash settlements. For this reason, the totals of insurance broking debtors and creditors give no indication of future cash flows.

The legal status of this practice of net settlement is uncertain and, in the event of an insolvency, it is generally abandoned. Financial Reporting Standard 5 requires that assets and liabilities may be offset in the financial statements where, and only where, the offset would survive the insolvency of the other party. Accordingly only offsets which are permitted by FRS 5 have been recognised in calculating insurance broking debtors and creditors.

Sutton Barnard Limited
Notes to the financial statements for the year ended 31 March 2008

Operating leases

Rentals payable under operating leases are charged to the profit and loss account when incurred.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

All differences are taken to the profit and loss account.

Deferred taxation

Provision is made, under the liability method, to take account of material timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. No provision is made for permanent differences. Tax deferred or accelerated is accounted for in respect of all material un-reversed timing differences.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged to the profit and loss account. The company's liability is limited to the amount of the contributions.

The assets of the scheme are held separately from those of the company in separately administered funds.

2 Turnover

Turnover represents insurance commissions and agency fees receivable, net of refunds.

The company carries out one activity, that of insurance broking. All business is carried out in the United Kingdom.

3 Other operating income

	2008	2007
	£	£
Bank interest receivable	48,916	33,018
Receipt from insurance claim	-	250,000
Other income	100,149	88,115
	<u>149,065</u>	<u>371,133</u>

4 Profit before tax

	2008	2007
	£	£
This is stated after charging:		
Depreciation	33,163	35,860
Operating lease payments on property	38,688	38,688
Loss on disposal of tangible fixed assets	4,838	-
Auditors' remuneration - audit services	7,050	7,050
Directors' remuneration (note 6)	214,431	222,246
	<u>214,431</u>	<u>222,246</u>

Sutton Barnard Limited**Notes to the financial statements for the year ended 31 March 2008****5 Staff costs**

	2008 £	2007 £
Staff costs, including directors' remuneration, are comprised of:		
Wages and salaries	812,232	764,197
Social security costs	83,282	79,119
Pension costs	40,723	40,005
	<u>936,237</u>	<u>883,321</u>

The average number of employees during the year was 32 (2007 - 28).

6 Directors' remuneration

Directors' remuneration consists of:	2008 £	2007 £
Emoluments	179,469	189,067
Company contributions to money purchase schemes	34,962	33,179
	<u>214,431</u>	<u>222,246</u>
Number of directors in money purchase schemes:	<u>2</u>	<u>2</u>

7 Taxation on profit on ordinary activities

Taxation based on profit for the year:	2008 £	2007 £
UK corporation tax at 19% (2007: 19%)	21,658	130,000
Release of deferred tax provision	(3,600)	-
Overprovision in respect of prior years	-	(3,031)
	<u>18,058</u>	<u>126,969</u>

The effective rate of corporation tax for the year is higher than the 19% standard rate of corporation tax for small companies in the UK. The differences are analysed as follows:

	2008 £	2007 £
Taxation on profit for the year at UK standard rate	18,049	96,317
Accelerated capital allowances	3,071	1,493
Disallowed items	1,443	1,225
Other timing differences	(905)	190
Impact of marginal rate corporation tax	-	30,775
Release of deferred tax provision	(3,600)	-
Overprovision in respect of prior years	-	(3,031)
Taxation on profit for the year	<u>18,058</u>	<u>126,969</u>

Sutton Barnard Limited

Notes to the financial statements for the year ended 31 March 2008

8 Dividends

	2008	2007
Interim dividend of £75 per share for the year ended 31 March 2006	-	59,925
Interim dividend of £175 per share for the year ended 31 March 2007	-	139,825
Interim dividend of £25 per share for the year ended 31 March 2007	-	19,975
Interim dividend of £25 per share for the year ended 31 March 2007	-	19,975
Final dividend of £250 per share for the year ended 31 March 2007	-	199,750
Interim dividend of £150 per share for the year ended 31 March 2008	119,850	-
Dividend waived on final dividend for the year ended 31 March 2007	(99,750)	-
Dividend waived on interim dividend for the year ended 31 March 2008	(59,850)	-
	<u>(39,750)</u>	<u>439,450</u>

The total dividend relating to the profits for the year ended 31 March 2008 was £150 per share (2007: £475).

Sutton Group Holdings Limited waived its right to the final dividend for the year ended 31 March 2007 and to the interim dividend for the year ended 31 March 2008.

9 Tangible fixed assets

	Office furniture and equipment £	Computer equipment £	Total £
COST			
At 1 April 2007	108,496	105,767	214,263
Additions	-	9,265	9,265
Disposals	(36,827)	(10,438)	(47,265)
At 31 March 2008	<u>71,669</u>	<u>104,594</u>	<u>176,263</u>
ACCUMULATED DEPRECIATION			
At 1 April 2007	92,018	80,646	172,664
Charge for year	10,211	22,952	33,163
Disposals	(33,740)	(9,377)	(43,117)
At 31 March 2008	<u>68,489</u>	<u>94,221</u>	<u>162,710</u>
NET BOOK VALUE			
At 31 March 2008	<u>3,180</u>	<u>10,373</u>	<u>13,553</u>
At 31 March 2007	<u>16,478</u>	<u>25,121</u>	<u>41,599</u>

10 Debtors

	2008 £	2007 £
Debtors in respect of insurance transactions	312,682	351,925
Other debtors	-	2,447
Prepayments and accrued income	20,337	19,296
	<u>333,019</u>	<u>373,668</u>

Sutton Barnard Limited
Notes to the financial statements for the year ended 31 March 2008

