

NW Brown Group Limited

Annual Report

Year ended 30 April 2009

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Company Information

Directors	Dr. D G Parnell - Chairman P B Burke R J Dart M W Johnson C D R Manktelow H R Parnell R W Raywood P A Thorpe Ms L Turner (appointed 1 May 2009)
Secretary	M J Tolond
Registered office	Richmond House 16-20 Regent Street Cambridge CB2 1DB
Registered number	3917262
Auditors	Grant Thornton UK LLP
Bankers	Lloyds TSB Bank plc Cater Allen Private Bank The Royal Bank of Scotland Group

NOTICE IS HEREBY GIVEN that the 2009 Annual General Meeting of the NW Brown Group Limited will be held at Richmond House, 16 - 20 Regent Street, Cambridge CB2 1DB on 14 August 2009 at 2 pm

For the purpose of transacting the following business:

As ordinary business:

1. To receive the director's report and financial statements for the year ended 30th April 2009
2. To confirm the payment of £814,224 as dividend on Ordinary shares and £56,170 as dividend on Preference Shares
3. To appoint Grant Thornton UK LLP as auditors of the Company until the next Annual General Meeting at which Accounts are laid and to authorise the directors to determine their remuneration
4. To approve the principal terms (as defined in section 536(4) Companies Act 2006) of a liability limitation agreement (as defined in section 534 Companies Act 2006) for the financial period ending 30 April 2010 proposed to be entered into by the Company and Grant Thornton UK LLP.
5. To give authority in accordance with paragraph 47(3)(b) of Part 3 of Schedule 4 to the Companies Act 2006 (Commencement No 5, Transitional Provisions and Savings) Order 2007, (SI 200713495) to the directors to authorise matters giving rise to an actual or potential conflict for the purposes of section 175 of the Companies Act 2006.

NOTICE:

To the holders of Ordinary and Preference Shares:

Any member entitled to attend and vote at the meeting may appoint a Proxy to attend and vote on their behalf.

A proxy need not be a member of the Company.

Members holding Preference Shares shall be entitled to vote on any resolution at any general meeting of the Company save that each Preference Share shall in any poll be counted as one fourth of a vote and each Ordinary Share shall be counted as one vote.

Shareholders intending to attend are invited to tell the Company in advance by email to Cara.McLean@nwbrown.co.uk

Chief Executive's Report on the Year

In my report last year I closed with a comment that revenues would suffer but said at that stage (July 2008) the reduction in forecast revenues was less than £500,000. Unfortunately the year continued to deteriorate sharply through to October and in our investment management business you will see from the detailed breakdown in note 2 on page 13 that turnover fell by £1.2m and our post-tax profits as a group are nearly £1m lower than last year.

Shareholders will, I hope, understand why, despite reporting a sharp fall in profits, I feel very proud of what the group has achieved over the last 12 months. Make no mistake – markets have been terrible, clients have been unhappy with losses and volatility, but your employees have done magnificent jobs under the most trying of circumstances. At the end of a torrid twelve months we have not only survived – we have proved that we can continue to provide a good service to our clients under the most adverse conditions.

I do not want to pretend it has been easy for anyone – and clearly there have been very difficult decisions to make with several employees leaving us as result of a re-assessment of our requirements and several senior directors and employees accepting a reduction in pay. All employees will receive lower bonuses as a result of our much lower profit, but the predominant reaction has been not just acceptance of economic realities but a renewed commitment to flexible and client responsive working. It is under adverse conditions that the true strengths of your company show – and I am pleased to be able to tell you that, from the top to the bottom, every department can be extremely satisfied with their response to these hard times.

In Investment Management, clients have had to live with losses – smaller for cautious clients but for the more adventurous, quite severe. Most clients have reacted with understanding, sympathy and support but, as you might expect, this is not universal. Most clients want explanations and re-assurance – and a very few want revenge or compensation and it is not pleasant for any of those involved to have to deal with what can be very bitter recriminations and a search for someone to blame. The department as a whole has rationalised its operations to deal with a lower level of activity but we have enhanced our ability to deal with clients in the expectation of an increased level of new clients as the recovery takes hold. At the end of the year we had about £400m under management compared to £450m last year, which, given the FTSE 100 was some 30% lower is a lot better than might have been the case, and quite good compared to some of our competitors. We expect to see increased levels of interest from clients who have suffered at the hands of banks, hedge funds and managers who used inappropriate collective vehicles.

Insurance Broking has continued to perform well in a difficult market and there are, perhaps, signs that the insurance market might be beginning to improve. The landlord and tenant business continues to develop well and we are finding that our services to the education and charity sectors are also beginning to be more widely appreciated. The claims department continues to be a centre of excellence and has been very important in our acquisition and retention of college business. We placed over £8.5m of premium in 2008/9.

At the beginning of 2009 we amalgamated two previously separate divisions – Corporate Benefits and Financial Planning – under the leadership of Lyn Turner. The performance of Corporate Benefits over the last 12 months has been phenomenal, given market conditions have not only meant their clients, by and large, stopped recruiting but also led to lower fees where they are on a *pro rata* basis. The Financial Planning and Mortgage business has also suffered from a lower level of activity, although towards the end of the year a distinct improvement became obvious. In Corporate Benefits we advise on Pension Funds with a value of in excess of £120m and in Financial Planning we receive fees or commission for advice on investments totalling an estimated £43m.

Freedom, our travel insurance subsidiary, delivered premium income in excess of £1.9m to our partner insurers in the year and developed its medical screening business further. It was heavily impacted by the downturn in holiday bookings which reduced very sharply in the last few months of 2008 but had a much stronger showing in the last two months of the financial year. It is disappointing to have to report a relapse into loss but this is certainly not a good measure of the effort and commitment of Terry Green and his team. They have recently secured two new substantial contracts which makes us very confident of a return to profitability this year.

