

# NW Brown Group Limited

## Annual Report

Year ended 30 April 2017

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## Company Information

Directors	R M Jeffries - Chairman P B Burke M W Johnson C D R Manktelow L Turner O W Phillips
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 Bank plc Cater Allen Private Bank Svenska Handelsbanken AB The Royal Bank of Scotland Group Natwest Bank

**NOTICE IS HEREBY GIVEN** that the 2017 Annual General Meeting of the NW Brown Group Limited will be held at Richmond House, 16-20 Regent Street, Cambridge, CB2 1DB on Friday 1 September 2017 at 12 noon.

For the purpose of transacting the following business:

As ordinary business:

1. To receive the Directors' report and financial statements for the year ended 30 April 2017.
2. 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,
3. 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.

### NOTE

It is the intention of the Board to declare an interim dividend on 31 October 2017. Subject to final confirmation as to the amount and no adverse events causing reconsideration your Board expects this to be about 75p per share. The ex-dividend date will be 30 September 2017.

### NOTICE:

To the holders of Ordinary Shares:

Any member entitled to attend and vote at the meeting may appoint a Proxy to attend and vote on their behalf. In order for proxies to be valid they need to be sent to the registered office up to 48 hours before the meeting.

A proxy need not be a member of the Company.

Shareholders intending to attend are invited to tell the Company in advance by email to [Ros.Hall@nwbrown.co.uk](mailto:Ros.Hall@nwbrown.co.uk)

## Chairman's Statement

In many ways, the Group is in the best shape it has ever been. We have a strong team. We are profitable, with a robust balance sheet and sizeable cash reserves. As shareholders, you may feel your Board has done a reasonable job but we must and should not simply pat ourselves on the back for a job well done; there are many and difficult challenges ahead. You will read how we are planning to tackle these below in the Chief Executive's report.

In recent years the Group has become much simpler with the sale of Insurance Brokers and the divestment of Freedom Insurance Services Limited. We now have only one operating subsidiary, NW Brown & Company, which is a combination of our previously separate Financial Planning (incorporating Pensions and Risk Benefits) and Investment Management companies. All day to day operational decisions are now devolved to the Board of NW Brown & Company through which all our regulated activities are conducted. The Group continues to exist as a holding company as this is convenient for regulatory purposes but, as the only substantial asset outside the regulated company is our Norwich property, the main role of your directors now is to consider strategy, to plan for the future and to hold the operating company board to account as its sole shareholder. The first stage of this devolution strategy was the appointment of Oliver Phillips as Chief Operating Officer from 1 May 2016. Oliver, who joined the Group in 2005 as an Investment Manager, took over all operational aspects a year ago and from May 1 this year has taken the position of Chief Executive of the regulated company. The Chief Executive's report outlines Oliver's plans for the future of the business and some of the organisational changes he has made. The direction of travel continues to be to try to offer a seamless service to our clients as efficiently as possible. Nowadays we tend to refer to ourselves increasingly as Wealth Managers rather than as Financial Planners and Investment Managers. Oliver's reforms are all aimed at bringing the different parts of the firm closer together and shareholders will notice this in our literature, in our reports and perhaps most of all in our new website.

As part of this process there have also been changes in our internal organisation. Colin Manktelow continues to lead our Investment Management department with the support of Trina Yates as co-head of the department. Paul Fox has been earmarked as the future head of Financial Planning, Lyn Turner will become the head of Employee Benefits and Oliver Phillips will lead our IPS offering. These appointments allocate responsibility for our main functional lines to an individual with the expectation that this will help bring an integrated approach to each area.

Kate Miller has been appointed to the NW Brown Group and the NW Brown & Company boards as a non-executive director subject to FCA consent. She brings extensive City experience of the wealth management industry to complement the existing Board.

My statement would be incomplete without paying tribute to the work of our retiring Group Chief Executive, Marcus Johnson, whose considerable input over the last 12 years has done much to build on the early success of the Group under Nigel Brown and its founding fathers. Marcus' fierce intellect, his ability to think laterally and his deep-seated commitment to seeing the Group succeed have hugely benefited NW Brown. Marcus continues to be deeply involved in the Group as a major shareholder and as Deputy Chairman but I shall take this opportunity on your behalf to thank him for his contribution as Chief Executive. I know he has enjoyed it enormously and we look forward to him continuing to influence your business as Chairman of NW Brown & Company.

