COMPANY NO 3917262

NW Brown Group Limited

Annual Report

Year ended 30 April 2012

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Company Information

Directors	A R Kefford - Chairman P B Burke M W Johnson C D R Manktelow H R Parnell R W Raywood P A Thorpe Ms L Turner Mrs S J Biggs
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 2012 General Meeting of the NW Brown Group Limited will be held at Richmond House, 16-20 Regent Street, Cambridge, CB2 1DB on 24 August 2012 at 12 00pm

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 2012,
2 To confirm the payment of £468,443 82 as dividend on Ordinary shares and £117,110 96 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 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 Liz Mccausland@nwbrown co uk

Chief Executive's Report on the Year

Franklin Roosevelt said "whilst we cannot guarantee success we can make sure we deserve it" When I write this annual report I am always conscious that the most avid readers will be shareholders and staff because the firm, to a greater or lesser extent, is what supports their families and provides for their future I am therefore particularly aware that excuses for bad performance need to be convincing The most convincing are those which are true which means this year's report from your Chief Executive has to be rather longer than normal We have not delivered what we hoped and expected to, but I can assure you it was not for want of trying The business remains strong and in spite of the losses I describe below in our new Norwich operation we regard these as teething problems which, when resolved, will leave us in a good position to grow the profitable business you would all like to hear about I also detail below a profit shortfall in Insurance Brokers the new initiatives they have undertaken are succeeding and give a promise of future dividends

When considering the trading year 2011/12 there are two very specific large holes in our profitability which I need to explain, and also one major mistake I need to admit to, both personally and on behalf of the Board But first let me pay tribute to our investment managers who under difficult market conditions have continued to produce good results for their clients and therefore to attract and retain business

The funds under discretionary management at the year end were £ 544 million and this reflects a continuing inflow of new business both in Cambridge and, gratifyingly, in Norwich Other bright spots are our Corporate Benefits, which continues to provide a first class service to employers for their pensions and other employee benefits, and the financial planning business in Cambridge which has built its revenue to the point where it is contributing to our profitability We regard Financial Planning as the front door through which clients come to know and trust the firm, and therefore we do not have any ambition to see this as a large contributor to profits, but a better than break-even result is certainly required

This requirement has clearly not been met in our Norwich financial services area where serious losses have continued We have since last August been consulting with our staff in Norwich as to the way in which this situation is to be rectified and unfortunately this has resulted in cuts in staffing in order to bring expenses in line with revenue This also means we have had to be rather more commercial in our attitude to clients who were receiving a service they did not pay for and we could not afford to provide, but we believe that with a lower level of expenses and a better delivery system the lower number of clients will receive a better service which becomes economic The losses in the year arising from our Norwich operation slightly exceeded £300,000, and about two-thirds of these arose from the personal financial planning operation The remainder arose in Corporate Benefits and a similar streamlining effort has been necessary in that area This area is now almost fully integrated with its Cambridge equivalent

The second major area of disappointment is Insurance Broking where last year I implied we would reverse the very disappointing performance of 2010/11 with a sharp rise in turnover and profits In the event we missed our profit forecasts by more than £300,000 and, worse, only realised more than halfway through the year that this was happening This was a failure of management which we have taken to heart, and I am convinced that our forecasts for 2012/13 are a lot more robust (and realistic) than they proved to be in 2011/12 We had expected to have a pre-tax profit of nearly £600,000 but achieved well under £300,000 and the hole was about equally split between a failure to hit income targets and a failure to monitor expenses The second was partly the result of a deliberate decision to increase staff (by about 20%) to cope with an anticipated higher level of business The first was the result of significant over-optimism about revenues and how fast we could achieve targets This year the targets are much lower, and the expenses will not increase We do not expect to achieve the profits we originally expected for 2011/12 for at least 2 years, but we do expect to get at least half-way there this year (2012/13) and it is a tribute to Phil Thorpe's skill as a broker that we remain profitable when many in the industry do not

