

**Somerville Holdings Plc**

Consolidated Report and Financial Statements

Year Ended

30 June 2009

# SOMERVILLE HOLDINGS PLC

## Annual report and financial statements for the year ended 30 June 2009

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### Directors

#### Executive:

AS Cross (Chairman)  
DH Parry-Jones  
JA Calver

#### Non Executive:

D Hopwood  
MG Livingstone (appointed 20 February 2009)

### Secretary and registered office

JA Calver, Buzzards Hall, Friars Street, Sudbury, Suffolk, C010 2AA.

### Company number

4811617

### Auditor

Baker Tilly UK Audit LLP  
Abbotsgate House, Hollow Road, Bury St Edmunds, Suffolk, IP32 7FA.

## SOMERVILLE HOLDINGS PLC

### Chairman's Statement for the year ended 30 June 2009

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Somerville owns five actively trading insurance intermediaries whose results consolidate into the Somerville Holdings plc accounts.

2008/09 was both successful and challenging by reference to individual company performance, as can be seen from their individual results.

Oak is our largest trading company. From a start in 2000 it has achieved critical mass and genuinely competes on a level with its two market-dominant rivals. Brokers have a high regard for Oak and it has achieved enviable brand awareness. It has shown growth, both in new business and renewals. In the last year it has started to build a complementary family fleet motor product. This has been successful both in its own right and as a catalyst for Oak's core home insurance product for brokers and policy holders who like a portfolio approach to their insurances.

Voyager has been 90% owned by the group since September 2007. It specialises in travel insurance and similar products. In May 2008 the group bought one of Voyager's producers in a form of vertical integration. The company – CH Facilities Limited t/a Able2Travel – was absorbed into Voyager in March 2009. Voyager's core wholesale business has now been complemented as a result by niche retail business. At the same time, as part of a strategy of combining control, margin and business efficiency, greater penetration by sophisticated web optimisation techniques is being achieved at the retail end of the portfolio. The performance of Voyager has been in line with expectations.

Plum has been working hard to change its strategic direction since the end of 2007 when there was a change of vision and culture. First of all, an exercise in streamlining the binding authority portfolio has been taking place. This has resulted in a study of profitability and the costs of administration and compliance. The result of this is that the binding authority top line has reduced as a flight to quality over quantity has taken place. The bottom has been called on this portfolio and we expect steady progress from now on. At the same time, a new open market initiative has been designed and implemented from scratch. The result of this initiative hardly registers in the 2008/09 accounting year but strong performance is expected over the next few years. It has been well received by the brokers but more than that, it gives Plum closer and more timely control of its account, without the vulnerability and pressure on margins. This has necessitated substantial investment which will start to reflect itself meaningfully in the financial performance in 2010/11. The change has come at a cost but we are happy that the progress being made will deliver the results that we need over time.

Somerville Financial Services Limited is an IFA operating in the teeth of a serious economic downturn and one where financial products are the subject of intense media scepticism and increased political attention. Furthermore the FSA have heralded RDR in 2012 which will change the business models of most IFAs. Although SFS has traded below last year, and below expectations, the signs are of a turnaround this autumn and we are cautiously optimistic of a return to at least break even in the current financial year.

SMS is the group's in-house Lloyd's broker. It serves a number of purposes within the group and its income is largely generated as commission from Plum. The company has been affected by the reduction in the gross turnover of Plum and the fall in the rate charged to Plum for its services. We expect to see an improvement in 2009/10 and, in any event, the outcome for 2008/09 was in line with expectations.

## **SOMERVILLE HOLDINGS PLC**

### **Chairman's Statement for the year ended 30 June 2009 (*continued*)**

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Group investment income has been decimated, as could have been anticipated, and it is unlikely to be restored this financial year while base rates remain at such low levels.

The UK insurance market has been reasonably insulated from the financial crisis that has beset this country over the last two or three years. We are all pleased with the underlying position within the Group. Our projections are quite exciting and we have every optimism they will be achieved.

**AS Cross**  
**15<sup>th</sup> December 2009**

## SOMERVILLE HOLDINGS PLC

### Report of the directors for the year ended 30 June 2009

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The directors present their report with the audited financial statements for the year ended 30 June 2009.

#### Results and dividends

The results of the group are set out on page 8 and show the loss before taxation for the year of £287,637 (2008 – profit of £646,870). Dividends of £14,962 (2008: £Nil) were paid to minority interests.

#### Principal activities, trading review and future developments.

The principal activities of the group are the conduct of insurance agency, independent financial advice and consultancy. The company's principal activity is that of a holding company.

Trading of the group has been in line with expectations as it turns its focus towards wholesale and niche retail business.

The directors expect steady progress in the trading position of the group despite the difficult general economic climate, and budget a return to profitability.

#### Principal risks, influences and uncertainties

The risks affecting the performance of the group are:

- General competition; and
- Macro economic trends.

The directors also note that current macro economic trends are resulting in additional opportunities for the group.

#### Key performance indicators

The Board does not manage the group using specified key performance indicators.

Given the nature of the business it is the opinion of the directors that key performance indicators would not assist the understanding about the required development, performance or position of the business.

