COMPANY NO. 3917262

NW Brown Group Limited

Annual Report

Year ended 30 April 2010

Contents

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
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 2010 Annual General Meeting of the NW Brown Group Limited will be held at Richmond House, 16 - 20 Regent Street, Cambridge CB2 1DB on 27 August 2010 at 12 noon

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 2010
2 To confirm the payment of £279,557 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 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

When writing last year it was impossible to hide the extent to which I was proud of a team which had met the challenges posed by financial meltdown with flexibility and a continued emphasis on client care The troubles of the financial world have broadly disappeared over the last 18 months and our income has recovered back in line with the market The last year has however been a much more difficult time in management terms On the financial side we have exceeded our budget in Investment Management and in Freedom but somewhat disappointingly have failed to achieve it in Financial Planning, where income and expenses were a problem, and in Corporate Benefits, where income was in line, but expenses have risen, and for Insurance Brokers where the rise in expenses was much as forecast but income failed to recover to 2008 levels as expected

The biggest management challenge this year has been the acquisition planning and investigation, then subsequently the integration of our Norwich subsidiary, NW Brown Financial Services Ltd The detail in the investigation phase, the meetings, the examination of contracts and business, all took longer than one might suppose given this is a business not unlike parts of our own But if the demands pre-acquisition were considerable they increased after we had bought the company in that almost every aspect of the business has required serious attention We are determined that the existing Norwich business will be made profitable and that the potential Norwich offers for growing our other businesses will be exploited to the full Shareholders who have not seen a copy of the research we did prior to acquisition may wish to ask for a copy on a confidential basis The essence of our case for investing nearly £1 million on the purchase (including inherited trading losses) and then spending another £1 million to acquire the property we occupy there is that we will over the next 10 years be able to create the same sort of business in Norwich as we have today in Cambridge Your Directors all consider that we have a very good chance of succeeding to make you a substantial return on the money which we have invested for you

The Investment Management business has continued to take on new clients as the recovery has continued At the end of the year we had about £470m under management compared to £400m last year This partly is the result of casualties amongst 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 Clients who want a personal service and a directly invested portfolio have fewer choices every year Corporate Benefits trading over the last 12 months has been good again, given market conditions have not been very helpful Income in 2010/11 is expected to benefit from a growth in the use of our services in providing Child Care Vouchers In Corporate Benefits we advise on Pension Funds with a value of in excess of £140m The Financial Planning and Mortgage business has again suffered from a low level of activity in line with our expectations, but towards the end of the year a distinct improvement became obvious, particularly in the mortgage business

Insurance Brokers has increased its revenues in spite of a continuing background of difficult trading conditions
Our profits rose by a small amount before tax but not back to previous levels or to the level we expected Premium rates continue to fall in what remains a very soft market and at a time when insurer resourcing levels have also reduced We remain confident about future growth and profitability in both commercial and personal lines of business with an emphasis on in-house schemes and market sector specialism we expect to continue to increase our turnover, and improve our profit levels We have been particularly successful in recent months in taking on several Cambridge colleges as clients, we anticipate this will continue in the current year

Our Freedom business developed profitably in 2009/10 reversing the trading loss suffered in the previous year It is hoped to continue this improvement into the next financial year and beyond To this end Freedom recognises a need to increase its travel portfolio but at the same time develop product lines that will use its medical expertise in different and diverse ways The first ambition will be achieved by extending the scope of the strategic partnership with AXA Insurance and a vigorous marketing campaign amongst the hospital and affinity group sector Additionally a major investment is envisaged in search engine optimisation to maximise Freedom's growing awareness of the power of internet selling and how best to obtain significant market share Revenue earned from the internet will have the additional advantage in that it bears a relatively light administrative onus thereby improving the ratio of income to resource cost We also intend to enter the life insurance market where Freedom's established medical skills can be deployed in a different and complementary direction Over the next 2 years Freedom intends to launch a series of life products devoted to individuals living with various medical conditions, the beneficiaries being their nominated dependents