The major mistake I need to admit to also concerns Norwich and perhaps a little like the Insurance Brokers budget, it is a result of over-optimism When we acquired the KT Financial Services business it was sold to us with indemnities and guarantees about both past performance and future profitability We took neither at face value but audited the records and made our own assessments of the future potential With hindsight we were very wrong in our estimates of both how bad the situation was we inherited and as to the capability of generating future profits This miscalculation led us not only to over-estimate the goodwill we acquired but also to compound that mistake by assuming that the losses we uncovered and the trading losses of the first year should properly be treated as part of the acquisition costs We further assumed that various loans we took over would be repaid from future profits It has been very expensive in terms of management time and shareholder's money, far in excess of what we had anticipated, to establish ourselves in Norwich and although we have now firmly done that, and indeed are now beginning to reap the rewards, we have taken the view in these accounts that the value we ascribe to the assets concerned should to be substantially reduced I apologise to all shareholders for this, and as Chief Executive the responsibility for our failure to be more conservative in our earlier accounting clearly ultimately falls to me, but I assure you that what we now have is a profitable and fairly valued operation Lyn Turner has already demonstrated her ability to turn round the performance of our Cambridge financial planning operation It will be more than 12 months before the results of her determined pruning and relaunch of its Norwich equivalent fully shows in our group profits but firm action has been taken and results will follow

Elsewhere the picture is very positive We have a new internet based insurance offering which has reached break-even, Freedom is in its fourth successive profitable month, Insurance Brokers is delivering higher turnover, Corporate Benefits continues to exceed expectations in attracting new clients and Investment Management is delivering good performance to clients who seem to be sufficiently pleased to continue bringing their friends and relations to us I look forward to an easier job writing this report next year We cannot guarantee all we have done will bear fruit but I believe our efforts have been such as to deserve success

Marcus Johnson
Chief Executive

Directors' Report

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

Business review and principal activities

The principal activities of the Group are

- Discretionary investment management,
- 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 Group's business and future developments is included in the Chief Executive's Report on the Year In spite of the disappointments of the last twelve months your Board is confident that the results and prospects demonstrate that your Group is in good 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 major long-term fall in the value of UK stock markets, severe misjudgements by your board on acquisition strategy, losses caused by successful new entrants in to the local market or unexpected liabilities created by advice or action which seemed innocuous at the time 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 In the last year we have seen a small fall in complaints and staff turnover We have again seen growth in client numbers Our turnover is up in Investment Management but has fallen in all other areas Client size has risen in investment management but fallen in Insurance Broking

Other risks

The Group also has various financial assets including equities, preference shares, property 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 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 constraints Investment Management is still attracting clients who want personal service and want to feel their assets are being prudently looked after 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 To keep our income at stable levels we must find new clients every year In Financial Services we have problems we need to address and we are addressing them 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 expect Freedom to return to profitability this year

We continue to look at the major risks the Company faces, and estimate 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 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 more than required to cover all anticipated growth and any likely acquisitions 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 However, this year due to write offs which your Board does not expect to see again the dividend is not covered by our post tax earnings but that is precisely why we carry reserves

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 Our intention is to emulate this in Norwich

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 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 Many staff are shareholders and we continue to encourage this by facilitating the purchase and sale of shares by employees and by offering all staff loans to finance a stake in the Company On the Company an enjoyable and rewarding place to work Many staff are shareholders and we continue to encourage this by facilitating the purchase and sale of shares by employees and by offering all staff loans to finance a stake in the Company On your behalf we place here on record the appreciation of the Company for the extraordinary efforts put in by many employees to delivering the high quality service which is our hallmark

Our Green Commitment

Your Board will always work to minimise the impact of our activities on the environment This includes recycling as much of the paper and plastic used at our offices as possible, donating old equipment to charity and finding ways to reduce energy consumption We are committed to monitoring and managing its environmental impact, we encourage employees to use recycle bins and reduce energy and water waste where possible As part of this commitment we will publish our energy and water usage every year and do so below

	Electricity (KWH)	Gas (KWH)	Water (cubic metres)	No Employees	Usage per head (KWH)	Usage per head (cubic metres)
2012	67,488	115,560	1,651 90	119	1,538	13 88
2011	70,837	123,019	1,389 87	107	1,812	12 99

Dividends

We expect to pay an interim dividend on 31 October, subject to final confirmation as to amount and no adverse events causing reconsideration your Board expects this to be about 36p per share We would advise all shareholders that various changes to the entitlement of preference shares, and the issue of new ordinaries under the EMI scheme mentioned below will have a dilutive effect on this and future dividends Dividends on ordinary shares of £468,494 (2011 £647,738) and on preference shares of £129,783 (2011 £56,170) have been paid during the 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 A R Kefford who was appointed on 31 May 2011