#### Directors

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

##### Executive

AS Cross (Chairman)  
DH Parry-Jones  
JA Calver

##### Non-executive

D Hopwood  
MG Livingstone – appointed 20 February 2009

#### Third part Indemnity Provision for directors

Qualifying third party indemnity provision was in place for the benefit of all directors of the company, and the directors of any subsidiary within the Somerville Holdings Plc group.

## SOMERVILLE HOLDINGS PLC

### Report of the directors for the year ended 30 June 2009 (*Continued*)

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#### **Charitable and political donations**

Charitable donations made in the year were £785 (2008 - £3,425).

#### **Creditor payment policy**

The group policy concerning the payment of suppliers does not comply with any particular code. For all suppliers it is the group's policy:

- To settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- To ensure that those suppliers are made aware of the terms of payment; and
- To abide by the terms of payment.

Group trade creditor days at the year end were 28 days (2008 – 28 days). No trade creditor days are disclosed for the company as no trade creditors existed at the year end.

Group insurance creditors are not relevant for this calculation.

#### **Directors' responsibilities**

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the financial statements comply with the requirements of 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **SOMERVILLE HOLDINGS PLC**

### **Report of the directors for the year ended 30 June 2009 (Continued)**

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#### **Auditor**

A resolution to re-appoint Baker Tilly UK Audit LLP as auditor will be put to the members at the Annual General Meeting.

#### **Statement as to disclosure of information to auditor**

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

#### **On behalf of the Board**

JA Calver  
**Secretary**

Date 15<sup>th</sup> December 2009

## SOMERVILLE HOLDINGS PLC

### Independent auditor's report to the members of Somerville Holdings Plc

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We have audited the group and parent company financial statements (the "financial statements") on pages 8 to 29. 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.

As more fully explained in the Directors' Responsibilities Statement set out on page 5, 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

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](http://www.frc.org.uk/apb/scope/UKNP).

#### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 30 June 2009 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Opinion on other matters 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

P Howard (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

Abbotsgate House

Hollow Road

Bury St Edmunds

Suffolk

IP32 7FA

Date 16<sup>th</sup> December 2009

## SOMERVILLE HOLDINGS PLC

### Consolidated profit and loss account for the year ended 30 June 2009

	Note	2009 £	2008 £
<b>Turnover</b>	2	<b>5,852,221</b>	5,763,306
Cost of sales		<b>(40,589)</b>	(11,006)
<b>Gross Profit</b>		<b>5,811,632</b>	5,752,300
Administrative expenses		<b>(6,130,845)</b>	(5,385,382)
Other operating income		<b>41,565</b>	46,588
<b>Operating (loss)/profit</b>	5	<b>(277,648)</b>	413,506
Bank interest receivable		<b>89,848</b>	269,631
Interest payable	6	<b>(57,340)</b>	(36,267)
Exceptional items:			
Loss on disposal of fixed assets		<b>(14,298)</b>	-
Redundancy costs arising from re-organisation		<b>(28,199)</b>	-
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(287,637)</b>	646,870
Taxation on (loss)/ profit on ordinary activities	7	<b>16,761</b>	(313,147)
<b>(Loss)/profit on ordinary activities after taxation</b>		<b>(270,876)</b>	333,723
Minority interests		<b>(21,997)</b>	(2,158)
<b>(Loss)/profit for the financial year</b>	19	<b>(292,873)</b>	331,565

#### Continuing Operations

The operating (loss) / profit for the year arises from the company's continuing operations.

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

The notes on pages 14 to 29 form part of these financial statements.

## SOMERVILLE HOLDINGS PLC

### Note of historical cost profits and losses

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	2009 £	2008 £
<b>Group</b>		
Reported (loss)/profit on ordinary activities before taxation	(287,637)	646,870
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	3,241	2,834
<b>Historical cost (loss)/profit on ordinary activities before taxation</b>	<u>(284,396)</u>	<u>649,704</u>
<b>Historical cost (loss)/profit for the year retained after taxation and minority interests</b>	<u>(289,632)</u>	<u>334,399</u>

## SOMERVILLE HOLDINGS PLC

### Reconciliation of movements in shareholders' funds

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	<b>2009</b>	<b>2009</b>	2008	2008
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
	<b>Group</b>	<b>Company</b>	Group	Company
Opening shareholders' funds	<b>3,428,967</b>	<b>1,551,951</b>	3,973,017	2,024,963
(Loss)/profit for the year	<b>(292,873)</b>	<b>(632,362)</b>	331,565	402,603
Shares issued in the year	-	-	4,696	4,696
Bonus issue of shares	-	-	(4,696)	(4,696)
Purchase of own shares	-	-	(875,615)	(875,615)
<b>Closing shareholders' funds</b>	<b>3,136,094</b>	<b>919,589</b>	3,428,967	1,551,951