Strategically we have failed to either make acquisitions or expand our geographic coverage. This is not for want of trying and we came very close to merging with another operation we found very attractive and where we felt the people and business would fit well. This has gone away, perhaps permanently but we remain eager to take advantage of your resources and the firm's systems and know-how to expand the number of clients we serve in Cambridge and elsewhere in the region.

Tactically we believe the worst is past for the stock market but for the rest of the economy we will go through more pain before we get to the much heralded recovery. Trading conditions will remain difficult but we have cut our expenses, carried on investing in systems and people and we are in a position most of our competitors would envy. We know we will be able to continue to offer independent, high quality advice and firmly believe that if we continue to look after our clients they will continue to look after us.

Marcus Johnson
Chief Executive

Directors' Report

The directors present their report and the audited financial statements for the year ended 30 April 2009

Business review and principal activities

The principal activities of the Group are:

- Discretionary investment management and stockbroking services;
- Pension, administration and advice on employee benefits, mortgages and financial planning;
- General insurance broking and specialist travel insurance broking.

The principal activity of the Company is the provision of central administration facilities and finance to its subsidiary companies.

A review of the business and future developments is included in the Chief Executive's Report on the Year. Your Board is very confident that the results and prospects demonstrate that your Group is in strong health and well able to cope with the business it has and expects to gain.

Principal Risks

The main risks to this satisfactory situation continuing are first a further major fall in the UK stock markets, second a decline in insurance rates and third a major loss of staff. The best indication that we are succeeding is a growth in average client size, a growth in the number of clients and a rise in turnover. Worrying features would include a rise in staff turnover, a rise in complaints or a decrease in client numbers or average size. We monitor these factors. Due to market conditions we have, in the last year, seen a fall in turnover and a decrease in average client size. However we have seen a small growth in client numbers. Staff turnover has fallen (perhaps partly for the same reason) and there has been a fall in the number of complaints.

Other risks

The Group also has various financial assets including equities, preference shares and trade debtors. The existence of these assets exposes the group to a number of financial risks, such as market risk and credit risk. The directors review and agree policies for managing each of these risks. The Group seeks to manage financial risks by ensuring sufficient liquidity is available to meet foreseeable needs and to invest its assets safely and profitably. The Group finances its operations through a mixture of retained profits, loan notes and preference shares. The principal credit risk arises from the Group's trade debtors. In order to manage credit risk the directors monitor ageing debtors on a regular basis.

Outlook

The Board's overall view of prospects for our key markets is broadly positive, notwithstanding stock market volatility and ever increasing regulatory impositions. The current year will be a difficult challenge in many areas. Investment Management has done well to preserve value for clients in adverse market conditions but a good relative performance in a lower market still leaves fees flat or down. Insurance Broking continues to find that in a competitive market it can often find lower insurance rates to provide the same level of cover for a client and thereby reduces the commission we receive. Everyone is aware of the fact that the mortgage crisis has cut turnover in the housing market considerably and this reduces the demand for our financial planning and mortgage services. Our experience is that both individual and corporate clients value the dedicated, bespoke and personal service which is the common hallmark of the Group's activities and it will be these qualities which increasingly will sustain our position and support our growth in relevant markets in future.

We continue to look at the major risks the Company faces, and estimate as to how much capital might be prudently required to accommodate reasonable risks and yet continue to trade at current levels of business in the areas in which we specialise. Our conclusion, which is kept under review and changes in quantum as our models are refined and which we are mandated by the FSA to disclose (BIPRU 11.3.1), is that the capital we currently have is easily sufficient to cover all anticipated growth and any likely acquisition for the foreseeable future. This confirmed your Board in its belief that a dividend policy of distributing half our post tax profits is both prudent and maintainable, and reinforces our commitment to profit sharing with those who work for us. Because of the unusual circumstances where shareholders are penalised if we distribute profit next year rather than this, your Board will consult with shareholders as to whether we might properly bring forward payments from next tax year into this later in the year. We have purchased and cancelled a number of our own shares during the year and after the year end (see page 21).

The challenge your Board faces is to continue to deliver a high quality personal service in each of our operating units whilst achieving growth and an acceptable profit margin. This involves investment in our people, in our systems and in our relationships with the outside world so that we can provide better value to our clients. Inevitably we must both try to move further up market where clients who can afford to pay us will get good value from our expertise, and to supply clients with similar needs at lower marginal cost. Better systems and high quality staff will enable us to meet this challenge. We believe we offer in Cambridge a regional source of financial expertise second to none. We believe we can extend the area over which we make this offering and we are actively engaged in pursuing opportunities to do this.

Your Board is confident that with skilled staff and our existing network of contacts we are in a very good position to achieve our ambitions. Our staff are the only reason we prosper and we have spent much time looking at ways to help all employees feel part of the firm and to feel that their contribution is valued. A part of this is an explicit commitment to profit sharing and it is worth noting that bonuses paid after this very difficult year still comfortably exceed, what was paid 4 years ago. We continue to look at other ways of expressing the appreciation that we the Board feel for the efforts of every member of staff who helps make the Company an enjoyable and rewarding place to work. To this end we have established a staff trust with which we intend to facilitate staff share purchases.

We reported last year that we had recently improved holiday possibilities for all staff and offered a range of other benefits options which we hope staff will appreciate. None of the opportunities we offered have been taken up widely but altogether 20 of our staff have taken advantage of one or more of these possibilities. Many staff are shareholders and we continue to encourage this. The staff trust facilitates the purchase and sale of shares by employees and have put in place arrangements whereby staff can use part of their bonus to acquire shares in the Company. We believe our staff are terrific and want to make the Company as rewarding a place to work as we possibly can.