Those directors serving at 30 April 2012 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 2012 No	**At 30 April 2011 No**	**At 30 April 2012 No**	**At 30 April 2011 No.**
P B Burke	27,970	27,970	-	-
M W Johnson	372,842	210,342	615,790	615,790
C D R Manktelow	73,801	47,365	54,900	54,900
H R Parnell	15,052	15,052	-	-
R W Raywood	76,500	64,700	165,615	171,900
S J Biggs	3,900	1,008	-	-
P A Thorpe	54,140	53,704	316,800	316,800
Ms L Turner	15,696	13,641	-	-
A R Kefford	826	-	-	-

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			
	2011 cumulative	**Issued in the current year**	**Lapsed in current year**	**Exercised in year**	**2012 cumulative**	**Exercise price per share £**	**Date of grant**
P A Thorpe	20,750	-	-	8,342	-	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
S Biggs	2,500	-	-	2,500	-	4 00	1 Dec 2005
P B Burke	16,667	-	16,667	-	-	6 00	1 Apr 2011
L Turner	20,000	-	-	-	20,000	6 00	1 Apr 2011

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 £6 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

	4% redeemable loan notes		**6% redeemable loan notes**		**6% convertible redeemable loan notes**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
M W Johnson	-	-	-	-	-	650,000
C D R Manktelow	-	-	-	100,000	-	-
R W Raywood	-	-	-	100,000	-	-
P B Burke	-	100,002	-	-	-	-
Ms L Turner	120,000	120,000	-	-	-	-

Statement of directors' responsibilities for the financial statements

The directors are responsible for preparing the Annual 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 UK Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) 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 parent company and of the group and the profit or loss of the parent company and of the group for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company and group's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and group 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 parent company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors confirm that

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the 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 auditors are aware of that information

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

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 13 July 2012 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 2012 which comprise the consolidated profit and loss account, the consolidated balance sheet, the 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 Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 April 2012 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

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

27 July 2012

Consolidated Profit and Loss Account

For the year ended 30 April 2012

	Note	2012 £	2011 £
Turnover			
Continuing operations	2	8,539,585	8,395,589
		8,539,585	8,395,589
Administrative expenses		(7,997,268)	(6,956,580)
Other operating income		218,399	207,334
Operating profit	3	760,716	1,646,343
Interest receivable		119,266	92,222
Interest payable and similar charges	6	(39,402)	(74,580)
Profit on ordinary activities before taxation		840,580	1,663,985
Tax on profit on ordinary activities	7	(674,000)	(469,151)
Profit for the year		166,580	1,194,834
Attributable to			
Equity holders of NW Brown Group Limited		203,444	
Minority Interest		(36,864)	
		166,580	

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 2012

	Note	2012	2011
		£	£
Fixed assets			
Intangible assets	8	1,691,865	2,322,997
Tangible assets	9	1,115,967	1,090,994
Investments	10	1,250,761	1,331,734
		4,058,593	4,745,725
Current assets			
Debtors	12	2,046,272	2,341,903
Cash at bank and in hand		3,621,550	3,862,839
		5,667,822	6,204,742
Creditors. amounts falling due within one year	13	(2,577,705)	(2,936,364)
Net current assets		3,090,117	3,268,378
Total assets less current liabilities		7,148,710	8,014,103
Creditors amounts falling due after more than one year	14	(476,000)	(1,533,754)
Provisions for liabilities	16	(206,500)	(206,500)
Net assets		6,466,210	6,273,849
Capital and reserves			
Ordinary share capital	17	120	99
Preference share capital	18	133,111	133,739
Shares to be issued	20	55,998	55,998
Capital redemption reserve	20	257,270	257,270
Share premium account	20	1,480,368	452,026
Equity component of compound financial instrument	20	-	124,605
Special reserve	20	976,392	976,392
Profit and loss reserve	19	3,599,325	4,273,720
Attributable to equity holders of NW Brown Group Limited	21	6,502,584	6,273,849
Minority Interest		(36,374)	-
Total equity shareholders' funds		6,466,210	6,273,849