Mark Jeffries  
Chairman

## Chief Executive's Report on the Year

When the Board designated me as the person to succeed Marcus Johnson I took as my first priority a smooth transition. I am determined to ensure that we continue to build upon a business that is today both resilient and profitable. Over the last few months and prior to assuming my new position I have spent a good deal of time reflecting on our strengths as a firm:

- Our clients value our focus on timely, clear, straightforward advice and management, delivered through excellent, personal service
- We have a motivated team of very talented people
- We are well-positioned in Cambridge and Norwich as a significant player in two affluent cities
- With technology challenging whole sections of our industry, our focus on developing new and existing systems, particularly our online client portal, offers many opportunities for both greater efficiency and growth

Today you as shareholders can see an NW Brown that is more focussed than it has ever been. We have a business now that is concentrated entirely on wealth management (the powerful 'joined up' combination of financial planning and discretionary investment management), and employee benefits (a broad suite of advice to companies, with frequent emphasis on company pension schemes and group risk).

Turning to the results for the year, our accounts show overall profitability to be broadly the same as last year, although within this total the picture is mixed.

Investment Management reported robust figures, supported by a strong market and an inflow of funds under management. At year end, our funds under discretionary management were standing at £832m (2016: £706m). The single fastest growing area of our discretionary managed business is within our Investment Portfolio Service (IPS), which has grown from under £40m in 2015, to over £60m in 2016 and is now over £80m today. We continue to develop this offering, which is aimed mainly at smaller clients but suitable for almost any investor, with a view to streamlining the administrative side of the service and freeing up our people to concentrate on looking after clients. We have also seen a steady flow of new business into the higher value bespoke investment management service.

Financial Planning remains at the heart of why a typical client comes to us initially and remains with us for the long term. Attempts by successive governments to simplify legislation around pensions, tax efficient investments and individual taxation have had largely the opposite effect and never has the need been greater for timely, clear, straightforward financial advice. Almost every initial enquiry will have its roots in one of these three areas and this is why we think of our financial planners as the 'front door' to our wealth management business. Indeed it is worth noting that while I have referred to investment management and financial planning separately for the purposes of continuity and clarity, our clients make far less of a distinction between the disciplines. We continue to coordinate the work we do for our clients in the interests of providing the rounded financial advice they want and need. This includes making further improvements to our systems and processes within financial planning with the firm aim of achieving at least a break even result. We will also likely extend and grow the financial planning side of the business, hiring only those who enhance the 'gene pool'.

In Employee Benefits, we continue to be profitable within the headline areas of company pension schemes and group risk, with the former having seen an exceptional increase in workload during the last year because of the impact of auto-enrolment on all firms. We see a great opportunity to grow our corporate business. Cambridge continues to attract many new and established businesses and we will look to start conversations with them as they arrive. Norwich is thriving too and we feel that our influence there is growing. In much the same way as we have 'joined up' our wealth management business, we are looking to do the same with our employee benefits offering to ensure that our corporate clients have the opportunity to benefit from both of the main aspects of our service.

We face many challenges: the competitive landscape is not getting any easier; our costs are rising, particularly in the ever-rising tide of regulation; we live with an uncertain political backdrop, at home and abroad. Our answers to the challenges are simple: each of us must work harder on getting our message 'out there'; we must never stop challenging the way that we do things or ways to improve our clients' experience with us; we must focus, every time we interact with a client, on what we can do to ensure that they go away happy. These are the foundations on which our company has been built; it is just the context that has changed.

When I took up this role I spoke to all of our staff and told them with absolute certainty, from my own experience and that of others in the firm who have been here longer than my twelve years, that we have today the best group of people that we have ever had. I thank them all for their hard work in bringing us to this point.