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# SOMERVILLE HOLDINGS PLC

## Consolidated balance sheet at 30 June 2009

	Note	2009		2008	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	9		<b>3,359,768</b>		3,449,187
Tangible assets	10		<b>719,630</b>		759,569
			<u>4,079,398</u>		<u>4,208,756</u>
<b>Current assets</b>					
Debtors – falling due in one year	12	<b>3,367,983</b>		2,432,702	
– falling due in more than one year	12	<b>134,675</b>		202,155	
		<u>3,502,658</u>		<u>2,634,857</u>	
Cash at bank and in hand		<b>4,081,298</b>		5,903,033	
		<u>7,583,956</u>		<u>8,537,890</u>	
<b>Creditors: amounts falling due within one year</b>	13	<b>(6,920,865)</b>		<b>(8,413,013)</b>	
<b>Net current assets</b>			<b>663,091</b>		124,877
<b>Total assets less current liabilities</b>			<b>4,742,489</b>		4,333,633
<b>Creditors: amounts falling due after more than one year</b>	14		<b>(1,548,277)</b>		(851,465)
<b>Provision for liabilities and charges</b>	16		<b>(5,381)</b>		(7,500)
<b>Minority equity interests</b>	20		<b>(52,737)</b>		(45,701)
<b>Net assets</b>			<b>3,136,094</b>		3,428,967
<b>Capital and reserves</b>					
Called up share capital	17		<b>51,643</b>		51,643
Share option reserve	19		<b>30,012</b>		30,012
Share premium account	19		<b>409,594</b>		409,594
Capital redemption reserve	19		<b>6,500</b>		6,500
Profit and loss account	19		<b>2,288,376</b>		2,578,008
Merger reserve	19		<b>214,344</b>		214,344
Revaluation reserve	19		<b>135,625</b>		138,866
<b>Shareholders' funds</b>			<b>3,136,094</b>		3,428,967

The notes on pages 14 to 29 form part of these financial statements.

## Company balance sheet at 30 June 2009

	Note	2009		2008	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	10		511,327		556,140
Investments	11		92,000		142,000
			<u>603,327</u>		<u>698,140</u>
<b>Current assets</b>					
Debtors – falling due in one year	12	1,161,782		2,643,182	
– falling due in more than one year	12	6,284		2,663	
		<u>1,168,066</u>		<u>2,645,845</u>	
Cash at bank and in hand		30,625		-	
		<u>1,198,691</u>		<u>2,645,845</u>	
<b>Creditors: amounts falling due within one year</b>	13	(230,794)		(1,792,034)	
<b>Net current assets</b>			<u>967,897</u>		<u>853,811</u>
<b>Total assets less current liabilities</b>			<u>1,571,224</u>		<u>1,551,951</u>
<b>Creditors: amounts falling due in more than one year</b>	14		(651,635)		-
<b>Net assets</b>			<u>919,589</u>		<u>1,551,951</u>
<b>Capital and reserves</b>					
Called up share capital	17		51,643		51,643
Share option reserve	19		30,012		30,012
Share premium account	19		409,594		409,594
Capital redemption reserve	19		6,500		6,500
Profit and loss account	19		415,353		1,047,715
Revaluation reserve	19		6,487		6,487
<b>Shareholders' funds</b>			<u>919,589</u>		<u>1,551,951</u>

The financial statements were approved by the board of directors and authorised for issue on 15<sup>th</sup> December 2009 and are signed on its behalf by:

AS Cross  
Director

The notes on pages 14 to 29 form part of these financial statements.

**SOMERVILLE HOLDINGS PLC**

**Consolidated cash flow statement for the year ended 30 June 2009**

	Note	2009		2008	
		£	£	£	£
<b>Net cash (outflow)/ inflow from operating activities</b>	23		<b>(1,129,951)</b>		1,844,571
<b>Returns on investments and servicing of finance</b>					
Interest received		<b>89,848</b>		269,631	
Interest paid		<b>(50,276)</b>		(31,177)	
Interest element of finance lease and hire purchase agreements		<b>(7,064)</b>		(5,090)	
Dividends paid to minority interest		<b>(14,961)</b>		-	
<b>Net cash inflow from returns on investments and servicing of finance</b>			<b>17,547</b>		233,364
<b>Taxation</b>					
Corporation tax paid			<b>(386,299)</b>		(262,790)
<b>Capital expenditure and financial investment</b>					
Payments to acquire tangible fixed assets		<b>(89,207)</b>		(289,497)	
Receipts from sales of tangible fixed assets		<b>9,250</b>		2,107	
<b>Net cash outflow from capital expenditure and financial investment</b>			<b>(79,957)</b>		(287,390)
<b>Acquisitions and disposals</b>					
Acquisition of subsidiary undertakings		<b>(37,657)</b>		(1,096,790)	
Cost of discontinued activities		<b>(42,497)</b>		-	
Cash acquired with subsidiary undertakings		-		580,748	
			<b>(80,154)</b>		(516,042)
<b>Net cash (outflow)/ inflow before management of liquid resources and financing</b>			<b>(1,658,814)</b>		1,011,713
<b>Financing</b>					
Capital element of hire purchase payments	24	<b>(24,757)</b>		(3,133)	
New finance		<b>750,000</b>		-	
Shares repurchased		-		(875,615)	
Loan notes		<b>(89,116)</b>		-	
			<b>636,127</b>		(878,748)
<b>(Decrease)/increase in cash</b>	24		<b>(1,022,687)</b>		132,965

The notes on pages 14 to 29 form part of these financial statements.