These financial statements were approved by the Board on 13 July 2012 and signed on its behalf by

M W Johnson
Director

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

Company number 3917262

Company Balance Sheet

30 April 2012

	Note	2012 £	2011 £
Fixed assets			
Tangible assets	9	49,848	48,870
Investments	10	3,987,428	3,986,918
		4,037,276	4,035,788
Current assets			
Debtors	12	3,758,461	3,472,855
Cash at bank and in hand		66,386	194,354
		3,824,847	3,667,209
Creditors: amounts falling due within one year	13	(2,416,130)	(1,667,528)
Net current assets		1,408,717	1,999,681
Total asset less current liabilities		5,445,993	6,035,469
Creditors amounts falling due after more than one year	14	(420,000)	(1,477,754)
Provisions for liabilities	16	(206,500)	(206,500)
Net assets		4,819,493	4,351,215
Capital and reserves			
Ordinary share capital	17	120	99
Shares to be issued	20	55,998	55,998
Preference share capital	18	133,111	133,739
Capital redemption reserve	20	257,270	257,270
Share premium account	20	1,480,368	452,026
Equity component of compound financial instruments	20	-	124,605
Special reserve	20	976,392	976,392
Profit and loss reserve	19	1,916,234	2,351,086
Total equity shareholders' funds	21	4,819,493	4,351,215

These financial statements were approved by the Board on 13 July 2012 and signed on its behalf by

M W Johnson
Director

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

Company number 3917262

Consolidated Cash Flow Statement

Year ended 30 April 2012

	Note	2012 £	2011 £
Net cash from operating activities	22	1,415,351	2,503,031
Returns on investments and servicing of finance			
Interest received		119,266	92,222
Interest paid on finance element of compound instruments		(39,402)	(74,580)
		79,864	17,642
Taxation		(497,586)	(721,514)
Capital expenditure and investment			
Payments to acquire tangible fixed assets		(176,890)	(1,010,403)
Payments to acquire investments		(83,857)	(324,091)
Receipts from sale of investment		99,622	11,086
		(161,125)	(1,323,408)
Equity dividends paid		(598,227)	(647,738)
Cash inflow / (outflow) before use of liquid resources and financing		238,277	(171,987)
Management of liquid resources			
Decrease in term deposit		-	-
Financing			
Issue of ordinary shares in the year		1,028,363	178,337
Redemption of share capital		(326,061)	-
Redemption of loan stock		(1,182,358)	-
Preference share liability repaid		-	(52,964)
Minority interest		490	-
		(479,566)	125,373
(Decrease)/increase in cash	23	(241,289)	(46,614)

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

Notes to the Financial Statements

30 April 2012

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 £442,987 (2011 £1,582,301)

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 for NW Brown & Company Ltd and 10 years for NW Brown Financial Services Ltd

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

Freehold buildings	Over 50 years
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

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 and medical screening fees earned during the year Brokerage is recognised at the date of receipt of the premium from the insured

For NW Brown Financial Services the turnover shown in the profit and loss account represents amounts earned in the year for services provided excluding value added tax

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

	2012 £	2011 £
Investment Management	3,575,766	3,864,778
Insurance Broking	2,609,045	2,179,409
Corporate Benefits	799,111	1,136,274
NW Brown Financial Services	1,555,663	1,215,128
	8,539,585	8,395,589

In the prior year Corporate Benefits included Financial Planning fees of £278,365 which are included in NW Brown Financial Services this year

3. Operating Profit

Operating profit is arrived at after charging / (crediting)

	2012 £	2011 £
Impairment of intangible fixed assets	318,333	-
Amortisation of intangible fixed assets	312,799	275,687
Depreciation of owned assets	151,917	144,230
Loss on disposal of fixed assets and investments	52,287	-
Operating lease rentals		
Land and buildings	206,500	206,500
Other	-	-
Rental income	(106,128)	(120,140)
Auditors' remuneration		
Fees payable to the Company's auditor for the audit of financial statements - Company	8,939	6,500
- Subsidiaries	43,011	42,000
Movement on fixed asset investments	80,973	67,494

4. Directors

Group emoluments of the Company directors

	2012 £	2011 £
Emoluments	1,485,184	1,573,521
Pension contributions	270,496	191,390
	1,755,680	1,764,911

