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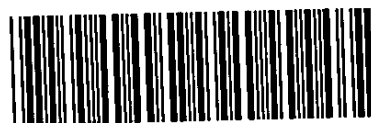
Registration number 03867885

# Patersons Financial Services Limited

Directors' report and financial statements

for the year ended 31 March 2011

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**Patersons Financial Services Limited**  
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**Patersons Financial Services Limited**  
**Directors' report for the year ended 31 March 2011**

The directors present their report and the financial statements for the year ended 31 March 2011

**Directors of the company**

The directors who held office during the year were as follows

J A Warwick

J P Mervis

P L G Cotgrove

**Principal activity**

The principal activity of the company is that of an Independent Financial Advisor, including acting as an arranger of general insurance

**Business review**

***Fair review of the business***

The company derives most of its income from providing insurance services to other group members and its profits are partly dependent on the number of housing sale transactions. Operating profit in the year decreased from £14,674 to a loss of £39,703

The traditional Independent Financial Adviser business was sharply down due to the fact that the compliance network of which the company was a member went into liquidation at very short notice. Although alternative arrangements were found in principle, the Financial Services Authority took an exceptionally long time to agree to the new arrangements, for no reason, which meant that this activity was severely constrained, with turnover down by more than £70,000. Costs are being cut in this area.

Scrapping the HIP regulations enabled the company's principal source of revenue to rise although the continued low level of the number of housing sales meant levels remained lower than in the Pre HIPs era. Initiatives to increase usage of various web based insurance portals were successful, but only with marked effect in the first quarter of 2011.

***Principal risks and uncertainties***

The company derives most of its income from providing insurance services which by its nature has income of a transactional nature. The directors consider that the principal risk to the company is the ability to generate new business.

**Financial instruments**

***Objectives and policies***

The directors are responsible for the monitoring of financial risk. Appropriate policies have been developed and implemented to identify, evaluate and manage the key risks.

**Patersons Financial Services Limited**  
**Directors' report for the year ended 31 March 2011**

*..... continued*

***Price risk, credit risk, liquidity risk and cash flow risk***

a) Price risk - The company is exposed to price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

b) Credit risk - The company is exposed to credit risk in as far as it is reliant on its associated company remaining solvent.

c) Liquidity risk - The company does not regard liquidity risk as material to the assessment of the liabilities.

d) Interest rate cash flow risk - The company does not regard interest rate risk as material to the assessment of the liabilities.

**Future developments**

The company will continue to be an arranger of general insurance for the foreseeable future.

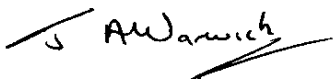
**Disclosure of information to the auditors**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

**Reappointment of auditors**

Milsted Langdon LLP have expressed their willingness to continue in office.

Approved by the board on 8 July 2011 and signed on its behalf by



J A Warwick  
Director

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## **Patersons Financial Services Limited**

### **Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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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## **Independent auditors' report to the members of Patersons Financial Services Limited**

We have audited the financial statements of Patersons Financial Services Limited for the year ended 31 March 2011, set out on pages 6 to 15. 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 Statement of directors' responsibilities (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 (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. 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 the financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its loss 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.

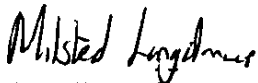
**Independent auditors' report to the members of  
Patersons Financial Services Limited**

*..... 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



Nigel Fry (Senior Statutory Auditor)  
For and on behalf of  
Milsted Langdon LLP  
Chartered Accountants and Statutory Auditors  
Taunton

Date 11 July 2011

**Patersons Financial Services Limited**  
**Profit and loss account for the year ended 31 March 2011**

	Note	2011 £	2010 £
Turnover		114,081	202,724
Cost of sales		<u>(5,522)</u>	<u>(6,656)</u>
Gross profit		108,559	196,068
Administrative expenses		<u>(148,902)</u>	<u>(181,394)</u>
Operating (loss)/profit	2	(40,343)	14,674
Other interest receivable and similar income	6	640	188
Interest payable and similar charges	7	<u>-</u>	<u>(188)</u>
(Loss)/profit on ordinary activities before taxation		(39,703)	14,674
Tax on (loss)/profit on ordinary activities	8	<u>-</u>	<u>(4,377)</u>
(Loss)/profit for the financial year	14	<u><u>(39,703)</u></u>	<u><u>10,297</u></u>