# SOMERVILLE HOLDINGS PLC

## Notes forming part of the financial statements for the year ended 30 June 2009

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### 1 Accounting policies

#### *Basis of accounting*

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable UK accounting standards.

#### *Basis of consolidation*

The consolidated financial statements of the Group incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June each year.

All intra-group transactions, balances, and unrealised gains and losses on transactions between group companies are eliminated on consolidation.

#### *Turnover*

Turnover is recognised at the fair value of the commission receivable for the services provided in the ordinary nature of the business. Insurance commission is deemed to be earned when either a premium bordereau is received, irrespective of the inception date or period of insurance, or in the month in which the transaction takes place, according to the source of the business. Other commission and fees are recognised when they become receivable. All services are provided to external customers.

#### *Tangible fixed assets*

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

#### *Depreciation*

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Freehold property	50 years
Freehold property improvements	50 years
Leasehold property improvements	10% straight line
Computer equipment	25% - 50% straight line
Motor vehicles	25% straight line
Office equipment	15% - 25% straight line

#### *Impairment*

Fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying between the carrying value of fixed assets and their recoverable amounts, being the higher of net realisable value and value-in-use, are recognised as impairments. All impairment losses are recognised in the profit and loss account.

#### *Revaluation of properties*

The freehold property valuation is reviewed annually by the directors with formal valuations carried out by external surveyors every third and fifth year, with the surplus or deficit on book value being transferred to revaluation reserve.

## SOMERVILLE HOLDINGS PLC

### Notes forming part of the financial statements for the year ended 30 June 2009 (*Continued*)

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#### 1 Accounting policies (*Continued*)

##### *Goodwill and acquisitions*

Purchased goodwill for life and pension business is capitalised and amortised over its expected useful life of 20-50 years.

On acquisition of the goodwill and insurance contracts of a non-life and pension business the purchase consideration is often determined as a proportion of the brokerage arising on the renewal of the acquired contracts for a period of years. As the purchase consideration is contingent and is itself based on a contingent asset, neither have a value when determining the amount of the goodwill purchased, this being calculated as the excess of the fair value of the purchase consideration over the fair value of the assets acquired.

An impairment review of the recoverable amount of goodwill is undertaken at the end of the first full year following acquisition and in subsequent years where changes in circumstances indicate that the carrying value of the goodwill may not be recoverable.

##### *Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are differences between the taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

##### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

##### *Leased assets and obligations*

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

## SOMERVILLE HOLDINGS PLC

### Notes forming part of the financial statements for the year ended 30 June 2009 (*Continued*)

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#### 1 Accounting policies (*Continued*)

Rent free periods or other incentives received for entering into a lease are accounted for over the period of the lease so as to spread the benefit received over the lease term or, if shorter, the period ending when prevailing market rentals will become payable.

##### *Investments*

Investments held as fixed assets are stated at cost less provision for impairment.

##### *Insurance debtors and creditors*

The group includes subsidiary companies that act as agent in broking insurance. Notwithstanding its legal relationship with clients and underwriters, the group has followed generally accepted accounting practice by showing cash, debtors and creditors relating to insurance broking business as assets and liabilities of the group itself. This recognises that the group is entitled to retain the investment income on any cash flows arising from those transactions.

In the ordinary course of insurance broking invoices, settlement is required to be made with certain market settlement bureaux, insurance intermediaries or insurance companies on the basis of net balance due to or from them rather than the amount due to or from the individual third parties which it represents.

However, under Financial Reporting Standard 5 ('FRS5'), assets and liabilities may not be offset unless net settlement is legally enforceable and, therefore, insurance debtors and creditors are shown gross within these financial statements.

##### *Pension costs*

The group offers defined contribution pension schemes. The amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

##### *Share-based payments*

The group has applied the requirements of FRS 20 Share-based Payments.

The group has issued equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non market-based conditions.

Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

## SOMERVILLE HOLDINGS PLC

### Notes forming part of the financial statements for the year ended 30 June 2009 (Continued)

#### 2 Turnover

Turnover is derived from within the United Kingdom and from the principal activities of the group, as shown below:

	2009 £	2008 £
Insurance agency	5,417,248	5,324,663
Independent financial advice	434,973	438,643
	<u>5,852,221</u>	<u>5,763,306</u>

#### 3 Employees

	2009 £	2008 £
Staff costs consist of:		
Wages and salaries	2,892,707	2,463,244
Social security costs	325,996	264,858
Pension costs	244,283	209,957
	<u>3,462,986</u>	<u>2,938,059</u>
Average number of employees during the year:	Number	Number
Administration	46	41
Underwriting	15	14
Sales	4	4
	<u>65</u>	<u>59</u>

#### 4 Directors

Directors' emoluments consist of:

	2009 £	2008 £
Fees and remuneration for management services	487,323	237,228
Payments to defined contribution pension scheme	3,938	3,478
	<u>491,261</u>	<u>240,706</u>

The group made payments of £3,938 (2008: £3,478) to a defined contribution scheme on behalf of one director (2008: 1).