Our budgets for the current year suggest that profits in 2010/11 will about equal those made in 2008 We are hoping that Freedom will expand further, and have preliminary plans to employ a number of people in Norwich to this end We are engaged in drawing up a 5 year strategy for all parts of the business – perhaps not so much an exercise in planning, more as a way to focus better on what we would like to achieve and to give us a framework against which we can judge opportunities as they arise We feel that what we offer in Cambridge (and will offer in Norwich) is valuable and valued by our clients – we would like more of them and expect to devote a reasonable amount of effort to trying to make this happen We are a strong company with qualified and capable staff and we expect that if economic conditions allow we will prosper further

Marcus Johnson
Chief Executive

Directors' Report

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

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 major long-term fall in the value of 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 rise in complaints and staff turnover, but believe these do not give cause for undue concern We have again seen growth in client numbers There has been a fall in the number of complaints Our turnover is up in all areas and 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 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 debtors' ageing 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 The current prospects are certainly easier than last year in many ways 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 and thereby reduces the commission we receive To keep our income at stable levels we must find new clients every year and so far we still seem to be able to do this The housing market has recovered and with it our mortgage business In Financial Services we employ fewer people but those we do employ are more productive 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 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 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 The current staff Enterprise Management Incentive scheme comes to fruition in December this year and we look forward to welcoming several staff as shareholders when the options granted can be exercised Assuming the new government does not change the system we also look forward to a new round of EMI options being created Wherever possible we intend to satisfy the awards of stock under these schemes by purchases from existing shareholders and any shareholder who would like to potentially make part of their holding available is invited to contact the company

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 have now extended the area over which we make this offering to include the Norwich region

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 this year comfortably exceed what was paid last year 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 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

Post Balance Sheet Events

On 21st June 2010 the company exchanged contracts on the acquisition of 36 Unthank Road, Norwich the property used by NW Brown Financial Services Limited for £900,000 Associated acquisition costs will take the total cost to just below £1million The company intends to continue to occupy the building

Dividends

Last year because of the unusual circumstances where shareholders were potentially penalised if we distributed profit this year rather than last, your Board consulted with shareholders as to whether we might properly bring forward payments The result of this consultation was that the large majority of shareholders indicated we should not change our normal process We therefore will pay an interim dividend on 30th October, subject to final confirmation as to amount and no adverse events causing reconsideration your Board expects this to be about 66 p 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 above will have a dilutive effect on future dividends

Dividends on ordinary shares of £279,557 (2009 £814,223) and on preference shares of £56,170 (2009 £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

Those directors serving at 30 April 2010 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 2010 No	At 30 April 2009 No	At 30 April 2010 No	At 30 April 2009 No
P B Burke	1,800	1,000	-	-
R J Dart	56,550	56,550	28,000	28,000
M W Johnson	198,346	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	64,700	80,700	171,900	171,900
P A Thorpe	65,700	65,700	316,800	316,800
Ms L Turner	1,000	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					
	2009 cumulative	Lapsed in current year	Exercised in year	20010 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	
	2010	**2009**	**2010**	**2009**
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 adequate 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 16 July 2010 and signed on its behalf by

P B Burke
Director

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 2010 which comprise the Consolidated 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 2010 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

Grant Thornton UK LLP

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

27 July 2010

Consolidated Profit and Loss Account

For the year ended 30 April 2010

	Note	Continuing	Acquired	Total 2010 £	2009 £
Turnover					
Continuing operations	2	7,606,625	765,088	8,371,713	6,226,191
		7,606,625	765,088	8,371,713	6,226,191
Administrative expenses		(5,612,576)	(1,011,613)	(6,624,189)	(5,518,078)
Other operating income		144,464	-	144,464	196,778
Operating profit	3	2,138,513	(246,525)	1,891,988	904,891
Interest receivable				68,841	266,596
Interest payable and similar charges	6			(117,257)	(86,510)
Profit on ordinary activities before taxation				1,843,572	1,084,977
Tax on profit on ordinary activities	7			(534,654)	(423,841)
Profit for the year				1,308,918	661,136