The number of directors accruing pension benefits

	2012 No	2011 No
Money purchase pension schemes	7	7

The emoluments of the highest paid director are as follows

	2012 £	2011 £
Emoluments	127,636	122,639
Pension contributions	36,882	28,829
	164,518	151,468

5. Employees

Average number of employees for the Group, including directors
Group

	2012 No	2011 No
Professional staff	39	38
Office and administration	80	69
	119	107

Staff costs for the Group, including directors

	2012 £	2011 £
Wages and salaries	4,184,156	4,020,290
Social security costs	446,840	413,175
Pension costs	500,267	377,290
Cost of employee share scheme (note 17)	45,821	51,529
	5,177,084	4,862,284

Company

	2012 No	2011 No
Professional staff	6	4
Office and administration	11	5
	17	9

Staff costs for the Company, including directors

	2012 £	2011 £
Wages and salaries	672,330	477,063
Social security costs	97,737	65,896
Pension costs	35,635	20,106
Cost of employee share scheme (note 17)	45,821	51,529
	851,523	614,594

6. Interest Payable and Similar Charges

	2012 £	2011 £
Preference share dividends (note 18)	-	3,206
Redeemable loan note interest	30,085	31,253
Interest charge on liability component of convertible redeemable	7,137	-
loan note	-	39,540
Other	2,180	581
	39,402	74,580

7. Taxation

	2012 £	2011 £
Current taxation		
United Kingdom corporation tax	488,389	482,148
Adjustment in respect of prior period	180,078	(12,997)
Deferred tax	5,533	-
	674,000	469,151

Current tax reconciliation

	2012 £	2011 £
Profit on ordinary activities before tax	840,580	1,663,985
Theoretical tax at UK tax rate of 25 83%	217,122	464,587
Effects of		
Expenses not deductible for tax purposes	182,449	8,096
Depreciation in excess of capital allowances	2,152	9,465
Loans to participators	86,666	-
Adjustment in respect of prior period	180,078	(12,997)
	668,467	469,151

8. Intangible Fixed Assets

Group	Goodwill £
Cost	
At 1 May 2011	4,658,561
At 30 April 2012	4,658,561
Amortisation	
At 1 May 2011	2,335,564
Charge for the year	312,799
Impairment	318,333
At 30 April 2012	2,966,696
Net book value	
At 30 April 2012	1,691,865
At 30 April 2011	2,322,997

The Company does not have any intangible fixed assets (2011 Nil)

9. Tangible Fixed Assets

Group	Freehold Land & building £	Computer equipment £	Office furniture and equipment £	Total £
Cost				
At 1 May 2011	942,450	846,446	474,614	2,263,510
Additions	-	134,332	42,558	176,890
At 30 April 2012	942,450	980,778	517,172	2,440,400
Depreciation				
At 1 May 2011	11,120	778,391	383,005	1,172,516
Charge for the year	11,120	92,672	48,125	151,917
At 30 April 2012	22,240	871,062	431,130	1,324,433
Net book value				
At 30 April 2012	920,210	109,716	86,042	1,115,967
At 30 April 2011	931,330	68,055	91,609	1,090,994

Company	Computer equipment £	Office furniture and equipment £	Total £
Cost			
At 1 May 2011	259,274	254,316	513,590
Additions	42,509	3,795	46,304
At 30 April 2012	301,783	258,111	559,894
Depreciation			
At 1 May 2011	243,927	220,793	464,720
Charge for the year	23,063	22,263	45,326
At 30 April 2012	266,990	243,056	510,046
Net book value			
At 30 April 2012	34,793	15,055	49,848
At 30 April 2011	15,347	33,523	48,870

10. Fixed Asset Investments

Group	Listed investments	Unlisted investments £	Total £
Cost			
At 1 May 2011	1,023,488	402,945	1,426,433
Additions	5,998	77,860	83,858
Disposals	(151,909)	-	(151,909)
At 30 April 2012	877,577	480,805	1,352,382
Provisions			
At 1 May 2011	70,276	24,424	94,700
Provided in the year	12,921	-	12,921
At 30 April 2012	83,197	24,424	107,621
Net book value			
At 30 April 2012	794,380	456,381	1,250,761
At 30 April 2011	953,212	378,521	1,331,734