During the year the remuneration of the highest paid director was £322,573 (2008 - £91,916).

**SOMERVILLE HOLDINGS PLC**

Notes forming part of the financial statements for the year ended 30 June 2009 (*Continued*)

**4 Directors (*Continued*)**

**Share option schemes**

The directors who held share options were:

	<b>Exercise dates</b>	<b>Exercise price £</b>	<b>At 1 July 2008 £</b>	<b>Amendments to schemes in the period £</b>	<b>At 30 June 2009 £</b>
J Calver	from 2007	118.09	633	-	633
DH Parry-Jones	from 2007	52.54	9,706	-	9,706

**5 Operating (loss)/profit**

	<b>2009 £</b>	<b>2008 £</b>
This has been arrived at after charging/ crediting		
Depreciation – owned fixed assets	<b>114,610</b>	132,288
Depreciation – held under hire purchase agreements	<b>25,228</b>	21,370
Amortisation of goodwill	<b>127,076</b>	172,839
Profit on foreign exchange	<b>(6,137)</b>	(3,526)
(Profit) / loss on disposal of fixed assets	<b>(178)</b>	4,950
Auditors' remuneration – audit services	<b>80,394</b>	55,656
Auditors' remuneration – tax services	<b>15,386</b>	14,677
Auditors' remuneration – accountancy services	<b>4,877</b>	4,040
Auditors' remuneration – other services	<b>9,799</b>	9,366
Operating lease rentals – land and buildings	<b>227,894</b>	94,256
Operating lease rentals – plant and machinery	<b>15,226</b>	12,662

**6 Interest payable**

	<b>2009 £</b>	<b>2008 £</b>
Bank loans and overdrafts	<b>43,568</b>	21,146
Hire purchase contracts	<b>7,064</b>	4,889
Loan note interest	<b>6,708</b>	9,435
Interest on overdue corporation tax	<b>-</b>	797
	<b>57,340</b>	36,267

## SOMERVILLE HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 June 2009 (*Continued*)

### 7 Taxation on (loss)/profit on ordinary activities

	2009 £	2008 £
<i>Current tax</i>		
UK corporation tax	44,376	332,997
Adjustments in respect of previous periods	(62,345)	(4,680)
	<u>(17,969)</u>	<u>328,317</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	1,208	(15,763)
Effect of increased tax rate on opening liability	-	(1,626)
Adjustment in respect of previous periods	-	2,219
	<u>(16,761)</u>	<u>313,147</u>
 <i>Factors affecting current tax charge for period</i>	 <b>2009</b>	 <b>2008</b>
	<b>£</b>	<b>£</b>
(Loss)/profit on ordinary activities before tax	<u>(287,637)</u>	<u>646,870</u>
Standard rate of corporation tax in the UK	<b>28.0%</b>	29.5%
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax	<b>(80,538)</b>	190,827
Effects of:		
Income not taxable for tax purposes	<b>(1,600)</b>	(7,368)
Expenses not deductible for tax purposes	<b>73,904</b>	114,968
Change in tax rates	<b>(1,751)</b>	14,847
Difference between capital allowances and depreciation	<b>(1,789)</b>	13,922
Other short term timing differences	<b>257</b>	4,987
Adjustments to tax charge in respect of previous periods	<b>(62,345)</b>	(4,680)
Unrelieved element of tax losses	-	814
Utilised tax losses	<b>55,893</b>	-
Current tax charge for the period	<u><b>(17,969)</b></u>	<u>328,317</u>

The effect of exceptional items on the above tax charge for the year is £11,900 (2008: £nil)

### 8 Profit and loss account of Somerville Holdings Plc

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The consolidated loss for the financial period includes a loss after taxation of £632,362 (2008: Profit of £402,603), which is dealt with in the financial statements of the parent company.

# SOMERVILLE HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 June 2009 (*Continued*)

## 9 Intangible assets – purchased goodwill

	<b>Group £</b>
<i>Cost</i>	
At 1 July 2008	4,027,377
Additions	37,657
<b>At 30 June 2009</b>	<b>4,065,034</b>
<i>Amortisation</i>	
At 1 July 2008	578,190
Provision for the period	127,076
<b>At 30 June 2009</b>	<b>705,266</b>
<i>Net book value</i>	
<b>At 30 June 2009</b>	<b>3,359,768</b>
At 30 June 2008	3,449,187

## 10 Tangible fixed assets

Group	Freehold property £	Leasehold property improvements £	Plant and machinery £	Total £
<i>Cost/Valuation</i>				
At 1 July 2008	430,000	86,202	843,572	1,359,774
Additions	130,000	-	123,269	253,269
Disposals	(130,000)	-	(140,104)	(270,104)
<b>At 30 June 2009</b>	<b>430,000</b>	<b>86,202</b>	<b>826,737</b>	<b>1,342,939</b>
<i>Depreciation</i>				
At 1 July 2008	8,868	26,100	565,237	600,205
Charge for the period	8,886	7,975	122,977	139,838
Disposals	-	-	(116,734)	(116,734)
<b>At 30 June 2009</b>	<b>17,754</b>	<b>34,075</b>	<b>571,480</b>	<b>623,309</b>
<i>Net book value</i>				
<b>At 30 June 2009</b>	<b>412,246</b>	<b>52,127</b>	<b>255,257</b>	<b>719,630</b>
At 30 June 2008	421,132	60,102	278,335	759,569
			<b>2009</b>	2008
			£	£
Net book value of assets included above held under finance leases and hire purchase contracts			<b>54,766</b>	43,447