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 2010

	Note	2010	2009
		£	£
Fixed assets			
Intangible assets	8	2,759,072	1,749,385
Tangible assets	9	224,821	250,214
Investments	10	1,085,948	910,463
		4,069,841	2,910,062
Current assets			
Debtors	12	1,270,681	1,149,453
Cash at bank and in hand		3,909,453	3,306,897
		5,180,134	4,456,350
Creditors amounts falling due within one year	13	(1,955,375)	(1,668,370)
Net current assets		3,224,759	2,787,980
Total assets less current liabilities		7,294,600	5,698,042
Creditors amounts falling due after more than one year	14	(1,179,169)	(1,172,605)
Provisions for liabilities	17	(280,500)	(145,706)
Net assets		5,834,931	4,379,731
Capital and reserves			
Ordinary share capital	18	94	93
Shares to be issued	21	394,043	-
Preference share capital	19	133,739	133,739
Capital redemption reserve	21	257,270	257,270
Share premium account	21	273,693	267,026
Equity component of compound financial instrument	21	124,605	124,605
Special reserve	21	976,392	976,392
Profit and loss account	20	3,675,095	2,620,606
Total equity shareholders' funds	22	5,834,931	4,379,731

These financial statements were approved by the Board on 16 July 2010 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 2010

	Note	2010 £	2009 £
Fixed assets			
Tangible assets	9	71,262	121,728
Investments	10	4,313,858	3,741,728
		4,385,120	3,863,456
Current assets			
Debtors	12	1,469,940	1,327,578
Cash at bank and in hand		49,208	91,683
		1,519,148	1,419,261
Creditors amounts falling due within one year	13	(1,049,769)	(1,023,235)
Net current liabilities		469,379	396,026
Total asset less current liabilities		4,854,499	4,259,482
Creditors amounts falling due after more than one year	14	(1,123,169)	(1,172,605)
Provisions for liabilities	17	(206,500)	(145,706)
Net assets		3,524,830	2,941,171
Capital and reserves			
Ordinary share capital	18	94	93
Shares to be issued	21	394,043	-
Preference share capital	19	133,739	133,739
Capital redemption reserve	21	257,270	257,270
Share premium account	21	273,693	267,026
Equity component of compound financial instruments	21	124,605	124,605
Special reserve	21	976,392	976,392
Profit and loss account	20	1,364,994	1,182,046
Total equity shareholders' funds	22	3,524,830	2,941,171

These financial statements were approved by the Board on 16 July 2010 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 2010

	Note	2010 £	2009 £
Net cash from operating activities	23	1,650,623	1,435,518
Returns on investments and servicing of finance			
Interest received		68,841	266,596
Interest paid on finance element of compound instruments		(117,257)	(86,042)
		(48 416)	180,554
Taxation		(201,520)	(976,243)
Capital expenditure and investment			
Payments to acquire tangible fixed assets		(123,539)	(92,331)
Payments to acquire investments		(15,000)	(66,988)
		(138,539)	(159,319)
Acquisitions			
Purchase of subsidiary undertakings		(174,269)	-
Net overdrafts acquired with subsidiary undertakings		(106,828)	
Equity dividends paid		(335,727)	(814,223)
Cash inflow / (outflow) before use of liquid resources and financing		645,324	(333,713)
Management of liquid resources			
Decrease in term deposit		-	-
Financing			
Issue of ordinary shares in the year		6,668	35,620
Ordinary shares redeemed in the year		-	(24,159)
Repayment of redeemable loan notes		-	(130,000)
Preference share liability repaid		(49,436)	(47,088)
		(42,768)	(165,627)
Increase/(decrease) in cash	24	602,556	(499,340)

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

Notes to the Financial Statements

30 April 2010

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 £437,376 (2009 £1,612,663)

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

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 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 tent 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

	2010 £	2009 £
Investment Management	3,872,090	2,736,222
Insurance Broking	2,499,093	2,221,497
Corporate Benefits and Financial Planning	1,235,442	1,185,800
NW Brown Financial Services	765,088	-
Other	-	82,672
	8,371,713	6,226,191

3. Operating Profit

Operating profit is arrived at after charging / (crediting)