Dividends

Dividends on ordinary shares of £814,223 (2008:£413,501) and on preference shares of £56,170 (2008: £56,170) have been paid during the year. We anticipate the Board will decide to pay an interim dividend in October but the amount thereof will reflect the cash position, the state of the business and the most up to date information available on trading prospects at that time. We expect the dividend to be smaller than that paid in respect of last year.

Directors

The present directors of the Company are included on page 2. All of the directors served throughout the year with the exception of B C Carter who resigned on 30 April 2009 and Ms L Turner who was appointed on 1 May 2009.

Those directors serving at 30 April 2009 who had beneficial and family interests in the shares of the company at 30 April are as follows:

	Ordinary shares of 0.01p each		Preference shares of 10p each	
	At 30 April 2009 No	At 30 April 2008 No	At 30 April 2009 No	At 30 April 2008 No
P B Burke	1,000	1,000	-	-
R J Dart	56,550	56,550	28,000	28,000
M W Johnson	197,780	197,780	615,790	615,790
C D R Manktelow	46,450	46,450	54,900	54,900
H R Parnell	15,052	15,052	-	-
R W Raywood	80,700	80,700	171,900	171,900
P A Thorpe	65,700	65,700	316,800	316,800
Ms L Turner	1,000	-	-	-

The following directors declared beneficial and family interests in share options in the ordinary share capital of the Company as follows:

	Approved share option plan					
	2008 cumulative	Lapsed in current year	Exercised in year	2009 cumulative	Exercise price per share £	Date of grant
P A Thorpe	20,750	-	-	20,750	4.00	1 Dec 2005
R W Raywood	25,000	-	-	25,000	4.00	1 Dec 2005
C D R Manktelow	25,000	-	-	25,000	4.00	1 Dec 2005
P B Burke	25,000	-	-	25,000	4.00	1 Dec 2005

The share options exercisable at £4.00 per share are, subject to certain conditions, exercisable five years from the date of grant and will lapse ten years from the date of grant.

The following directors declared beneficial and family interests in the issued loan notes of the Company at 30 April.

	6% redeemable loan notes		6% convertible redeemable loan notes	
	2009	2008	2009	2008
M W Johnson	-	-	650,000	650,000
P A Thorpe	83,000	83,000	-	-
C D R Manktelow	100,000	100,000	-	-
R W Raywood	100,000	100,000	-	-
P B Burke	100,000	100,000	-	-

Statement of directors' responsibilities for the financial statements

Company law in the United Kingdom 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 Group and Company and of the profit or loss of the Group for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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 proper accounting records which 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.

Disclosure of information to auditors

At the date of making this report each of the Company's directors, as set out on page 2, confirm the following:

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

A resolution to reappoint Grant Thornton UK LLP as auditors of the Group will be proposed at the forthcoming Annual General Meeting.

Approval

The report of the directors was approved by the Board on 15 July 2009 and signed on its behalf by:



M J Tolond
Secretary

Independent Auditors' Report to the Members of NW Brown Group Limited

We have audited the financial statements of NW Brown Group Limited for the year ended 30 April 2009 which comprise the Group profit and loss account, the Consolidated and Company balance sheet, the consolidated cash flow statement 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 Sections 495 and 496 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 6, 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

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 April 2009 and of the group's 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.

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.



Alison Seekings
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge

15 July 2009

Consolidated Profit and Loss Account

For the year ended 30 April 2009

	Note	2009 £	2008 £
Turnover			
Continuing operations	2	6,226,191	7,820,264
		<hr/>	<hr/>
		6,226,191	7,820,264
Administrative expenses		(5,518,078)	(5,976,871)
Other operating income		196,778	193,766
		<hr/>	<hr/>
Operating profit	3	904,891	2,037,159
Exceptional items – profit on sale of operations		-	149,897
		<hr/>	<hr/>
		904,891	2,187,056
Profit before interest			
Interest receivable		266,596	326,796
Interest payable and similar charges	6	(86,510)	(91,552)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		1,084,977	2,422,300
Tax on profit on ordinary activities	7	(423,841)	(797,866)
		<hr/>	<hr/>
Profit for the year		661,136	1,624,434
		<hr/>	<hr/>
Allocation of Profit			
Dividends on ordinary & preference shares	11	870,393	469,671
Movement in Reserves	20	(209,257)	1,154,763
		<hr/>	<hr/>
		661,136	1,624,434
		<hr/>	<hr/>

The accompanying accounting policies and notes form part of these financial statements.

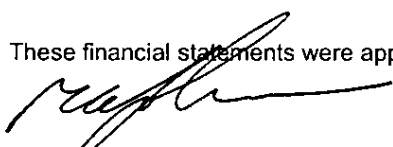
There were no recognised gains or losses other than those reported above.

Consolidated Balance Sheet

30 April 2009

	Note	2009 £	2008 £
Fixed assets			
Intangible assets	8	1,749,385	1,935,225
Tangible assets	9	250,214	328,080
Investments	10	910,463	997,617
		<hr/>	<hr/>
		2,910,062	3,260,922
		<hr/>	<hr/>
Current assets			
Debtors	12	1,149,453	1,158,048
Cash at bank and in hand		3,306,897	3,806,237
		<hr/>	<hr/>
		4,456,350	4,964,285
Creditors: amounts falling due within one year	13	(1,668,370)	(2,266,355)
		<hr/>	<hr/>
Net current assets		2,787,980	2,697,930
		<hr/>	<hr/>
Total assets less current liabilities		5,698,042	5,958,852
Creditors: amounts falling due after more than one year	14	(1,172,605)	(1,349,225)
Provisions for liabilities	17	(145,706)	(145,706)
		<hr/>	<hr/>
Net assets		4,379,731	4,463,921
		<hr/>	<hr/>
Capital and reserves			
Ordinary share capital	18	93	92
Preference share capital	19	133,739	133,739
Capital redemption reserve	21	257,270	257,270
Share premium account	21	267,026	231,407
Equity component of compound financial instrument	21	124,605	124,605
Special reserve	21	976,392	976,392
Profit and loss account	20	2,620,606	2,740,416
		<hr/>	<hr/>
Total equity shareholders' funds	22	4,379,731	4,463,921
		<hr/>	<hr/>