The market value of the listed investments as at 30 April 2012 was £813,611 (2011 £912,572)

Company	Investments in Group undertakings £	Unlisted investments £	Total £
Cost			
At 1 May 2011	3,896,542	114,800	4,011,342
Additions	510	-	510
At 30 April 2012	3,897,052	114,800	4,011,852
Provisions			
At 1 May 2011	-	24,424	24,424
Provided in the year	-	-	-
	-	24,424	24,424
Net book value			
At 30 April 2012	3,897,052	90,376	3,987,428
At 30 April 2011	3,896,542	90,376	3,986,918

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 30/04/12
N W Brown & Company Limited	Discretionary Investment Management Corporate Benefits, Pensions and Financial Planning advice	Ordinary	100	4,792,627
N W Brown Insurance Brokers Limited	Insurance broking	Ordinary	100	511,627
Freedom Insurance Services Limited	Insurance broking	Ordinary	100	64,124
NW Brown Financial Services Limited	Corporate Benefits, Pensions and Financial Planning advice	Ordinary	100	(459,722)
Clear Thinking Solutions Limited	Mortgage broking	Ordinary	100	(204,824)
NW Brown Property Limited	Commercial Property Letting	Ordinary	100	(13,124)
OK To Travel Limited	Insurance Broking	Ordinary	51	(74,233)

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 ISA Nominees Limited, NW Brown Nominees Limited, NW Brown Trustees Limited, NW Brown Directors Nominees Limited, NW Brown Executive Limited Partnership, NW Brown Premium Finance Limited, DAN Holdings Limited Travel Positive Limited and Life Positive Limited have not traded since acquisition

11. Dividends

During the year the Company paid an interim dividend of 39p per share on 1,201,138 ordinary 0 01p shares amounting to £468,494 (2011 £647,737 50) The Company also paid a dividend of £129,782 74 (2011 £56,170) on the cumulative preference shares (note 18)

12. Debtors

	Group 2012	Group 2011	Company 2012	Company 2011
	£	£	£	£
Trade debtors	272,049	397,819	22,803	12,208
Amounts owed by group undertakings	-	-	2,633,801	2,352,589
Other debtors	948,866	1,138,574	1,007,406	993,219
Prepayments and accrued income	825,357	805,510	94,451	114,839
	2,046,272	2,341,903	3,758,461	3,472,855

Included in the amounts owed by Group undertakings is a subordinated loan of £150,000 (2011 £150,000) provided to Freedom Insurance Services Limited, and £450,000 (2011 £300,000) provided to NW Brown Financial Services Limited to support its capital requirements required by the FSA

13. Creditors: Amounts Falling Due Within One Year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Trade creditors	696,987	1,137,624	92,000	36,351
Corporation tax	300,867	124,453	153,736	37,411
Other tax and social security	305,429	301,182	19,336	14,477
Other creditors	376,156	356,767	20,001	63,606
Accruals and deferred income	898,266	1,016,338	81,931	166,775
Amounts owed to Group undertakings	-	-	2,049,126	1,348,908
	2,577,705	2,936,364	2,416,130	1,667,528

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

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Borrowings (note 15)	476,000	1,533,754	420,000	1,477,754
	476,000	1,533,754	420,000	1,477,754

15. Borrowings

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Due after more than one year				
6% redeemable loan notes 2049	-	310,000	-	310,000
Liability component of 6% convertible redeemable loan notes 2049	-	527,745	-	527,745
4% redeemable loan notes 2049	420,000	640,009	420,000	640,009
Liability component of 6% preference shares arising on acquisition	56,000	56,000	-	-
Total borrowings	476,000	1,533,754	420,000	1,477,754

The 4% redeemable loan notes 2049 may be redeemed at the option of the holder during the period from 31 March 2016 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. Provisions for Liabilities

	Dilapidations	
	Group £	Company £
At 1 May 2011	206,500	206,500
Provided in the year	-	-
Released in the period	-	-
At 30 April 2012	206,500	206,500

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

17. Ordinary Share Capital

	2012 £	2011 £
Called up, allotted and fully paid		
1,198,738 (2011 986,744) ordinary shares of 0 01p each	120	99