SOMERVILLE HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 June 2009 (*Continued*)

10 Tangible fixed assets (*Continued*)

Company	Freehold property £	Leasehold property improvements £	Plant and machinery £	Total £
<i>Cost/valuation</i>				
At 1 July 2008	430,000	86,202	173,911	690,113
Additions	-	-	1,851	1,851
<b>At 30 June 2009</b>	<b>430,000</b>	<b>86,202</b>	<b>175,762</b>	<b>691,964</b>
<i>Depreciation</i>				
At 1 July 2008	8,868	26,100	99,005	133,973
Charge for the year	8,886	7,975	29,803	46,664
<b>At 30 June 2009</b>	<b>17,754</b>	<b>34,075</b>	<b>128,808</b>	<b>180,637</b>
<i>Net book value</i>				
<b>At 30 June 2009</b>	<b>412,246</b>	<b>52,127</b>	<b>46,954</b>	<b>511,327</b>
At 30 June 2008	421,132	60,102	74,906	556,140

The last valuation of freehold property was carried out on 30 June 2007 on an open market value basis, assuming vacant possession, by Birchall Steel Consultant Surveyor. Freehold land and buildings purchased since 30 June 2007 are stated at cost. The next interim independent professional valuation of freehold land and buildings will be on 30 June 2010. The directors do not believe that there is a material difference between open market value of the property at 30 June 2009 and the net book value reported in these financial statements, although it is very difficult to obtain an accurate valuation in this current property market. If freehold land and buildings were stated at cost they would be stated as shown below:

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Net book value	<b>276,621</b>	282,266	<b>409,000</b>	414,645
Accumulated depreciation	<b>11,679</b>	6,034	<b>14,375</b>	8,730

## SOMERVILLE HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 June 2009 (*Continued*)

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### 11 Fixed asset investments

Shares in subsidiary undertakings:

	£
<i>Cost</i>	
At 1 July 2008 and <b>30 June 2009</b>	<b>142,000</b>
	<hr/>
<i>Provision for impairment</i>	
Charge for the year	<b>50,000</b>
	<hr/>
<b>At 30 June 2009</b>	<b>50,000</b>
	<hr/>
<i>Net book value</i>	
<b>At 30 June 2009</b>	<b>92,000</b>
	<hr/>
At 30 June 2009	<b>142,000</b>
	<hr/>

#### *Subsidiary undertakings*

The following were subsidiary undertakings at the end of the period and have all been included in the consolidated financial statements. The country of incorporation and principal place of business for all group companies is England. The proportion of voting rights and ordinary share capital held in all companies was 100%, with the exception of Voyager Insurance Services Limited and Able2Travel Limited, which were 90%.

<b>Name</b>	<b>Nature of business</b>
Somerville Broking Limited	Intermediate holding company
Somerville Underwriting Holdings Limited	Intermediate holding company
Somerville Market Solutions Limited	Lloyd's insurance agents
Somerville Financial Services Limited	Independent financial adviser
Plum (Home) Limited	Underwriting managers
Oak Underwriting Plc	Underwriting agents
Acorn Underwriting Limited	Dormant
Personal Lines Underwriting Management Limited	Dormant
Azure Insurance Services Limited	Dormant
Voyager Insurance Services Limited	Insurance brokers
C.H. Facilities Limited	Dormant
Able2Travel Limited	Dormant

## SOMERVILLE HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 June 2009 (Continued)

### 12 Debtors

	<b>Group 2009 £</b>	Group 2008 £	<b>Company 2009 £</b>	Company 2008 £
Insurance debtors	<b>2,902,162</b>	2,234,764	-	-
Amounts owed by group undertakings	-	-	<b>1,152,935</b>	2,634,432
Prepayments and accrued income	<b>277,154</b>	144,530	<b>8,847</b>	8,186
Corporation tax	<b>20,322</b>	-	-	-
Deferred tax asset (note 15)	<b>25,047</b>	26,255	<b>6,284</b>	2,663
Other debtors	<b>277,973</b>	229,308	-	564
	<b>3,502,658</b>	2,634,857	<b>1,168,066</b>	2,645,845

Included above are the following balances due in more than one year:

Deferred tax asset (note 15)	<b>25,047</b>	26,255	<b>6,284</b>	2,663
Other debtors	<b>109,628</b>	175,900	-	-
	<b>134,675</b>	202,155	<b>6,284</b>	2,663