	2010 £	2009 £
Amortisation of intangible fixed assets	340,868	185,840
Depreciation of owned assets	152,947	167,573
(Profit)/loss on disposal of fixed assets and investments	6,214	-
Operating lease rentals		
Land and buildings	231,456	190,499
Other	8,799	4,458
Rental income	(64,159)	(102,759)
Auditors' remuneration		
Fees payable to the Company's auditor for the audit of financial statements – Company	6,205	6,980
-Subsidiaries	39,795	38,020
- Other services	-	5,000
Movement on fixed asset investments	(160,895)	154,142

4. Directors

Group emoluments of the Company directors

	2010 £	2009 £
Emoluments	1,497,181	1,290,785
Pension contributions	184,458	214,162
	1,681,639	1,504,947

The number of directors accruing pension benefits

	2010 No	2009 No
Money purchase pension schemes	6	7

The emoluments of the highest paid director are as follows

	2010 £	2009 £
Emoluments	114,572	124,773
Pension contributions	28,764	5,400
	143,336	130,173

5. Employees

Average number of employees for the Group, including directors

Group

	2010 No	2009 No
Professional staff	40	32
Office and administration	71	55
	111	87

Staff costs for the Group, including directors

	2010 £	2009 £
Wages and salaries	3,933,448	3,173,348
Social security costs	377,467	311,489
Pension costs	320,926	424,767
Cost of employee share scheme (note 18)	81,299	57,436
	4,713,140	3,967,040

Company

	2010 No	2009 No
Professional staff	4	5
Office and administration	5	5
	9	10

Staff costs for the Company, including directors

	2010 £	2009 £
Wages and salaries	461,099	466,560
Social security costs	49,082	44,971
Pension costs	19,004	36,094
Cost of employee share scheme (note 18)	81,299	57,436
	610,484	605,061

6. Interest Payable and Similar Charges

	2010 £	2009 £
Preference share dividends (note 19)	6,231	9,082
Redeemable loan note interest	32,326	37,690
Interest charge on liability component of convertible redeemable loan note	39,503	39,468
Other	39,197	270
	117,257	86,510

7. Taxation

	2010 £	2009 £
Current taxation		
United Kingdom corporation tax	534,654	425,470
Adjustment in respect of prior period	-	(1,629)
	534,654	423,841

Current tax reconciliation

	2010 £	2009 £
Profit on ordinary activities before tax	1,843,572	1,084,977
Theoretical tax at average tax rate	504,844	308,713
Effects of		
Expenses not deductible for tax purposes	12,857	94,714
Group Relief		
Depreciation in excess of capital allowances	19,428	22,317
Chargeable at marginal rate	(2,475)	(274)
Overprovision in prior year		(1,629)
	534,654	423,841

8. Intangible Fixed Assets

Group	Goodwill £
Cost	
At 1 May 2009	3,468,394
Additions	1,350,555
	4,818,949
Amortisation	
At 1 May 2009	1,719,009
Charge for the year	340,868
At 30 April 2010	2,059,877
Net book value	
At 30 April 2010	2,759,072
At 30 April 2009	1,749,385

The Company does not have any intangible fixed assets (2009 Nil)

9. Tangible Fixed Assets

Group	Computer equipment £	Office furniture and equipment £	Total £
Cost			
At 1 May 2009	714,884	491,768	1,206,652
Arising on acquisition	36,910	79,596	116,506
Additions	88,977	34,562	123,539
Disposals	-	(27,749)	(27,749)
At 30 April 2010	840,771	578,177	1,418,948
Depreciation			
At 1 May 2009	641,211	315,227	956,438
Arising on acquisition	34,357	72,330	106,687
Charge for the year	81,275	71,672	152,947
Disposals	-	(21,945)	(21,945)
At 30 April 2010	756,843	437,284	1,194,127
Net book value			
At 30 April 2010	83,928	140,893	224,821
At 30 April 2009	73,673	176,541	250,214

Company	Computer equipment £	Office furniture and equipment £	Total £
Cost			
At 1 May 2009	232,594	235,476	468,070
Additions	4,555	9,835	14,390
At 30 April 2010	237,149	245,311	482,460
Depreciation			
At 1 May 2009	212,646	133,696	346,342
Charge for the year	17,439	47,417	64,856
At 30 April 2010	230,085	181,113	411,198
Net book value			
At 30 April 2010	7,064	64,198	71,262
At 30 April 2009	19,948	101,780	121,728