11 Cash at bank and in hand

	2008 £	2007 £
Insurance broking bank accounts		
Short term deposit	570,744	960,435
Current account	85,898	101,027
	<u>656,642</u>	<u>1,061,462</u>
Company bank accounts and cash		
Current account	15,946	20,833
Cash in hand	57	62
	<u>672,645</u>	<u>1,082,357</u>

12 Creditors: amounts falling due within one year

	2008 £	2007 £
Creditors in respect of insurance transactions	705,416	947,572
Amounts owed to group undertakings	-	6,514
Corporation tax	22,324	128,950
Social security and other taxes	26,650	33,576
Other creditors	30,613	23,021
Accruals and deferred income	16,580	28,969
Dividends approved and payable	-	219,725
	<u>801,583</u>	<u>1,388,327</u>

13 Provisions for liabilities and charges

The amount provided for deferred tax and the movement during the year was as follows:

	2008 £	2007 £
At 1 April 2007	3,600	3,600
Release of provision	(3,600)	-
At 31 March 2008	<u>-</u>	<u>3,600</u>

The deferred tax provision relates to capital allowances in advance of depreciation.

14 Share capital

Authorised	2008 £	2007 £
1,000 Ordinary Shares of £1 each	<u>1,000</u>	<u>1,000</u>
Issued and fully paid	2008 £	2007 £
799 Ordinary Shares of £1 each	<u>799</u>	<u>799</u>

Sutton Barnard Limited

Notes to the financial statements for the year ended 31 March 2008

15 Reserves - profit and loss account

	2008	2007
	£	£
Balance at 1 April 2007	104,697	164,184
Retained profit / (loss) for the year	111,937	(59,487)
At 31 March 2008	<u>216,634</u>	<u>104,697</u>

16 Reconciliation of movement in shareholders' funds

	2008	2007
	£	£
Profit for the year after tax	72,187	379,963
Dividends net of dividends waived	39,750	(439,450)
	<u>111,937</u>	<u>(59,487)</u>
Shareholders' funds at 1 April 2007	105,697	165,184
Shareholders' funds at 31 March 2008	<u>217,634</u>	<u>105,697</u>

17 Reconciliation of operating profit to net cash inflow from operating activities

	2008	2007
	£	£
Operating profit	90,245	506,932
Interest receivable	(48,916)	(33,018)
Depreciation	33,163	35,860
Loss on disposal of tangible fixed assets	4,838	-
Decrease in debtors	40,649	275,105
(Decrease) in creditors	(261,063)	(229,886)
Net cash (outflow) / inflow from operating activities	<u>(141,084)</u>	<u>554,993</u>

18 Analysis of changes in liquid resources

	1 April 2007	Cash flows	31 March 2008
	£	£	£
Cash at bank and in hand	121,922	(20,021)	101,901
Current asset investments	960,435	(389,691)	570,744
Total	<u>1,082,357</u>	<u>(409,712)</u>	<u>672,645</u>

19 Operating leases

At 31 March 2008 the company was committed to making the following annual payments under operating leases:

	2008	2007
	£	£
Expiring within one year	-	-
Expiring after more than one year	38,688	38,688
	<u>38,688</u>	<u>38,688</u>

Sutton Barnard Limited**Notes to the financial statements for the year ended 31 March 2008****20 Related party transactions**

At the year end Sutton Group Holdings Limited owned 49.99% of the shares in the company. Sutton Winson Limited, a subsidiary of Sutton Group Holdings, charged the company £4,634 (2007: £6,364) for administration services provided during the year.

Sutton Group Holdings, charged the company £16,150 (2007: £150) for administration services provided during the year.

At 31 March 2008 the amount due to Sutton Winson Limited was £ nil (2007: £6,514).

21 Controlling party

At the year end the company was controlled by PHF Barnard and AC Barnard by virtue of shareholdings. PHF Barnard and AC Barnard were both directors of the company. PHF Barnard and AC Barnard sold their shareholding and resigned as directors on 1 April 2008.

22 Post balance sheet event

On 1 April 2008 the whole of the share capital of the company was acquired by Giles Insurance Brokers Limited.

Sutton Barnard Limited
Trading profit and loss account for the year ended 31 March 2008

	2008 £	2008 £	2007 £	2007 £
Commissions and fees receivable		1,193,569		1,289,550
Other income				
Deposit interest	48,916		33,018	
Receipt from insurance claim	0		250,000	
Premium finance charges	100,149		88,115	
		<u>149,065</u>		<u>371,133</u>
		1,342,634		1,660,683
Overheads				
Directors salaries	196,877		195,886	
Employees' salaries and NI	698,816		647,430	
Pension contributions	40,723		40,005	
Other staff costs	20,752		19,396	
Temporary staff and consultancy	33,629		16,892	
Recruitment and training	3,934		4,247	
Rent and rates	54,436		52,569	
Telephones	13,928		13,928	
Insurance	18,962		21,860	
Advertising and promotion	1,515		1,289	
Travel and motor expenses	12,591		12,591	
Entertaining	4,598		3,946	
Printing and stationery	6,583		6,583	
Postage and courier	20,806		15,041	
Publications	608		608	
Professional fees	34,098		13,058	
Loss on disposal of fixed assets	4,838		0	
Repairs and renewals	4,838		1,947	
Audit and accountancy	5,040		7,360	
Computer expenses	18,374		18,374	
Subscriptions	1,722		2,919	
Bank and credit card charges	2,695		3,003	
Sundry expenses	18,409		18,409	
Charitable donations	454		550	
Depreciation	33,163		35,860	
		<u>1,252,389</u>		<u>1,153,751</u>
PROFIT BEFORE TAXATION		<u>90,245</u>		<u>506,932</u>

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