These financial statements were approved by the Board on 15 July 2009 and signed on its behalf by:


M W Johnson
Director

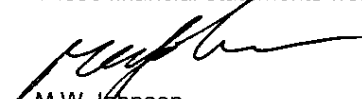
The accompanying accounting policies and notes form part of these financial statements.

Company Balance Sheet

30 April 2009

	Note	2009 £	2008 £
Fixed assets			
Tangible assets	9	121,728	171,180
Investments	10	3,741,728	3,726,728
		<u>3,863,456</u>	<u>3,897,908</u>
Current assets			
Debtors	12	1,327,578	1,250,520
Cash at bank and in hand		91,683	304,317
		<u>1,419,261</u>	<u>1,554,837</u>
Creditors: amounts falling due within one year	13	(1,023,235)	(1,883,980)
Net current liabilities		<u>396,026</u>	<u>(329,143)</u>
Total asset less current liabilities		4,259,482	3,568,765
Creditors: amounts falling due after more than one year	14	(1,172,605)	(1,349,225)
Provisions for liabilities	17	(145,706)	(145,706)
Net assets		<u>2,941,171</u>	<u>2,073,834</u>
Capital and reserves			
Ordinary share capital	18	93	92
Preference share capital	19	133,739	133,739
Capital redemption reserve	21	257,270	257,270
Share premium account	21	267,026	231,407
Equity component of compound financial instruments	21	124,605	124,605
Special reserve	21	976,392	976,392
Profit and loss account	20	1,182,046	350,329
Total equity shareholders' funds	22	<u>2,941,171</u>	<u>2,073,834</u>

These financial statements were approved by the Board on 15 July 2009 and signed on its behalf by:


M W Johnson
Director

The accompanying accounting policies and notes form part of these financial statements

Consolidated Cash Flow Statement

Year ended 30 April 2008

	Note	2009 £	2008 £
Net cash from operating activities	23	1,435,518	3,013,570
Returns on investments and servicing of finance			
Interest received		266,596	326,796
Interest paid on finance element of compound instruments		(86,042)	(91,117)
		180,554	235,679
Taxation		(976,243)	(725,828)
Capital expenditure and investment			
Payments to acquire tangible fixed assets		(92,331)	(158,590)
Sale of tangible fixed assets		-	-
Payments to acquire investments		(66,988)	(1,027,250)
Sale of investment		-	-
		(159,319)	(1,185,840)
Disposals			
Proceeds on disposal of subsidiary undertakings		-	150,000
Cash at bank sold with subsidiary undertakings		-	(37,026)
Equity dividends paid		(814,223)	(413,501)
Cash inflow before use of liquid resources and financing		(333,713)	1,037,054
Management of liquid resources			
Decrease in term deposit		-	-
Financing			
Issue of ordinary shares in the year		35,620	43,742
Ordinary shares redeemed in the year		(24,159)	(40,998)
Repayment of redeemable loan notes		(130,000)	-
Preference share liability repaid		(47,088)	(44,400)
		(165,627)	(41,656)
(Decrease)/increase in cash	24	(499,340)	995,398

The accompanying accounting policies and notes form part of these financial statements.

Notes to the Financial Statements

30 April 2009

1. Accounting Policies

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention. As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company has not been separately presented in the financial statements. The Company's profit for the year was £1,612,663 (2008: £956,217).

Basis of consolidation

The Group financial statements consolidate the results of the Company and its subsidiary undertakings at 30 April under acquisition accounting.

Goodwill

Positive goodwill, which represents the excess of cost of acquisition of businesses over the value attributed to their net assets, is amortised through the profit and loss account by equal annual instalments over its estimated useful economic life of 18 years and 8 months.

Tangible fixed assets and depreciation

Depreciation is provided evenly on the cost of tangible fixed assets to write them down to their estimated residual value over their estimated useful economic lives. Where there is evidence of impairment, fixed assets are written down to recoverable amount. The principal annual rates used are:

Computer equipment	33% straight line
Office furniture and equipment	10% - 33% straight line
Fixtures	Over the remaining term of the lease

Fixed asset investments

Fixed asset investments are stated at cost less provision for any impairment in value. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

Turnover

The Group accounting policy for turnover is as follows:

For the investment management, corporate benefits and financial planning entities the turnover shown in the profit and loss account represents amounts earned in the year for services provided excluding value added tax.

For Insurance Brokers the turnover represents net income from insurance commissions and revenues earned during the year from insurance companies.

The measure of income is that all items earned within the accounting period should be brought into income, with the measure of income earned being any commission relating to a policy which has become due to the Company by virtue of settlement being made to the insurer to be included in the calendar period within which the insurer was paid. It also includes income from policies settled after the accounting period which would otherwise result in a material understatement of income for the year.

The income for any one year calculated as above is reduced by an amount equal to 6 months cost of the provision of claims services to reflect the fact that commission earned contains an element of payment for claims service for the following 12 months but it is impossible at any time to know precisely when or on which policies the expense will apply.