Issue/redemption of shares
Further to the exercise of share options, during the year the Company issued 257,092 ordinary shares of 0 01p each at a price of £4 00 per share giving rise to total consideration of £1,028,368 in accordance with the terms of the approved share option scheme During the year the company purchased 45,098 ordinary shares for consideration of £315,059 42 and 6,285 preference shares for consideration of £10,373 07 All of these shares were cancelled within the period

Share options

The following share options have been granted under an approved share option scheme in respect of ordinary shares of 0 01p each

2011 cumulative	Lapsed	Issued	Exercised in year	2012 cumulative	Exercise price per share £	Date of grant
125,750	-	-	94,592	31,158	4 00	1 December 2005
106,668	36,668	-	-	70,000	6 00	1 April 2011
232,418	36,668	-	94,592	101,158		

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 were, subject to certain conditions, exercisable three years from the date of grant and lapsed ten years from the date of grant

The share options exercisable at £6 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 company recognised an expense of £45,821 (2011 £47,888) in relation to equity settled share-based payment transactions in the year

Share-based payment (Issued April 2011)

The fair value of the options granted in the year 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	650p
Exercise price	600p
Vesting period (years)	5
Option life (years)	5
Expected volatility	29%
Risk free rate	2 31%
Fair value per option	215p

Expected volatility was determined by reference to comparable listed company volatility The share price of £6 50 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

18. Cumulative Preference Shares

	2012 £	2011 £
Called up, allotted and fully paid		
1,331,105 (2011 1,337,390) cumulative preference shares of 10p each	133,111	133,739

The preference shares accrue dividends 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 had 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

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

	2012 £	2011 £
Liability component	-	-
Equity component		
Nominal value	133,111	133,739
Premium taken to special reserve	976,392	976,392
	1,109,503	1,110,131
Total value of preference shares in issue at 30 April	1,109,503	1,110,131

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

	2012 £	2011 £
Capital repayment of liability component	-	52,964
Interest charge on liability component	-	3,206
	-	56,170

19. Profit and Loss Reserve

	Group 2012 £	Company 2012 £
At 1 May 2011	4,273,720	2,351,086
Profit for the year	203,444	442,987
Cancellation of shares	(325,433)	(325,433)
Dividends	(598,227)	(598,227)
Share option charge	45,821	45,821
At 30 April 2012	3,599,325	1,916,234

20. Other Reserves

Group and Company	Shares to be issued £	Share premium account £	Capital redemption reserve £	Equity component of compound financial instruments £	Special reserve £
At 1 May 2011	55,998	452,026	257,270	124,605	976,392
Issue of ordinary shares	-	1,028,342	-	-	-
Redemption of shares	-	-	-	-	-
Conversion of financial instrument	-	-	-	(124,605)	-
At 30 April 2012	55,998	1,480,368	257,270	-	976,392

21. Reconciliation of Movements in Shareholders' Funds

Group	2012 £	2011 £
Profit for the year	203,444	1,194,834
Dividends	(598,227)	(647,738)
Share option charge	45,821	51,529
	(348,962)	598,625
New shares issued – Premium	1,028,342	178,333
– Capital	26	5
Shares to be issued	-	(338,045)
Redemption of equity on compound instruments	(124,605)	-
Redemption of shares	(326,066)	-
Net increase in shareholders' funds	228,735	438,918
Opening shareholders' funds	6,273,849	5,834,931
Closing shareholders' funds	6,502,584	6,273,849

Company	2012 £	2011 £
Profit for the year	442,987	1,582,301
Dividends	(598,227)	(647,738)
Share option charge	45,821	51,529
	(109,419)	986,092
New shares issued – Premium	1,028,342	178,333
– Capital	26	5
Shares to be issued	-	(338,045)
Redemption of equity on compound instruments	(124,605)	-
Redemption of shares	(326,066)	-
Net increase in shareholders' funds	468,278	826,385
Opening shareholders' funds	4,351,215	3,524,830
Closing shareholders' funds	4,819,493	4,351,215

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

	2012 £	2011 £
Operating profit	760,716	1,646,343
Amortisation of intangible assets	312,799	275,687
Impairment of intangible assets	318,333	
Depreciation charge	151,917	144,230
(Profit) / loss on disposal of investment	52,287	(275)
(Increase) / decrease in debtors	295,631	(1,071,222)
(Decrease) / increase in creditors	(535,074)	1,463,245
Increase in provisions for fixed asset impairment	12,921	67,494
Share option charge	45,821	51,529
(Decrease) / increase in dilapidation provision	-	(74,000)
Net cash inflow from operating activities	1,415,351	2,503,031