We have a high quality business, with high quality clients. In an uncertain world, this will endure and grow if we continue to focus on giving our clients a seamless, 'joined up', efficient and personal wealth management service, delivered with an integrity that some competitors may lack, and our corporate clients the same efficient and responsive individual service.

## Strategic Report

A discussion of the firm's strategy is to be found in the Chairman's Statement. Other matters on which we are mandated to report appear below and the current direction of the firm is further discussed in the report from the Chief Executive.

### Principal risks

The principal risks facing the company are outlined below. A growing risk, and one that the Board takes seriously, is that of financial crime and particularly cybercrime. Fraudster's tactics are constantly evolving and becoming more sophisticated and so must our efforts to recognise and avoid these attempts to extract value from the Group and its clients. Our employees need to be highly vigilant and we have strict procedures which should be followed to safeguard our clients', and our own, funds against such attempts. We have also invested in the latest technology to further bolster ourselves against the risk of third party fraud.

### Financial and non-financial KPIs

The key financial performance indicators are turnover, profit and net assets. Further commentary on the performance in the year is in the Chief Executive's report.

At 30 April 2017 the Group's employees were broken down by gender as follows:

	Male	Female
Directors of the Group	5	1
Employees in other senior positions	4	3
Other employees of the Group	31	33
Total	40	37

### Business review and principal activities

The principal activities of the Group are:

- Discretionary investment management;
- Pension, administration and advice on employee benefits, mortgages and financial planning;

The principal activity of the Company is the provision of central administration facilities and finance to its subsidiary companies. A review of the Group's business and future developments is included in the Chief Executive's Report on the Year. Your Board is confident that the results and prospects demonstrate that your Group is in good health and well able to cope with the business it has and expects to gain. The growth is controlled and in businesses we well understand.

### Principal Risks

The main risks to this satisfactory situation continuing are anything which diminishes our high standing, and particularly a major long-term fall in the value of UK stock markets and claims against the company resulting therefrom, any severe misjudgements by your Board on acquisition strategy, losses caused by successful new entrants in to the local market or unexpected liabilities created by advice or actions which seemed innocuous at the time. Financial crime is a growing threat. We are also exposed to the risk of fraud directly or indirectly by virtue of our activities in financial markets and insurance. We believe we are better than most in the effectiveness of our controls but we can never relax and say we are 100% safe. The best protection for our clients and shareholders will always be a well-motivated and trusted Group of employees who take pride in their jobs. 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 large rise in staff turnover, a rise in complaints or a decrease in client numbers or average size. We monitor these factors. In the last year we have seen a 73% decrease (2016: 4% increase) in the level of complaints and a broadly similar level of staff turnover. We have seen an increase in average client size within Investment Management and an increase in client numbers. This is consistent with our aim of moving upmarket. Overall turnover is higher than last year in Investment Management, but lower than last year in Financial Planning and Corporate Benefits.

### Other risks

The Group also owns various financial assets including equities, cash, 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 retained equity. The principal credit risks arise from the Group's loans made to former subsidiaries and from trade debtors. To manage credit risk the directors regularly monitor the performance of the companies it has lent money and the ageing debtors. The nature of our business requires us to use electronic data in many forms to deal, record and communicate. It is a reality of the modern world that every

day we are exposed to attempted breaches of our electronic defences and sometimes (but so far almost to an insignificant extent) these will succeed. We constantly improve our defences but the attacks get more numerous and more sophisticated and there is a risk that one day we suffer damage as a result.

## Outlook

The Board's overall view of prospects for our key markets is broadly positive, notwithstanding stock market volatility and ever increasing regulatory constraints. Investment Management is still attracting clients who want personal service and want to feel their assets are being prudently looked after. To keep our income at stable levels we must find new clients every year. We are actively expanding our Financial Planning activities, which is perhaps a leap of faith but we believe we are addressing the problems and this area should become more economic as we expand. It is our front door to new business and our acquisition of teams from other firms should be seen in this context. 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 FCA to disclose (BIPRU 11.3.1), is that the capital we currently have is more than required to cover all anticipated growth and any likely acquisitions for the foreseeable future. The last review was in March 2017. While our shareholders funds have increased, we have also increased our estimated capital requirement such that there has been a marginal decrease in our surplus capital. Your Board continues to believe that a dividend policy of distributing half our adjusted post tax profits is both prudent and maintainable, and reinforces our commitment to profit sharing with those who work for us.