Where sums are due from a client to an insurer and the insurer has in place an agreement that the Company may receive sums on their behalf ("risk transfer agreement") the amounts held for the insurer will be included in creditors before they are paid to the insurer, but the amounts due from the client to the insurer will not be recorded in debtors except in the unusual circumstances that the Company has settled with the insurer prior to receipt of funds from the client.

For Freedom the turnover represents net insurance commissions earned during the year. Brokerage is recognised at the date of receipt of the premium from the insured.

Deferred taxation

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Operating leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term. Where any part of an operating lease is sublet, the Group includes any rental income within other operating income.

Pensions

The Group contributes into employees' personal pension schemes. Contributions are charged to the profit and loss account as they become due.

Compound financial instruments

The convertible redeemable loan notes and the cumulative preference shares are regarded as compound financial instruments, consisting of a liability and equity component. At the date of issue the fair value of the liability component is estimated using the prevailing market interest rate for similar debt. The difference between the proceeds of issue and the fair value assigned to the liability component, representing the embedded equity component of the instruments, is included in equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the liability component.

Share based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted or the effective date of adoption of FRS 20 'Share-based Payments'. The cost is recognised as an expense over the vesting period, which ends on the date on which the relevant employee becomes fully entitled to the award.

2. Turnover

The analysis of turnover by activity, all of which falls within the United Kingdom, is as follows:

	2009 £	2008 £
Investment Management	2,736,222	3,941,729
Insurance Broking	2,221,497	2,263,399
Corporate Benefits and Financial Planning	1,185,800	1,142,224
Other	82,672	472,912
	<u>6,226,191</u>	<u>7,820,264</u>

3. Operating Profit

Operating profit is arrived at after charging / (crediting):

	2009 £	2008 £
Amortisation of intangible fixed assets	185,840	185,840
Depreciation of owned assets	167,573	167,597
(Profit)/loss on disposal of fixed assets and investments	-	(144,205)
Operating lease rentals		
Land and buildings	190,499	179,157
Other	4,458	477
Rental income	(102,759)	(79,743)
Auditors' remuneration		
Fees payable to the Company's auditor for the audit of financial statements – Company	6,980	7,000
- Subsidiaries	38,020	38,000
- Other services	5,000	3,500
Grant income	-	(276,393)
Impairment of fixed asset investments	154,142	486,196
Revision of other creditor amounts due under the BIS Solutions for Business Service	-	(460,427)
	<u></u>	<u></u>

Liability Limitation Agreement with the auditor

The directors propose that the company/group enter into a liability limitation agreement with Grant Thornton UK LLP, the statutory auditor, in respect of the statutory audit for the year ended 30 April 2009. The proportionate liability agreement follows the standard terms in Appendix B to the Financial Reporting Council's June 2008 Guidance on Auditor Liability Agreements, and will be proposed for approval at the forthcoming Annual General Meeting.

4. Directors

Group emoluments of the Company directors:

	2009 £	2008 £
Emoluments	1,290,785	1,482,190
Pension contributions	214,162	116,214
	<u>1,504,947</u>	<u>1,598,404</u>

The number of directors accruing pension benefits:

	2009 No	2008 No
Money purchase pension schemes	<u>7</u>	<u>7</u>

The emoluments of the highest paid director are as follows:

	2009 £	2008 £
Emoluments	124,773	109,186
Pension contributions	5,400	21,335
	<u>130,173</u>	<u>130,521</u>

5. Employees

Average number of employees for the Group, including directors:
Group

	2009 No	2008 No
Professional staff	32	37
Office and administration	55	60
	<u>87</u>	<u>97</u>

Staff costs for the Group, including directors:

	2009 £	2008 £
Wages and salaries	3,173,348	3,603,451
Social security costs	311,489	366,562
Pension costs	424,767	445,596
Cost of employee share scheme (note 18)	57,436	91,196
	<u>3,967,040</u>	<u>4,506,805</u>

Company	2009 No	2008 No
Professional staff	5	6
Office and administration	5	4
	<hr/>	<hr/>
	10	10
	<hr/>	<hr/>
Staff costs for the Company, including directors:		
	2009 £	2008 £
Wages and salaries	466,560	495,394
Social security costs	44,971	56,079
Pension costs	36,094	115,956
Cost of employee share scheme (note 18)	57,436	91,196
	<hr/>	<hr/>
	605,061	758,625
	<hr/>	<hr/>

6. Interest Payable and Similar Charges

	2009 £	2008 £
Preference dividends (note 19)	9,082	11,770
Redeemable loan note interest	37,690	40,606
Interest charge on liability component of convertible redeemable loan note	39,468	39,435
Other	270	(259)
	<hr/>	<hr/>
	86,510	91,552
	<hr/>	<hr/>

7. Taxation

	2009 £	2008 £
Current taxation		
United Kingdom corporation tax	425,470	797,866
Adjustment in respect of prior period	(1,629)	-
	<hr/>	<hr/>
	423,841	797,866
	<hr/>	<hr/>
Current tax reconciliation		
	2009 £	2008 £
Profit on ordinary activities before tax	1,084,977	2,422,300
	<hr/>	<hr/>
Theoretical tax at average tax rate	308,713	732,076
Effects of:		
Expenses not deductible for tax purposes	94,714	57,028
Group Relief	-	-
Depreciation in excess of capital allowances	22,317	9,026
	<hr/>	<hr/>
Chargeable at marginal rate	(274)	(264)
Overprovision in prior year	(1,629)	-
	<hr/>	<hr/>
	423,841	797,866
	<hr/>	<hr/>

8. Intangible Fixed Assets

Group	Goodwill £
Cost	
At 1 May 2008 and at 30 April 2009	3,468,394
Amortisation	
At 1 May 2008	1,533,169
Charge for the year	185,840
At 30 April 2009	1,719,009
Net book value	
At 30 April 2009	1,749,385
At 30 April 2008	1,935,225