### 13 Creditors: amounts falling due within one year

	<b>Group 2009 £</b>	Group 2008 £	<b>Company 2009 £</b>	Company 2008 £
Bank loans (secured)	<b>98,365</b>	-	<b>98,365</b>	-
Overdraft (secured)	-	799,048	-	799,048
Loan notes	<b>80,000</b>	89,000	-	-
Trade creditors	<b>145,929</b>	73,660	<b>72,898</b>	-
Insurance creditors	<b>5,891,719</b>	6,310,526	-	-
Amounts owed to group undertakings	-	-	-	913,656
Obligations under hire purchase contracts (secured)	<b>25,476</b>	17,894	-	-
Corporation tax	-	383,946	-	-
Other taxes and social security	<b>91,710</b>	72,473	<b>8,844</b>	10,358
Other creditors	<b>64,604</b>	348,029	-	38,204
Accruals	<b>523,062</b>	318,437	<b>50,687</b>	30,768
	<b>6,920,865</b>	8,413,013	<b>230,794</b>	1,792,034

Bank loans and overdrafts are secured by a fixed and floating charge across all assets of the group.

Hire purchase liabilities are secured on the underlying assets.

**SOMERVILLE HOLDINGS PLC**

Notes forming part of the financial statements for the year ended 30 June 2009 (*Continued*)

**14 Creditors: amounts falling due after more than one year**

	<b>Group 2009 £</b>	Group 2008 £	<b>Company 2009 £</b>	Company 2008 £
Obligations under hire purchase contracts (secured)	<b>25,188</b>	23,465	-	-
Bank loans (secured)	<b>651,635</b>	-	<b>651,635</b>	-
Loan notes	<b>747,884</b>	811,000	-	-
Other creditors	<b>123,570</b>	17,000	-	-
	<b><u>1,548,277</u></b>	<u>851,465</u>	<b><u>651,635</u></b>	<u>-</u>

Bank loans are secured by a fixed and floating charge across all assets of the group.

Hire purchase liabilities are secured on the underlying assets.

Amounts payable as follows:

	Obligations under hire purchase obligations £	Loan notes £	Bank loans £	Other creditors £
<b>2009</b>				
Amounts payable:				
Within one year	<b>25,476</b>	<b>80,000</b>	<b>98,365</b>	<b>64,604</b>
Within one to two years	<b>25,188</b>	<b>300,000</b>	<b>207,038</b>	<b>123,570</b>
Within two to five years	-	<b>447,884</b>	<b>444,597</b>	-
	<b><u>50,664</u></b>	<b><u>827,884</u></b>	<b><u>750,000</u></b>	<b><u>188,174</u></b>
<b>2008</b>				
Amounts payable:				
Within one year	17,894	89,000	-	348,029
Within one to two years	17,894	100,000	-	17,000
Within two to five years	5,571	711,000	-	-
	<u>41,359</u>	<u>900,000</u>	<u>-</u>	<u>365,029</u>

## SOMERVILLE HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 June 2009 (*Continued*)

### 15 Deferred taxation

	<b>Group 2009</b>	Group 2008	<b>Company 2009</b>	Company 2008
	£	£	£	£
Balance at 1 July 2008	(26,255)	(13,379)	(2,663)	2,008
Acquired with subsidiary undertakings	-	2,293	-	-
Transfer to profit and loss account	<b>1,208</b>	(15,169)	<b>(3,621)</b>	(4,671)
	<u>(25,047)</u>	<u>(26,255)</u>	<u>(6,284)</u>	<u>(2,663)</u>
Balance at 30 June 2009	<b>(25,047)</b>	(26,255)	<b>(6,284)</b>	(2,663)

Provision for deferred tax has been made as follows:

	<b>Group 2009</b>	Group 2008	<b>Company 2009</b>	Company 2008
	£	£	£	£
Short term timing differences	(1,742)	(762)	-	-
Difference between capital allowances and depreciation	(23,305)	(20,915)	(6,284)	(2,579)
Tax losses	-	(4,578)	-	(84)
	<u>(25,047)</u>	<u>(26,255)</u>	<u>(6,284)</u>	<u>(2,663)</u>
Asset at 30 June 2009	<b>(25,047)</b>	(26,255)	<b>(6,284)</b>	(2,663)

### 16 Provisions

<i>Administration costs of insurance claims provision</i>	<b>Group 2009</b>	Group 2008
	£	£
At 1 July 2008	7,500	-
Acquired with subsidiary undertaking	-	19,759
Movement during the year	(2,119)	(12,259)
	<u>5,381</u>	<u>7,500</u>
Provision at 30 June 2009	<b>5,381</b>	7,500

### 17 Called up share capital

	<b>2009</b>	2008
	£	£
<i>Authorised</i>		
ordinary shares of £1 each	<b>53,447</b>	53,447
	<u>53,447</u>	<u>53,447</u>
<i>Allotted, called up and fully paid</i>		
ordinary shares of £1 each	<b>51,643</b>	51,643
	<u>51,643</u>	<u>51,643</u>

## SOMERVILLE HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 June 2009 (Continued)

### 18 Share based payments

Under the schemes listed below, options have been granted to subscribe for the following number of additional ordinary shares of £1 each in the capital of the company.