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 try both to move further up market where clients who can afford to pay us will get good value from our expertise, and to supply clients with similar needs at lower marginal cost. Better systems and high quality staff will enable us to meet this challenge. We believe we offer in Cambridge a regional source of financial expertise second to none. Our intention has been to emulate this in Norwich and we believe that we have established a firm base on which we can do this. Shareholders are invited to visit Pembroke House, our Norwich premises, which has been restored to its Victorian splendour in part and made a modern attractive office in other parts. We intend to make it the vibrant hub of a top of the market investment and financial services operation over coming years and have made definite progress in this direction over the last 12 months.

Your Board is confident that with skilled staff and our existing network of contacts we are in a very good position to achieve our ambitions. Our staff are the only reason we prosper and we have spent much time looking at ways to help all employees feel part of the firm and to feel that their contribution is valued. A part of this is an explicit commitment to profit sharing. We continue to look at other ways of expressing the appreciation that we the Board feel for the efforts of every member of staff who helps make the Company an enjoyable and rewarding place to work. Many staff are shareholders and we continue to encourage this by facilitating the purchase and sale of shares by employees and by offering all staff loans to finance a stake in the Company. On your behalf we place here on record the appreciation of the Company for the extraordinary efforts put in by many employees to the high quality service which is our hallmark.

## Our Social Commitment

Your Board recognises the value of reporting the Group's contribution to the Treasury.

	PAYE & NI (£)	Corporation tax (£)	VAT (£)
2017	1,182,693	477,993	1,043,231
2016	1,218,908	672,747	959,855

## Our Green Commitment

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

	Electricity (kWh)	Gas (kWh)	Water (cubic metres)	No. Employees	Energy usage per head (KWh)	Water usage per head (cubic metres)
2017	165,535	81,398	1,189	78	3,119	15.24
2016	99,630	73,381	1,221	107	1,617	11.41

*NW Brown Group Limited*

Our electricity consumption in the Cambridge office has increased significantly since last year. We were aware of a possible increase in consumption following the installation of air conditioning and heating units on one floor of the building. The increase in usage is not commensurate with the expected additional usage and so is under investigation.

**Approval**

The strategic report was approved by the Board on 17 July 2017 and signed on its behalf by:

O W Phillips  
Director

## Directors' Report

The directors present their report and the audited financial statements for the year ended 30 April 2017.

### Dividends

During the year the Company paid an interim dividend of 31p per share on 1,479,659 ordinary 0.01p shares amounting to £458,694. In the prior year the company paid two interim dividends. The first of 62p per share on 1,129,299 ordinary 0.01p shares amounting to £700,165. The second of 30p per share on 1,480,159 ordinary 0.009p shares amounting to £444,048. The Company also paid a dividend of £nil (2016: £176,716) on the cumulative preference shares.

We expect to pay an interim dividend on 31 October. Subject to final confirmation as to the amount and no adverse events causing reconsideration your Board expects this to be about 75p per share. Dividends on ordinary shares of £1,476,659 (2016 : £1,144,213) 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 who had beneficial and family interests in the shares of the company at 30 April are as follows:

	Ordinary shares	
	At 30 April 2017 No.	At 30 April 2016 No.
P B Burke	30,437	33,637
M W Johnson	600,710	543,371
C D R Manktelow	87,526	87,526
L Turner	28,176	30,086
O W Phillips	42,290	42,290
R M Jeffries	-	-

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						
	2016 cumulative	Issued in the current year	Lapsed in current year	Exercised in year	2017 cumulative	Exercise price per share £	Date of grant
P B Burke	3,333	-	-	-	3,333	5.36	1 Apr 2013
C D R Manktelow	20,000	-	-	-	20,000	5.36	1 Apr 2013

The share options exercisable at £5.36 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.