The company does not have any intangible fixed assets (2008: Nil)

9. Tangible Fixed Assets

Group	Computer equipment £	Office furniture and equipment £	Total £
Cost			
At 1 May 2008	663,867	454,390	1,118,257
Additions	54,953	37,378	92,331
Disposals	(3,936)	-	(3,936)
	<hr/>	<hr/>	<hr/>
At 30 April 2009	714,884	491,768	1,206,652
Depreciation			
At 1 May 2008	537,603	252,574	790,177
Charge for the year	104,920	62,653	167,573
Disposals	(1,312)	-	(1,312)
	<hr/>	<hr/>	<hr/>
At 30 April 2009	641,211	315,227	956,438
Net book value			
At 30 April 2009	73,673	176,541	250,214
	<hr/>	<hr/>	<hr/>
At 30 April 2008	126,264	201,816	328,080
	<hr/>	<hr/>	<hr/>

Company	Computer equipment £	Office furniture and equipment £	Total £
Cost			
At 1 May 2008	220,622	221,709	442,331
Additions	11,972	13,767	25,739
	<hr/>	<hr/>	<hr/>
At 30 April 2009	232,594	235,476	468,070
Depreciation			
At 1 May 2008	182,616	88,535	271,151
Charge for the year	30,030	45,161	75,191
	<hr/>	<hr/>	<hr/>
At 30 April 2009	212,646	133,696	346,342
Net book value			
At 30 April 2009	19,948	101,780	121,728
	<hr/>	<hr/>	<hr/>
At 30 April 2008	38,006	133,174	171,180
	<hr/>	<hr/>	<hr/>

10. Fixed Asset Investments

Group	Listed investments	Unlisted investments £	Total £
Cost			
At 1 May 2008	917,518	122,734	1,040,252
Additions	460	66,528	66,988
At 30 April 2009	917,978	189,262	1,107,240
Provisions			
At 1 May 2008	24,313	18,322	42,635
Provided in the year	154,142	-	154,142
At 30 April 2009	178,455	18,322	196,777
Net book value			
At 30 April 2009	739,523	170,940	910,463
At 30 April 2008	893,205	104,412	997,617

The market value of the listed investment as at 30 April 2009 was £630,052 (2008:£849,314)

During the year we increased our holding in Spearhead International Limited which makes up the majority of our unlisted investments.

Company	Investments in group undertakings £	Unlisted investments £	Total £
Cost			
At 1 May 2008	3,666,170	69,800	3,735,970
Additions	-	15,000	15,000
At 30 April 2009	3,666,170	84,800	3,750,970
Provisions			
At 1 May 2008 and 30 April 2009	-	9,242	9,242
Net book value			
At 30 April 2009	3,666,170	75,558	3,741,728
At 30 April 2008	3,666,170	60,558	3,726,728

During the year we increased our holding in IQ Capital Fund I LLP.

10. Fixed Asset Investments (continued)

Details of group undertakings at the balance sheet date are as follows:

Name of undertaking	Nature of business	Class of shares	Group and company holding %	Shareholder funds at 30/04/09 %
N W Brown & Company Limited	Discretionary Investment Management Corporate Benefits, Pensions and Financial Planning advice Fund management Business Angels Forum	Ordinary	100	4,014,262
N W Brown Insurance Brokers Limited	Insurance broking and mortgage business	Ordinary	100	564,204
Freedom Insurance Services Limited	Insurance broking	Ordinary	100	64,604

All subsidiaries are registered in the UK.

The Group owned 100% of the ordinary share capital of the following companies all of which were dormant through the year; NW Brown & Co PEP Nominees Limited; NW Brown ISA Nominees Limited; NW Brown Nominees Limited; NW Brown Trustees Limited; NW Brown Directors Nominees Limited; NW Brown Executive Limited Partnership.

11. Dividends

During the year the Company paid an interim dividend of 87p per share on 935,889 ordinary .01p shares of amounting to £814,223 (2008: £413,501). The Company also paid a dividend of £56,170 (2008: £56,170) on the cumulative preference shares (note 19).

12. Debtors

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Trade debtors	393,426	202,719	4,740	4,467
Amounts owed by group undertakings	-	-	1,138,557	1,120,067
Other debtors	72,672	114,955	45,599	73,827
Prepayments and accrued income	683,355	840,374	138,682	52,159
	<u>1,149,453</u>	<u>1,158,048</u>	<u>1,327,578</u>	<u>1,250,520</u>

Included in the amounts owed by group undertakings is a subordinated loan of £100,000 (2008 £100,000) provided to Freedom Insurance Services to support its capital requirements imposed by the FSA.

13. Creditors: Amounts Falling Due Within One Year

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Trade creditors	813,414	593,007	36,051	43,245
Corporation tax	43,682	596,084	100,154	52,430
Other tax and social security	178,354	232,566	13,528	17,639
Other creditors	117,230	26,011	-	-
Accruals and deferred income	515,690	818,687	149,407	195,363
Amounts owed to Group undertakings	-	-	724,095	1,575,303
	<u>1,668,370</u>	<u>2,266,355</u>	<u>1,023,235</u>	<u>1,883,980</u>

14. Creditors: Amounts Falling Due After More Than One Year

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Borrowings (note 15)	1,172,605	1,349,225	1,172,605	1,349,225
	<u>1,172,605</u>	<u>1,349,225</u>	<u>1,172,605</u>	<u>1,349,225</u>

15. Borrowings

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Due after more than one year				
6% redeemable loan notes 2049 (2010)	543,000	673,000	543,000	673,000
Liability component of 6% convertible redeemable loan notes 2049 (note 16)	526,702	526,234	526,702	526,234
Liability component of cumulative preference shares (note 19)	102,903	149,991	102,903	149,991
	<u>1,172,605</u>	<u>1,349,225</u>	<u>1,172,605</u>	<u>1,349,225</u>
Total borrowings	<u>1,172,605</u>	<u>1,349,225</u>	<u>1,172,605</u>	<u>1,349,225</u>

The 6% redeemable loan notes 2049 (2010) may be redeemed at the option of the holder during the period from 1 December 2010 at par or by the Company at anytime provided the notice period is adhered to or waived. Unless previously redeemed they will be redeemed at par on 31 December 2049.