The options outstanding at 30 June 2009 for which a share based payment charge of £nil (2008 - £nil) are as follows:

Scheme number	Number of shares outstanding	Number exercised in the year	Exercise price per share	Date option exercisable	Estimated fair value of share option
1	9,706	-	£52.54	from 2007	£57.80
2	2,751	-	£35.00	from 2007	£11.62
3	633	-	£118.09	from 2007	£1.66

The fair value of options has been calculated using the "Black-Scholes" model and the assumptions used in the share-based payments calculations are as follows:

Scheme number	1	2	3
Share price at date of grant	10.42	27.98	27.98
Expected life	3 years	10 years	10 years
Expected volatility	10%	25%	25%
Risk free interest rate	5.00%	5.00%	5.00%

All share options vest immediately upon date of grant.

### 19 Reserves

Group	Share option reserve £	Capital redemption reserve £	Revaluation reserve £	Merger reserve £	Share premium account £	Profit and loss account £
At 1 July 2008	30,012	6,500	138,866	214,344	409,594	2,578,008
Loss for the period	-	-	-	-	-	(292,873)
Transfer	-	-	(3,241)	-	-	3,241
<b>At 30 June 2009</b>	<b>30,012</b>	<b>6,500</b>	<b>135,625</b>	<b>214,344</b>	<b>409,594</b>	<b>2,288,376</b>

  

Company	Share option reserve £	Capital redemption reserve £	Revaluation reserve £	Share premium account £	Profit and loss account £
At 1 July 2008	30,012	6,500	6,487	409,594	1,047,715
Loss for the period	-	-	-	-	(632,362)
<b>At 30 June 2009</b>	<b>30,012</b>	<b>6,500</b>	<b>6,487</b>	<b>409,594</b>	<b>415,353</b>

The merger reserve of the group relates to the acquisition of Somerville Market Solutions Limited, Somerville Financial Services Limited and Plum (Home) Limited for which the consideration included the issue of shares.

## SOMERVILLE HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 June 2009 (Continued)

### 20 Minority interests

Group	2009 £	2008 £
Equity minority interests' share of net assets of subsidiary	<u>52,737</u>	<u>45,701</u>

### 21 Pensions

The group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group to the funds of £244,283 (2008 - £209,957).

At the year end £16,910 (2008 - £12,087) of contributions had not been paid and these are accounted for as a creditor, within accruals and deferred income, and have all been paid by the due date since the year end.

### 22 Operating lease commitments

As at 30 June 2009, the company and the group had the following annual commitments under non-cancellable operating leases:

Group	Land and buildings 2009 £	Land and buildings 2008 £	Other 2009 £	Other 2008 £
Operating leases which expire:				
Within one year	17,777	-	-	5,571
Between two and five years	25,565	20,000	3,351	7,454
In more than five years	122,527	131,987	-	-
	<u>165,869</u>	<u>151,987</u>	<u>3,351</u>	<u>13,025</u>
<b>Company</b>				
Operating leases which expire:				
In less than two years	-	-	-	-
Between two and five years	-	-	363	363
In more than five years	122,527	122,527	-	-
	<u>122,527</u>	<u>122,527</u>	<u>363</u>	<u>363</u>

## SOMERVILLE HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 June 2009 (*Continued*)

### 23 Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities

	2009 £	2008 £
Operating (loss)/profit	(277,648)	413,506
Depreciation, amortisation and profit on disposal of fixed assets	281,034	331,447
(Increase)/decrease in debtors	(848,687)	148,355
(Decrease)/increase in creditors	(282,531)	951,263
Decrease in provisions	(2,119)	-
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(1,129,951)</b>	<b>1,844,571</b>

### 24 Analysis of net funds

	At 30 June 2008 £	Cash Flow £	Non Cash Flow £	At 30 June 2009 £
Cash at bank and in hand	5,903,033	(1,821,735)	-	4,081,298
Overdrafts	(799,048)	799,048	-	-
	5,103,985	(1,022,687)	-	4,081,298
Hire purchase contracts	(41,359)	24,757	(34,062)	(50,664)
Loan notes due within one year	(89,000)	89,116	(80,116)	(80,000)
Loan notes due in more than one year	(828,000)	-	80,116	(747,884)
Bank loan due within one year	-	(98,365)	-	(98,365)
Bank loan due in more than one year	-	(651,635)	-	(651,635)
<b>Total</b>	<b>4,145,626</b>	<b>(1,658,814)</b>	<b>(34,062)</b>	<b>2,452,750</b>

## SOMERVILLE HOLDINGS PLC

Notes forming part of the financial statements for the year ended 30 June 2009 (*Continued*)

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### **25 Related party transactions**

The group and company have taken advantage of the exemption conferred by Financial Reporting Standard 8 not to disclose related party transactions which occurred during the year with other group companies included in the group's consolidated financial statements.

The company has provided a cross guarantee to the group bankers in relation to group finance facilities. At the year end the maximum debt owed by a group company under this facility was £750,000 (2008 - £799,048).

### **26 Ultimate controlling party**

The ultimate controlling party is AS Cross by virtue of his majority share holding.

### **27 Change of accounting estimate**

During the year the Group revised the life of its goodwill on acquisitions to take account of changing market conditions. The effect of this is a decrease in the amortisation charge for the year by £74,293.