### **Statement of directors' responsibilities for the financial statements**

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the parent company and of the Group and the profit or loss of the parent company and of the Group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company and Group's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the parent company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

### **Auditors**

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

### **Approval**

The report of the directors was approved by the Board on 17 July 2017 and signed on its behalf by:

O W Phillips  
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 2017 which comprise the Consolidated Profit and Loss account, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of changes in equity, the consolidated Statement of cash flows, 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) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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 Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **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 2017 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 matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with those financial statements; and
- The Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

### **Matter on which we are required to report under the Companies Act 2006**

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Report of the Directors.

### **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.

#### **Alison Seekings**

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

**Cambridge**

## Consolidated Profit and Loss Account

For the year ended 30 April 2017

	Note	2017 Total	2016 Continuing operations	Discontinued operations	Total
		£	£	£	£
<b>Turnover</b>	5	7,631,452	7,265,715	1,554,059	8,819,774
<b>Administrative expenses</b>		(5,352,225)	(5,333,624)	(1,410,152)	(6,743,776)
<b>Other operating income</b>		307,288	349,711	-	349,711
<b>Operating profit</b>	6	2,586,515	2,281,802	143,907	2,425,709
Sale of subsidiary		-	516,220	-	516,220
Interest receivable		35,657	36,767	-	36,767
<b>Profit on ordinary activities before taxation</b>		2,622,172	2,834,789	143,907	2,978,696
Tax on profit on ordinary activities	9	(337,102)	(417,573)	(15,104)	(432,677)
<b>Profit for the year</b>		2,285,070	2,417,216	128,803	2,546,019
Total comprehensive income wholly attributable to the owners of the parent company		2,285,070			2,546,019

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 2017

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Intangible assets	11	306,313	530,293
Tangible assets	12	1,278,824	1,227,224
Investments	13	1,517,328	1,657,809
		<hr/>	<hr/>
		3,102,465	3,415,326
		<hr/>	<hr/>
Debtors: amounts falling due after more than one year	16	2,308,545	2,719,926
<b>Current assets</b>			
Debtors: Amounts due in less than a year	15	2,636,324	2,602,818
Cash at bank and in hand		8,337,995	5,615,777
		<hr/>	<hr/>
		10,974,319	8,218,595
<b>Creditors: amounts falling due within one year</b>	17	(1,729,104)	(1,492,065)
<b>Deferred tax</b>	10	(23,807)	(20,316)
		<hr/>	<hr/>
		(1,752,911)	1,512,381
<b>Net current assets</b>		9,221,408	6,706,214
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		14,632,418	12,841,466
<b>Creditors: amounts falling due after more than one year</b>	18	-	(56,000)
<b>Provisions for liabilities</b>	20	(210,000)	(210,000)
		<hr/>	<hr/>
<b>Net assets</b>		14,422,418	12,575,466
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Ordinary share capital	21	133	133
Capital redemption reserve		390,361	390,361
Share premium account		1,970,359	1,970,359
Special reserve		976,392	976,392
Profit and loss reserve		11,085,173	9,238,221
		<hr/>	<hr/>
<b>Total shareholders' funds</b>		14,422,418	12,575,466
		<hr/>	<hr/>

These financial statements were approved by the Board on 17 July 2017 and signed on its behalf by:

O W Phillips, Director

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

Company number 3917262

## Company Balance Sheet

30 April 2017

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Tangible assets	12	227,464	168,048
Investments	13	2,718,817	2,963,810
		<u>2,946,281</u>	<u>3,131,858</u>
Debtors: amounts falling due after more than one year	16	2,142,944	2,535,126
<b>Current assets</b>			
Debtors: Amounts due in less than a year	15	5,881,726	4,234,885
Cash at bank and in hand		378,161	66,985
		<u>6,259,887</u>	<u>4,301,870</u>
<b>Creditors: amounts falling due within one year</b>	17	<u>(294,712)</u>	<u>(256,791)</u>
<b>Net current assets</b>		<u>5,965,175</u>	<u>4,045,079</u>
<b>Total assets less current liabilities</b>		11,054,400	9,712,063
<b>Provisions for liabilities</b>	20	<u>(210,000)</u>	<u>(210,000)</u>
<b>Net assets</b>		<u>10,844,400</u>	<u>9,502,063</u>
<b>Capital and reserves</b>			
Ordinary share capital	21	133	133
Capital redemption reserve		390,361	390,361
Share premium account		1,970,359	1,970,359
Special reserve		976,392	976,392
Profit and loss reserve		7,507,155	6,164,818
		<u>10,844,400</u>	<u>9,502,063</u>

The parent Company made a profit of £1,787,415 for the period.