Turnover and operating (loss)/profit derive wholly from continuing operations

The company has no recognised gains or losses for the year other than the results above

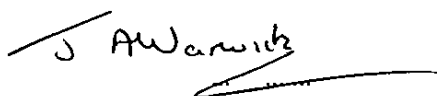
**Patersons Financial Services Limited**

**(Registration number: 03867885)**

**Balance sheet at 31 March 2011**

	Note	2011 £	2010 £
<b>Fixed assets</b>			
Tangible fixed assets	9	<u>75</u>	<u>479</u>
<b>Current assets</b>			
Debtors	10	100,461	116,022
Cash at bank and in hand		<u>48,526</u>	<u>119,276</u>
		148,987	235,298
Creditors amounts falling due within one year	11	<u>(21,855)</u>	<u>(18,864)</u>
Net current assets		<u>127,132</u>	<u>216,434</u>
Net assets		<u>127,207</u>	<u>216,913</u>
<b>Capital and reserves</b>			
Called up share capital	12	40,002	40,002
Profit and loss account	14	<u>87,205</u>	<u>176,911</u>
Shareholders' funds		<u>127,207</u>	<u>216,913</u>

Approved by the board on 8 July 2011 and signed on its behalf by

  
J A Warwick  
Director

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**Patersons Financial Services Limited**  
**Notes to the financial statements for the year ended 31 March 2011**

**1 Accounting policies**

**Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The company has consistently applied all relevant accounting standards

**Exemption from preparing a cash flow statement**

The company is exempt from preparing a cash flow statement as 90% or more of the voting rights are held within the group

**Turnover**

Turnover represents the value of services supplied by the company and commissions earned after deducting discounts and allowances. Credit is taken for commissions when the insurance policy or investment plan has been placed on risk by the product provider

**Depreciation**

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows,

<b>Asset class</b>	<b>Depreciation method and rate</b>
Office equipment and computer equipment	33 33% straight line

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred tax is not discounted

**Leasing**

Rentals payable under operating leases are charged against income on a straight line basis over the lease term

**Financial instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments

**Trade debtors**

Trade debtors are recognised commissions receivable less provisions for any doubtful debts

Bad debts are written off when identified

**Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand with an original maturity of three months or less

**Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities

## Patersons Financial Services Limited

### Notes to the financial statements for the year ended 31 March 2011

..... continued

#### Pensions

The pension costs charged in the financial statements represent the contribution payable by the company during the year

#### 2 Operating (loss)/profit

Operating (loss)/profit is stated after charging

	2011 £	2010 £
Operating leases - other assets	7,124	13,256
Depreciation of owned assets	404	560

#### 3 Auditor's remuneration

The auditors' remuneration was paid by the ultimate parent company, PSG Solutions plc. For the year ended 31 March 2011 the auditors' remuneration relating to the audit of the company amounted to £2,950 (2010 £3,000). Auditors' remuneration for non audit services are amounts in relation to taxation services of £500 (2010 £300) and accounting services amounting to £250 (2010 £250).

#### 4 Particulars of employees

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows

	2011 No.	2010 No.
Administration and support	4	4

The aggregate payroll costs were as follows

	2011 £	2010 £
Wages and salaries	60,255	83,454
Social security costs	6,057	11,009
Staff pensions	2,817	3,450
	69,129	97,913

# **Patersons Financial Services Limited**

## **Notes to the financial statements for the year ended 31 March 2011**

..... *continued*

### **5 Directors' remuneration**

The directors' remuneration for the year was as follows

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Remuneration (including benefits in kind)	36,031	38,055
Company contributions paid to money purchase schemes	<u>1,750</u>	<u>1,750</u>

During the year the number of directors who were receiving benefits and share incentives was as follows

	<b>2011</b>	<b>2010</b>
	<b>No.</b>	<b>No.</b>
Accruing benefits under money purchase pension scheme	<u>1</u>	<u>1</u>

J P Mervis and J A Warwick are directors of the ultimate parent company and also directors of other subsidiaries. These directors receive remuneration, the amount of which is reported in the accounts of the parent company. The directors do not believe it is practical to apportion this amount between their services as directors of the ultimate parent company and its subsidiary companies.