16. Convertible Redeemable Loan Notes

The 6% convertible redeemable loan notes 2049 were issued on 1 December 2005.

The notes are convertible at any time on or after 1 December 2010 and before or on 1 December 2013. On issue the loan notes were convertible at one ordinary share of 0.01p each per £4.00 nominal value of loan note. The loan note holder is required to give 30 days notice of conversion.

The loan notes are redeemable at the option of either the loan note holder or issuer within 12 months' notice at any time after 1 December 2010. Unless previously repaid they will be redeemed on 31 December 2049.

The convertible loan notes have been split between the liability and equity components, representing the fair value of the embedded option to convert the liability into equity of the Group as follows:

	£
Liability component	526,702
Equity component	124,605
	<hr/>
Total value of loan notes at 30 April 2009	651,307
	<hr/>

17. Provisions for Liabilities

Group and Company	Dilapidations £
At 1 May 2008 and 30 April 2009	145,706

The provision relates to repairs required to be made under the terms of the lease to return the property, at the end of the lease, to the same state as when the lease commenced.

18. Ordinary Share Capital

	2009 £	2008 £
Authorised		
1,200,000 ordinary shares of 0.01p each	120	120
	<hr/>	<hr/>
Called up, allotted and fully paid		
932,575 (2008: 922,284) ordinary shares of 0.01p each	93	92
	<hr/>	<hr/>

Issue/redemption of shares

Further to the exercise of share options, during the year the Company issued 8,905 ordinary shares of 0.01p each (nominal value £1) at a price of £2.10 per share, and 4,700 at a price of £3.60 per share, giving rise to total consideration of £38,968.30 in accordance with the terms of the approved share option scheme. On 8 December the company purchased 3,314 ordinary shares at £7.29 per share. Subsequently shareholder consent has been obtained for the cancellation of these shares.

18. Ordinary Share Capital (continued)

Share options

The following share options have been granted under an approved share option scheme in respect of ordinary shares of 0.01p each.

2008 cumulative	Lapsed	Exercised in year	2009 cumulative	Exercise price per share £	Date of grant
25,574	-	(8,905)	16,669	2.10	12 April 2001
5,300	(250)	(4,700)	350	3.60	27 July 2001
163,250	-	-	163,250	4.00	1 December 2005
<u>194,124</u>	<u>(250)</u>	<u>(13,605)</u>	<u>180,269</u>		

The share options exercisable at £4.00 per share are, subject to certain conditions, exercisable five years from the date of grant and will lapse ten years from the date of grant.

The share options exercisable at £2.10 and £3.60 per share are, subject to certain conditions, exercisable three years from the date of grant and will lapse ten years from the date of grant.

Share-based payment

The fair value of the options was estimated using the Black Scholes option pricing model.

The fair value per option and the assumptions used in the calculation were as follows:

Share price at grant date	525p
Exercise price	400p
Vesting period (years)	5
Option life (years)	5
Expected volatility	30%
Risk free rate	5.25%
Fair value per option	249p

Expected volatility was determined by reference to comparable listed company volatility. The share price of £5.25 was the fair value of N W Brown Group Limited's shares at the time of grant of the options. The risk free rate of return is the yield on zero coupon UK government bonds of a term consistent with the assumed option life.

The Company recognised an expense of £57,436 (2008: £91,196) in relation to equity settled share-based payment transactions in the year.

19. Cumulative Preference Shares

	2009 £	2008 £
Authorised		
4,000,000 cumulative preference shares of 10p each	<u>400,000</u>	<u>400,000</u>
Called up, allotted and fully paid		
1,337,390 (2006: 1,337,390) cumulative preference shares of 10p each	<u>133,739</u>	<u>133,739</u>

The preference shares attract dividends, which accrue daily, at 4.2 pence per share to be paid on 30 September 2006 to 2010. Thereafter the preference shares will accrue dividend per share equal to one quarter of any dividend declared on the ordinary shares at any time. The preference share dividends take priority over the ordinary dividends. The preference shareholders have no other right to participate in the profits of the Company before 30 September 2010. In the event of a winding up or liquidation of the Company any surpluses shall be applied first to any arrears of preference dividends and then to repaying the issue price of the preference shares.

19. Cumulative Preference Shares (continued)

The preference shares are regarded as compound instruments and have been split between the liability and equity components.

	2009 £	2008 £
Liability component	102,903	149,991
Equity component		
Nominal value	133,739	133,739
Premium taken to special reserve	976,392	976,392
	1,110,131	1,110,131
Total value of preference shares in issue at 30 April	1,213,034	1,260,122

During the year a preference share dividend was paid and accounted as follows:

	2009 £	2008 £
Capital repayment of liability component	47,088	44,400
Interest charge on liability component	9,082	11,770
	56,170	56,170

20. Profit and Loss Reserve

	Group 2009 £	Company 2009 £
At 1 May 2008	2,740,416	350,329
Profit for the year	661,136	1,612,663
Dividends	(814,223)	(814,223)
Share option charge	57,436	57,436
Redemption of Capital	(24,159)	(24,159)
At 30 April 2009	2,620,606	1,182,046