These financial statements were approved by the Board on 17 July 2017 and signed on its behalf by:

O W Phillips  
Director

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

Company number            3917262

## Consolidated Statement of Cash Flows

Year ended 30 April 2017

	2017 £	2016 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	2,229,070	2,428,913
Adjustments for		
Adjustment on disposal of subsidiary	-	455,170
Amortisation of intangible assets	223,980	242,191
Depreciation of tangible assets	123,947	132,311
Movement in fair value of investments	(57,829)	137,740
Written off investments	(56,000)	-
Taxation	337,102	549,783
Interest received	(35,657)	(36,767)
Increase in provisions	-	(23,250)
Decrease in trade and other debtors	377,875	218,388
Increase in trade creditors	237,034	102,387
Share option charge	26,346	58,910
	<hr/>	<hr/>
Cash from operations	3,461,868	4,265,776
Income taxes paid	(333,606)	(672,747)
	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>	3,128,262	3,593,029
<b>Cash inflows from investing activities</b>		
Interest received	35,657	36,767
Payments to acquire investments	(1,435)	(44,792)
Receipts from sale of investment	199,745	100,796
Purchase of tangible assets	(175,547)	(119,181)
Purchase of intangible assets	-	(375,000)
Proceeds from disposal of subsidiary undertaking	-	-
Net cash disposed of in subsidiary undertaking	-	(1,091,067)
	<hr/>	<hr/>
<b>Net cash from investing activities</b>	58,420	(1,492,477)
<b>Cash flows from financing activities</b>		
Redemption of share capital	(5,770)	-
Issuing of share capital	-	352,870
Dividends paid	(458,694)	(1,320,929)
	<hr/>	<hr/>
	(464,464)	(968,059)
	<hr/>	<hr/>
<b>Increase in cash</b>	2,722,218	1,132,493
	<hr/> <hr/>	<hr/> <hr/>
Cash at the beginning of the year	5,615,777	4,483,284
Cash at the end of the year	8,337,995	5,615,777
	<hr/> <hr/>	<hr/> <hr/>

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

## Consolidated Statement of Changes in Equity

For the year ended 30 April 2017

	Called-up share capital £	Preference share capital £	Capital redemption reserve £	Share premium account £	Special reserve £	Profit and loss reserve £	Total £
<b>At 1 May 2015</b>	113	114,011	276,378	1,617,495	976,392	7,954,221	10,938,610
Profit for the year	-	-	-	-	-	2,546,019	2,546,019
Share option charge	-	-	-	-	-	58,910	58,910
Conversion of preference shares	28	(114,011)	113,983	-	-	-	-
Disposal of A shares	(14)	-	-	-	-	-	(14)
Issue of shares	6	-	-	352,864	-	-	352,870
Dividends paid	-	-	-	-	-	(1,320,929)	(1,320,929)
<b>At 30 April 2016</b>	133	-	390,361	1,970,359	976,392	9,238,221	12,575,466
Profit for the year	-	-	-	-	-	2,285,070	2,285,070
Cancellation of shares	-	-	-	-	-	(5,770)	(5,770)
Share option charge	-	-	-	-	-	26,346	26,346
Dividends paid	-	-	-	-	-	(458,694)	(458,694)
<b>At 30 April 2017</b>	133	-	390,361	1,970,359	976,392	11,085,173	14,422,418