### **6 Other interest receivable and similar income**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Bank interest receivable	<u>640</u>	<u>188</u>

### **7 Interest payable and similar charges**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Other interest payable	<u>-</u>	<u>188</u>
	<u>-</u>	<u>188</u>

**Patersons Financial Services Limited**

**Notes to the financial statements for the year ended 31 March 2011**

*..... continued*

**8 Taxation**

**Tax on (loss)/profit on ordinary activities**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<b>Current tax</b>		
Corporation tax charge	-	3,213
Adjustments in respect of previous years	-	1,164
UK Corporation tax	-	4,377

**Factors affecting current tax charge for the year**

Tax on (loss)/profit on ordinary activities for the year is higher than (2010 - higher than) the standard rate of corporation tax in the UK of 28% (2010 - 28%)

The differences are reconciled below

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
(Loss)/profit on ordinary activities before taxation	(39,703)	14,674
Corporation tax at standard rate	(11,117)	4,109
Capital allowances for period in excess of depreciation	1	(22)
Expenses not deductible for tax purposes	67	197
Adjustments to tax charge in respect of previous periods	-	1,164
Tax losses utilised in the group	11,049	-
Marginal relief	-	(1,071)
Total current tax	-	4,377

**Patersons Financial Services Limited**

**Notes to the financial statements for the year ended 31 March 2011**

**..... continued**

**9 Tangible fixed assets**

	<b>Plant and machinery £</b>	<b>Fixtures and fittings £</b>	<b>Total £</b>
<b>Cost or valuation</b>			
At 1 April 2010	1,218	3,498	4,716
At 31 March 2011	1,218	3,498	4,716
<b>Depreciation</b>			
At 1 April 2010	1,218	3,019	4,237
Charge for the year	-	404	404
At 31 March 2011	1,218	3,423	4,641
<b>Net book value</b>			
At 31 March 2011	-	75	75
At 31 March 2010	-	479	479

**10 Debtors**

	<b>2011 £</b>	<b>2010 £</b>
Trade debtors	80,826	57,506
Amounts owed by group undertakings	17,252	53,040
Other debtors	-	1,184
Prepayments and accrued income	2,383	4,292
	<u>100,461</u>	<u>116,022</u>

**11 Creditors: amounts falling due within one year**

	<b>2011 £</b>	<b>2010 £</b>
Trade creditors	2,011	3,741
Corporation tax	-	3,213
Other taxes and social security	7,150	5,700
Other creditors	2,098	-
Accruals and deferred income	10,596	6,210
	<u>21,855</u>	<u>18,864</u>

**Patersons Financial Services Limited**

**Notes to the financial statements for the year ended 31 March 2011**

*..... continued*

**12 Share capital**

**Allotted, called up and fully paid shares**

	<b>No.</b>	<b>2011 £</b>	<b>No.</b>	<b>2010 £</b>
Ordinary shares of £1 00 each	<u>40,002</u>	<u>40,002</u>	<u>40,002</u>	<u>40,002</u>

**13 Dividends**

	<b>2011 £</b>	<b>2010 £</b>
<b>Dividends paid</b>		
Current year interim dividend paid	<u>50,003</u>	<u>200,010</u>

**14 Reserves**

	<b>Profit and loss account £</b>	<b>Total £</b>
At 1 April 2010	176,911	176,911
Loss for the year	(39,703)	(39,703)
Dividends	<u>(50,003)</u>	<u>(50,003)</u>
At 31 March 2011	<u>87,205</u>	<u>87,205</u>