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

	2012 £	2011 £
(Decrease) / increase in cash in the year	(241,289)	(46,614)
Repayment / (increase) of borrowings	1,057,754	(407,549)
Change in net funds	816,465	(454,163)
Non-cash movements	-	-
Net cash/(debt) at the beginning of the year	2,385,085	2,839,248
Net cash at 30 April	3,201,550	2,385,085

24. 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	
	2012	2011	2012	2011
	£	£	£	£
Land and buildings leases expiring after less than five years	206,500	206,500	206,500	206,500
Other leases expiring within two years	-	8,384	-	-
	206,500	214,884	206,500	206,500

The company's lease of its Cambridge premises at 16 Regent Street expires on 24 May 2014 The company has sublet, under operating leases to third parties, a part of the land and buildings leased above

25. Related Party Transactions

Certain directors of the Company and other Group subsidiaries have entered into insurance or mortgage related arrangements facilitated by the subsidiary NW 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 NW 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 NW Brown & Company Limited 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

OK To Travel Limited owed the Group £117,428 at the year end (Freedom Insurance Services Limited £34,501 and NW Brown Group Limited £82,927) for the settlement of various invoices on the Company's behalf during the period

Kirly Limited, a company controlled by M W Johnson and his family, its subsidiaries and its pension scheme, have investments managed by NW Brown & Company Limited on staff terms NW Brown (Trustees) Limited is a trustee of the Kirly pension scheme, and is remunerated on an arms length basis

H R Parnell provides consultancy services to the Group through HRP Consulting & Training Ltd The Group paid £23,009 63 (2011 £28,911 25) in respect of these services during the year of which £906 90 (2011 £2,664 84) was outstanding at the year end

The Eastern Alliance Ltd, a company of which P A Thorpe is a director, is a collective of independent insurance brokers, including NW Brown Insurance Brokers, designed to obtain higher service standards and reduce administration burdens and negotiate favourable commission rates for its members with major insurance companies Mr Thorpe receives no remuneration for his directorship

P A Thorpe was a director of the Institute of Insurance Brokers Limited NW Brown Insurance Brokers Limited paid a subscription of £70 (2011 £70) in the year Mr Thorpe received an attendance allowance of £300 (2011 £300) per board meeting, of which he attended 3 (2011 4) during the year

Anglian Archives Ltd, a company controlled by M W Johnson and his family, 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 Ltd £2,753 11 (2011 £1,443 94) during the year of which 125 40 (2011 £nil) was outstanding at the year end

Pantaraxia Limited, a company controlled by J Goodger, provides consultancy services to the Group It charged the Group £6,500 (2011 £6,500) in respect of these services during the year all of which was outstanding at the year end (2011 £6,500)

Questgate Limited facilitates specialist services to the clients of NW Brown Insurance Brokers Limited J Steward a director, is married to a director of Questgate Limited The Group has not incurred any costs for these services during the year

Interest free loans of up to £5,000 are made available to all staff to purchase NW Brown Group Ltd shares The following loans to directors and subsidiary directors were outstanding at the year end

	Loan from Group/company		**Interest on loan**	
	2012	**2011**	**2012**	**2011**
	£	**£**	**£**	**£**
P B Burke	4,000	104,831	-	329
J Steward	183,524	124,853	4,084	395
S Lenton	156,689	123,470	2,844	472
A F Mulligan	59,170	58,733	1,892	1,047
D E Evans	57,197	43,566	1,571	1,047
M Ring	-	30,084	-	82
L Turner	216,772	124,395	3,999	395
O Phillips	155,477	124,895	1,437	395
S Biggs	14,051	4,351	235	-
R Rampley	25,499	-	586	
M Barker	-	1,296	-	-
T Green	1,134	1,296	-	-
	873,513	741,770		

	Loan to Group / Company		**Interest on loan**	
	2012	**2011**	**2012**	**2011**
	£	**£**	**£**	**£**
A F Mulligan	37,713	36,663	1,050	1,663
D E Evans	44,713	43,663	1,050	1,663
	82,426	80,326		