## Company Statement of Changes in Equity

For year ended 30 April 2017

	Called-up share capital £	Preference share capital £	Capital redemption reserve £	Share premium account £	Special reserve £	Profit and loss reserve £	Total £
<b>At 01 May 2015</b>	113	114,011	276,378	1,617,495	976,392	5,173,368	8,157,757
Profit for the year	-	-	-	-	-	2,260,798	2,260,798
Conversion of preference shares	28	(114,011)	113,983	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	-
Share option charge	-	-	-	-	-	51,581	51,581
Disposal of A shares	(14)	-	-	-	-	-	(14)
Issue of shares	6	-	-	352,864	-	-	352,870
Dividends paid	-	-	-	-	-	(1,320,929)	(1,320,929)
<b>At 30 April 2016</b>	<u>133</u>	<u>-</u>	<u>390,361</u>	<u>1,970,359</u>	<u>976,392</u>	<u>6,164,818</u>	<u>9,502,063</u>
Profit for the year	-	-	-	-	-	1,787,415	1,787,415
Share option charge	-	-	-	-	-	19,386	19,386
Cancellation of shares	-	-	-	-	-	(5,770)	(5,770)
Dividends paid	-	-	-	-	-	(458,694)	(458,694)
<b>At 30 April 2017</b>	<u>133</u>	<u>-</u>	<u>390,361</u>	<u>1,970,359</u>	<u>976,392</u>	<u>7,507,155</u>	<u>10,844,400</u>



## Notes to the Financial Statements

30 April 2017

### 1. Company information

NW Brown Group Limited is a private limited company incorporated in England and Wales.

### 2. Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ('FRS 102') and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for investment properties and investments as specified in the accounting policies below.

The financial statements are presented in Sterling (£).

The Group financial statements consolidate the financial statements of NW Brown Group Limited and its subsidiary undertakings drawn up to 30 April each year. The prior year included the results of Freedom and OK To Travel Limited which were divested on 1 April 2016.

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Profit and Loss Account in these financial statements. The parent company's profit for the year was £1,787,415 (2016: £2,260,798).

#### Going concern

After reviewing the Group's forecasts and projections, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

### 3. Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The judgements made in respect of the value of the property are disclosed in note 12.

The most significant area of judgement in these accounts is the calculation of accrued investment management fees. Investment Management clients are invoiced at six monthly intervals. To ease the administration of invoicing a large volume of clients they are divided into two arbitrary Groups and the invoice date staggered by three months between those Groups. This results in four invoice dates during the period, each 3 months apart with each individual client being invoiced at six monthly intervals.

The value of fees is estimated as being equivalent to the previous amount invoiced to each client, less a provision of 5% (2016: 5%) for a fall in the stock market. The impact of the decrease in the provision from 10% to 5% as at 30 April 2016 was £43,401. There is no provision for an increase or reduction of clients. At the year end the amount of accrued Investment Management fees was £824,610 (2016: £727,124).

### 4. Principal accounting policies

#### 4.1 Business combinations

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquire plus costs directly attributable to the business combination.

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. If the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination the excess is recognised separately on the face of the consolidated statement of financial position immediately below goodwill.

Where activities meet the definition of discontinued in accordance with FRS 102, the results of these activities are shown on the face of the profit and loss account as discontinued in the year. The prior year comparatives are restated accordingly.

#### 4.2 Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the Group (its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation. Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

#### 4.3 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. This is 5 years for NW Brown Financial Services Limited, the S-Tech business and OK To Travel Limited, while it was part of the Group.

The brought forward amounts for cost and amortisation include amounts now fully amortised. Of the remaining net goodwill, £137,500 relates to the purchase of S-Tech. It is being amortised over 5 years at £75,000 per year.

#### 4.4 Investment Property

Properties are included at valuation. Impairment is recognised in the profit and loss account in the year. Revaluation gains are not available for distribution as dividends until the property is sold.

#### 4.5 Tangible fixed assets and depreciation

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

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

Included in office furniture and equipment is capitalised spend on fixtures which is depreciated over the remaining term of the office lease (16 years).

#### 4.6 Financial Instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously

#### 4.7 Investments

Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

Quoted investments are measured at fair value. Changes in fair value are recognised in profit or loss.

Investments in unquoted shares, whose market value can be reliably determined, are measured at market value at each reporting date. Gains and losses on re-measurement are recognised in profit and loss for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

#### 4.8 Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

#### 4.9 Debtors and Creditors

Short term debtors are measured at transaction price less any impairment. Short term creditors are measured at transaction price.