10. Fixed Asset Investments

Group	Listed investments	Unlisted investments £	Total £
Cost			
At 1 May 2009	917,978	189,262	1,107,240
Additions	-	15,000	15,000
Disposals	(6)	(9,080)	(9,086)
At 30 April 2010	917,972	195,182	1,113,154
Provisions			
At 1 May 2009	178,455	18,322	196,777
Provided in the year	(171,673)	2,102	(169,571)
At 30 April 2010	6,782	20,424	27,206
Net book value			
At 30 April 2010	911,190	174,758	1,085,948
At 30 April 2009	739,523	170,940	910,463

The market value of the listed investments as at 30 April 2010 was £802,118 (2009 £630,052)

Company	Investments in Group undertakings £	Unlisted investments £	Total £
Cost			
At 1 May 2009	3,666,170	84,800	3,750,970
Additions	568,312	15,000	583,312
At 30 April 2010	4,234,482	99,800	4,334,282
Provisions			
At 1 May 2009	-	9,242	9,242
Provided in the year	-	11,182	11,182
	-	20,424	20,424
Net book value			
At 30 April 2010	4,234,482	79,376	4,313,858
At 30 April 2009	3,666,170	75,558	3,741,728

Additions to investment in group undertakings are set out in note 27 The additions to unlisted investments arose from increasing 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 30/04/10 %
N W Brown & Company Limited	Discretionary Investment Management Corporate Benefits, Pensions and Financial Planning advice Fund management	Ordinary	100	4,989,917
N W Brown Insurance Brokers Limited	Insurance broking	Ordinary	100	408,069
Freedom Insurance Services Limited	Insurance broking	Ordinary	100	85,999
NW Brown Financial Services Ltd	Corporate Benefits, Pensions and Financial Planning advice	Ordinary	100	249,025

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 and Clear Thinking solutions Limited have not traded since acquisition

11. Dividends

During the year the Company paid an interim dividend of 36p per share on 932,575 ordinary 0 01p shares amounting to £335,727 (2009 £814,223) The Company also paid a dividend of £56,170 (2009 £56,170) on the cumulative preference shares (note 19)

12. Debtors

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Trade debtors	503,107	393,426	52,653	4,740
Amounts owed by group undertakings	-	-	1,006,176	1,138,557
Directors' loans	137,234	-	137,234	-
Other debtors	236,251	72,672	127,400	45,599
Prepayments and accrued income	394,089	683,355	146,477	138,682
	1,270,681	1,149,453	1,469,940	1,327,578

Included in the amounts owed by Group undertakings is a subordinated loan of £100,000 (2009 £100,000) provided to Freedom Insurance Services Limited to support its capital requirements required by the FSA

13. Creditors: Amounts Falling Due Within One Year

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Trade creditors	818,940	813,414	29,029	36,051
Corporation tax	376,816	43,682	15,423	100,154
Other tax and social security	245,506	178,354	14,473	13,528
Other creditors	63,788	117,230	60,001	-
Accruals and deferred income	363,230	515,690	235,046	149,407
Directors' loans	87,095	-	-	-
Amounts owed to Group undertakings	-	-	695,797	724,095
	1,955,375	1,668,370	1,049,769	1,023,235

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

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Borrowings (note 15)	1,179,169	1,172,605	1,123,169	1,172,605
	1,179,169	1,172,605	1,123,169	1,172,605

15. Borrowings

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Due after more than one year				
6% redeemable loan notes 2049 (2010)	543,000	543,000	543,000	543,000
Liability component of 6% convertible redeemable loan notes 2049 (note 16)	527,205	526,702	527,205	526,702
Liability component of cumulative preference shares (note 19)	52,964	102,903	52,964	102,903
Liability component of 6% preference shares arising on acquisition	56,000	-	-	-
Total borrowings	1,179,169	1,172,605	1,123,169	1,172,605

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	527,205
Equity component	124,605
Total value of loan notes at 30 April 2010	651,810

17. Provisions for Liabilities

	Dilapidations	
	Group £	Company £
At 1 May 2009	145,706	145,706
Provided in the year	60,794	60,794
Arising on acquisition	74,000	-
At 30 April 2010	280,500	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