21. Other Reserves

	Share premium account	Capital redemption reserve	Equity component of compound financial instruments	Special reserve
Group and Company	£	£	£	£
At 1 May 2008	231,407	257,270	124,605	976,392
Issue of ordinary shares	35,619	-	-	-
At 30 April 2009	267,026	257,270	124,605	976,392

22. Reconciliation of Movements in Shareholders' Funds

Group	2009	2008
	£	£
Profit for the year	661,136	1,624,434
Dividends	(814,223)	(413,501)
Share option charge	57,436	91,196
	<hr/>	<hr/>
	(95,651)	1,302,129
New shares issued – Premium	35,619	43,741
– Capital	1	1
Redemption of Capital	(24,159)	(40,998)
	<hr/>	<hr/>
Net increase in shareholders' funds	(84,190)	1,304,873
	<hr/>	<hr/>
Opening shareholders' funds	4,463,921	3,159,048
	<hr/>	<hr/>
Closing shareholders' funds	4,379,731	4,463,921
	<hr/>	<hr/>

Company	2009	2008
	£	£
Profit for the year	1,612,663	956,216
Dividends	(814,223)	(413,501)
Share option charge	57,436	91,196
	<hr/>	<hr/>
	855,876	633,911
New shares issued – Premium	35,619	43,742
– Capital	1	1
Redemption of Capital	(24,159)	(40,998)
	<hr/>	<hr/>
Net increase / (decrease) in shareholders' funds	867,337	636,656
	<hr/>	<hr/>
Opening shareholders' funds	2,073,834	1,437,178
	<hr/>	<hr/>
Closing shareholders' funds	2,941,171	2,073,834
	<hr/>	<hr/>

23. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	2009 £	2008 £
Operating profit	904,891	2,037,159
Amortisation of intangible assets	185,840	185,840
Depreciation charge	167,573	167,597
Profit/Loss on disposal of fixed assets	2,637	3,515
Profit on disposal of investment	-	-
Decrease in debtors	8,595	112,086
(Decrease)/ increase in creditors	(45,596)	390,408
Increase in provisions for fixed asset impairment	154,142	25,769
Share option charge	57,436	91,196
	<hr/>	<hr/>
Net cash inflow from operating activities	1,435,518	3,013,570
	<hr/>	<hr/>

24. Reconciliation of Net Cash Flow to Movement in Net Funds

	2009 £	2008 £
Increase in cash in the year	(499,340)	995,399
Elimination of borrowings on disposal of subsidiary	-	3,045,985
Cash outflow from (decrease) / increase in borrowings	(47,088)	(44,400)
	<hr/>	<hr/>
Change in net funds	(546,428)	3,996,984
Non-cash movements	223,708	275,745
Net cash/(debt) at the beginning of the year	2,457,012	(1,815,717)
	<hr/>	<hr/>
Net cash at 30 April	2,134,292	2,457,012
	<hr/>	<hr/>

25. Operating Lease Commitments

The Company and the Group had the following annual commitments under non-cancellable operating leases at the balance sheet date.

	Group		Company	
	2009 £	2008 £	2009 £	2008 £
Land and buildings leases expiring: after more than five years	206,500	179,157	206,500	179,157
Other leases expiring: within two years	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	206,500	179,157	206,500	179,157
	<hr/>	<hr/>	<hr/>	<hr/>

The company had sublet, under an operating lease to a third party, a part of the land and buildings leased above which has ceased.

26. Related Party Transactions

Certain directors of the Company and other Group subsidiaries have entered into insurance or mortgage related arrangements facilitated by the subsidiary N W Brown Insurance Brokers Limited. The business is undertaken on staff terms. On insurance business commission is rebated to the insured when received from the insurer. On mortgage business no fees are charged. Close family members are also offered staff terms and directors are granted credit terms in excess of those generally given to clients. Most directors of associated companies conduct some of their household, motor or other insurances through the Group.

Certain directors of the Company and other Group subsidiaries who have entered into SIPPS arrangements through the subsidiary N W Brown & Company Limited do so on staff terms – that is that fees are reduced. Close family members are also offered staff terms.

Certain directors of the Company and other group subsidiaries are required to conduct their securities business through the subsidiary N W Brown & Company Limited or our associate Charles Stanley and do so on staff terms – that is a reduced commission scale applies. Directors working full time in the investment division do not pay management fees when they are managing their own or closely related family funds. All other directors, who have discretionary funds managed by the Group, pay fees that are reduced from those which would be paid by unrelated clients.

The Company provides administrative services in respect of group personal pensions with Standard Life at no cost to members of staff, including several directors.

Kirly Limited, a company controlled by M W Johnson, its subsidiaries and its pension scheme have investments managed by NW Brown & Company Limited. The fee arrangements were negotiated prior to Mr. Johnson being employed by the Company. NW Brown (Trustees) Limited is a trustee of the Kirly pension scheme, and is remunerated on an arms length basis.

H Parnell provides consultancy services to the Group through HRP Consulting & Training Ltd. The Group paid £22,829 in respect of these services during the year.

The Eastern Alliance Ltd, a company of which Mr. Thorpe is a director, is a collective of independent insurance brokers, including N W Brown Insurance Brokers, designed to negotiate favourable commission rates for its members with major insurance companies. Mr. Thorpe receives no remuneration for his directorship.

Mr. Thorpe is a director of the Institute of Insurance Brokers Limited. NW Brown Insurance Brokers Limited paid a subscription of £70 in the year. Mr. Thorpe receives an attendance allowance of £300 per board meeting, of which there are approximately four per year.

Anglian Archives plc, a company controlled by M W Johnson, provides confidential waste disposal services to the Group. Transactions are dealt with on an arms length basis and on normal terms. The Group paid Anglian Archives plc £1,516 during the year.