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

	<b>2011 £</b>	<b>2010 £</b>
(Loss)/profit attributable to the members of the company	(39,703)	10,297
Dividends	<u>(50,003)</u>	<u>(200,010)</u>
Net reduction to shareholders' funds	(89,706)	(189,713)
Shareholders' funds at 1 April	<u>216,913</u>	<u>406,626</u>
Shareholders' funds at 31 March	<u>127,207</u>	<u>216,913</u>

## Patersons Financial Services Limited

### Notes to the financial statements for the year ended 31 March 2011

..... *continued*

#### 16 Pension schemes

##### Defined contributions pension scheme

The company operates a defined benefit pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £2,817 (2010 - £3,450)

#### 17 Commitments

##### Operating lease commitments

As at 31 March 2011 the company had annual commitments under non-cancellable operating leases as follows  
Operating leases which expire

	2011 £	2010 £
<b>Land and buildings</b>		
Within one year	3,000	-
Within two and five years	-	6,000
	<u>3,000</u>	<u>6,000</u>
<b>Other</b>		
Within two and five years	4,203	-
Over five years	-	2,569
	<u>4,203</u>	<u>2,569</u>

#### 18 Related party transactions

##### Other related party transactions

During the year the company entered into the following related party transactions

##### Novation Capital Limited

P L G Cotgrove, a director of the company, is also a director and shareholder of Novation Capital Limited

During the year the company incurred £25,000 (2010 £22,500) of consultancy fees relating to Novation Capital Limited. At the balance sheet date the amount due to Novation Capital Limited was £nil (2010 - £nil)

The company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other members of the group

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**Patersons Financial Services Limited**

**Notes to the financial statements for the year ended 31 March 2011**

**..... continued**

**19 Control**

The company is controlled by PSG Solutions plc which is incorporated in the United Kingdom. PSG Solutions plc has a 100% interest in the equity share capital of the company. A set of the financial statements of PSG Solutions plc is available on request from The Secretary, PSG Solutions plc, 133 Ebury Street, London, SW1W 9QU.

**Patersons Financial Services Limited**  
**Detailed profit and loss account for the year ended 31 March 2011**

	2011	2010
	£	£
<b>Turnover</b>		
Sales, UK	114,081	202,724
<b>Cost of sales</b>		
Purchases	5,522	6,656
Gross profit	108,559	196,068
Gross profit margin	95 16%	96 72%
Administrative expenses	148,902	181,394
	(148,902)	(181,394)
Operating (loss)/profit	(40,343)	14,674
<b>Other interest receivable and similar income</b>		
Bank interest receivable	640	188
<b>Interest payable and similar charges</b>		
Other interest payable	-	188
(Loss)/profit on ordinary activities before taxation	(39,703)	14,674

**Patersons Financial Services Limited**

**Detailed profit and loss account for the year ended 31 March 2011**

*..... continued*

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<b>Administrative expenses</b>		
Wages and salaries	25,255	48,454
Staff NIC (employer's)	2,309	7,261
Directors remuneration	35,000	35,000
Directors NIC (employer's)	3,748	3,748
Staff pensions	1,067	1,700
Directors' pensions	1,750	1,750
Travelling	3,561	4,715
Rent	7,124	13,256
Rates	2,029	4,722
Light, heat and power	1,082	396
Insurance	2,338	3,138
Repairs and maintenance	1,968	4,255
Telephone and fax	3,864	3,374
Computer software and maintenance costs	10,964	6,860
Printing, postage and stationery	1,172	2,962
Trade subscriptions	601	634
Hire of plant and machinery	3,655	3,940
Sundry expenses	(1)	3,831
Customer entertaining (disallowable for tax)	211	522
Accountancy fees	1,715	3,111
Consultancy fees	15,105	3,000
Legal and professional fees	25,067	23,050
Bad debts written off	(1,003)	(42)
Bank charges	188	-
Non recoverable VAT	(271)	1,197
Depreciation of plant and machinery	404	560
	<u>148,902</u>	<u>181,394</u>