18. Ordinary Share Capital

	2010 £	2009 £
Authorised		
1,200,000 ordinary shares of 0 01p each	120	120
Called up, allotted and fully paid		
935,750 (2009 932,575) ordinary shares of 0 01p each	94	93

Issue/redemption of shares

Further to the exercise of share options, during the year the Company issued 3,175 ordinary shares of 0 01p each (nominal value £1) at a price of £2 10 per share giving rise to total consideration of £6,667 50 in accordance with the terms of the approved share option scheme

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

2009 cumulative	Lapsed	Exercised in year	2010 cumulative	Exercise price per share £	Date of grant
16,669	-	3,175	13,494	2 10	12 April 2001
350	-	-	350	3 60	27 July 2001
163,250	-	-	163,250	4 00	1 December 2005
180,269	-	3,175	177,094		

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 £81,299 (2009 £57,436) in relation to equity settled share-based payment transactions in the year

19. Cumulative Preference Shares

	2010 £	2009 £
Authorised		
4,000,000 cumulative preference shares of 10p each	400,000	400,000
Called up, allotted and fully paid		
1,337,390 (2006 1,337,390) cumulative preference shares of 10p each	133,739	133,739

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

	2010 £	2009 £
Liability component	52,964	102,903
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	1,163,095	1,213,034

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

	2010 £	2009 £
Capital repayment of liability component	49,939	47,088
Interest charge on liability component	6,231	9,082
	56,170	56,170

20. Profit and Loss Reserve

	Group 2010 £	Company 2010 £
At 1 May 2009	2,620,605	1,182,046
Profit for the year	1,308,918	437,377
Dividends	(335,727)	(335,727)
Share option charge	81,299	81,299
At 30 April 2010	3,675,095	1,364,994

21. 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 2009	-	267,026	257,270	124,605	976,392
Issue of ordinary shares		6,667	-	-	-
Arising on acquisition	394,043		-	-	-
At 30 April 2010	394,043	273,693	257,270	124,605	976,392

22. Reconciliation of Movements in Shareholders' Funds

Group	2010	2009
	£	£
Profit for the year	1,308,918	661,136
Dividends	(335,727)	(814,223)
Share option charge	81,299	57,436
	1,054,490	(95,651)
New shares issued – Premium	6,666	35,619
– Capital	1	1
Shares to be issued	394,043	-
Redemption of Capital	-	(24,159)
Net increase in shareholders' funds	1,455,200	(84,190)
	4,379,731	4,463,921
Opening shareholders' funds		
Closing shareholders' funds	5,834,931	4,379,731

Company	2010	2009
	£	£
Profit for the year	437,377	1,612,663
Dividends	(335,727)	(814,223)
Share option charge	81,299	57,436
	182,949	855,876
New shares issued – Premium	6,666	35,619
– Capital	1	1
Shares to be issued	394,043	-
Redemption of Capital	-	(24,159)
Net increase / (decrease) in shareholders' funds	583,659	867,337
Opening shareholders' funds	2,941,171	2,073,834
Closing shareholders' funds	3,524,830	2,941,171

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

	2010 £	2009 £
Operating profit	1,891,988	904,891
Amortisation of intangible assets	340,868	185,840
Depreciation charge	152,947	167,573
Profit/Loss on disposal of fixed assets	5,804	2,637
Loss on disposal of investment	410	-
Decrease in debtors	(83,510)	8,595
(Decrease)/ increase in creditors	(713,082)	(45,596)
(Decrease) / increase in provisions for fixed asset impairment	(160,895)	154,142
Share option charge	81,299	57,436
Increase in dilapidation provision	134,794	-
Net cash inflow from operating activities	1,650,623	1,435,518

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

	2010 £	2009 £
Increase in cash in the year	602,556	(499,340)
Cash outflow from (decrease) / increase in borrowings	(49,939)	(47,088)
Change in net funds	552,617	(546,428)
Non-cash movements	99,410	223,708
Net cash/(debt) at the beginning of the year	2,134,292	2,457,012
Net cash at 30 April	2,786,319	2,134,292

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 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Land and buildings leases expiring after less than five years	206,500	206,500	206,500	206,500
Other leases expiring within two years	7,851	-	-	-
	214,351	206,500	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

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 R Parnell provides consultancy services to the Group through HRP Consulting & Training Ltd The Group paid £22,872 in respect of these services during the year of which £1,854 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 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

J Dart, the brother of a Group director, provides compliance consultancy services to NW Brown Insurance Brokers Limited through Dart Compliance Limited The Group paid £3,300 for these services during the year There was no outstanding balance at the year end

P A 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 £1,612 during the year There was no outstanding balance at the year end

Pantaraxia Limited, a company controlled by J Goodger, provides consultancy services to the Group The Group paid him £5,750 in respect of these services during the year all of which was outstanding at the year end

At the end of the year the following loans to directors were outstanding

	Loan from Group/company		**Interest on loan**	
	2010	**2009**	**2010**	**2009**
	£	**£**	**£**	**£**
H R Parnell	51,195	-	1,195	-
P B Burke	5,000	-	-	-
J Steward	5,000	-	-	-
S Lenton	5,000	-	-	-
A F Mulligan	35,520	-	520	-
D E Evans	35,519	-	520	-

	Loan to Group/company		**Interest on loan**	
	2010	**2009**	**2010**	**2009**
	£	**£**	**£**	**£**
A F Mulligan	35,000	52,511	313	3,133
D E Evans	42,000	25,133	482	2,693
N Davies	10,095	39,338	311	3,023

27. Acquisition of Subsidiaries

The Group purchased two companies during the year for a total consideration of £568,312 of which £568,309 was in respect of the acquisition of KT Financial Services Limited, subsequently renamed NW Brown Financial Services Limited, and £3 was in respect of Clear Thinking Solutions Limited The consideration includes £394,043 for shares that will be issued subject to the satisfaction of certain performance criteria

The total adjustments downwards to the book values of the assets and liabilities of the companies required in order to present the net assets of those companies at fair values in accordance with Group accounting principles were £227,995, all of which related to NW Brown Financial Services Limited Both purchases have been accounted for as acquisitions

Acquisition of NW Brown Financial Services Limited

NW Brown Financial Services Limited contributed (£859,108) to the Group's net operating cash flows, paid £39,197 in respect of interest, received £326,109 in respect of group relief of taxation and utilised £26,704 for capital expenditure In its last financial year to September 2009, NW Brown Financial Services Ltd made a loss after tax of £5,530

The book value of the assets and liabilities were taken from the unaudited statutory accounts of DAN Holdings Ltd as at 30 September 2009 subject to the following fair value adjustments

1 – A dilapidations provision of £74,000 has been established to reflect the obligation under the building lease to restore the premises to its original condition when it is vacated

2 – A provision of £65,000 has been made for the cost of client compensation arising prior to acquisition

3 – The fair value adjustment of £88,995 for the alignment of accounting policies reflects the restatement of debtors in accordance with the Group's revenue recognition policy that commission income is not recognised until it is received

NW Brown Financial Services Limited acquisition

	Book value £	Consistency of accounting policy £	Other £	Provisional fair value £
Intangible fixed assets	446,378	-	(446,378)	-
Tangible fixed assets	4,015	-	-	4,015
Debtors	114,841	(88,995)	-	25,846
Cash at bank	(77,645)	-	-	(77,645)
Creditors	(514,492)	-	(139,000)	(653,492)
Net liabilities acquired	(26,903)	(88,995)	(585,378)	(701,276)
Goodwill				1,269,585
Consideration				568,309
Consideration satisfied by				
Shares to be issued				394,043
Cash				174,266

Acquisition of Clear Thinking Solutions Limited

The book value of the assets and liabilities were taken from the unaudited statutory accounts of Clear Thinking Solutions Ltd as at 30 September 2009 No fair value adjustments were made

	£
Net liabilities acquired	(81,967)
Cash consideration	3
Goodwill	80,970

28. Post Balance Sheet Events

On 21st June 2010 the company exchanged contracts on the acquisition of 36 Unthank Road, Norwich, the property used by NW Brown Financial Services Limited for £900,000 Associated acquisition costs will take the total cost to just below £1million The company intends to continue to occupy the building