#### 4.10 Turnover

The Group accounting policy for turnover is as follows:

For the investment management and pensions divisions the turnover shown in the profit and loss account represents amounts earned in the year for services provided excluding value added tax. Revenue is recognised for financial planning on a cash receipts basis. In all business areas revenue is recognised when the performance of a services has been completed. If the service is provided over a period of time, the proportion of income relating to the services performed in the accounting period is included in turnover.

#### 4.11 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income

#### 4.12 Deferred taxation

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

#### 4.13 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.

#### 4.14 Pensions

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

#### 4.15 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 102 'Share-based Payments' using the Black Scholes model. 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.

## 5. Turnover

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

	2017 £	2016 £
Investment Management	4,838,425	4,355,596
Insurance Broking	-	1,554,059
Corporate Benefits	976,735	1,000,897
Financial Services	1,816,292	1,909,222
	<hr/>	<hr/>
	7,631,452	8,819,774
	<hr/> <hr/>	<hr/> <hr/>

## 6. Operating Profit

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

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Amortisation of intangible fixed assets	223,980	242,191
Depreciation of owned assets	123,947	130,096
Profit on disposal of fixed assets and investments	(41)	(136,497)
Operating lease rentals		
Land and buildings	210,000	210,000
Rental income	(162,996)	(151,905)
Auditors' remuneration		
Fees payable to the Company's auditor for the audit of financial statements - Company	11,000	14,088
- Subsidiaries	9,500	24,912
Fees payable to the Company's auditor for non-audit services		
- Other assurance services	35,000	16,000
Movement in fair value of fixed asset investments	(57,829)	(32,369)
	<u>                    </u>	<u>                    </u>

## 7. Directors

Group emoluments of the Company directors:

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Emoluments	653,811	694,268
Pension contributions	64,659	202,340
	<u>                    </u>	<u>                    </u>
	718,470	896,608
	<u>                    </u>	<u>                    </u>

The number of directors accruing pension benefits:

	<b>2017</b>	<b>2016</b>
	<b>No</b>	<b>No</b>
Money purchase pension schemes	7	9
	<u>                    </u>	<u>                    </u>

The emoluments of the highest paid director are as follows:

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Emoluments	174,723	132,398
Pension contributions	-	111,146
	<u>                    </u>	<u>                    </u>
	174,723	243,544
	<u>                    </u>	<u>                    </u>

## 8. Employees

Average number of employees for the Group, including directors:

<b>Group</b>	<b>2017 No</b>	<b>2016 No</b>
Professional staff	31	31
Office and administration	46	76
	<hr/>	<hr/>
	77	107
	<hr/> <hr/>	<hr/> <hr/>

Staff costs for the Group, including directors:

	<b>2017 £</b>	<b>2016 £</b>
Wages and salaries	3,348,028	3,743,709
Social security costs	347,667	388,781
Pension costs	353,927	545,854
Cost of employee share scheme (note 21)	26,346	58,910
	<hr/>	<hr/>
	4,075,968	4,737,254
	<hr/> <hr/>	<hr/> <hr/>

## 9. Taxation

	<b>2017 £</b>	<b>2016 £</b>
<b>Current taxation</b>		
United Kingdom corporation tax	488,505	448,359
Adjustment in respect of prior period	(154,894)	12,966
Deferred tax	3,491	(28,648)
	<hr/>	<hr/>
	337,102	432,677
	<hr/> <hr/>	<hr/> <hr/>

### Current tax reconciliation

	<b>2017 £</b>	<b>2016 £</b>
Profit on ordinary activities before tax	2,622,172	2,978,696
	<hr/> <hr/>	<hr/> <hr/>
Theoretical tax at UK tax rate of 20% (2016: 20%)	524,434	595,739
Effects of:		
Gain on sale of subsidiary	-	(103,244)
Expenses not deductible for tax purposes	(28,595)	(47,996)
Deferred tax not provided	(3,843)	(24,818)
Loans to participators	-	-
Adjustment in respect of prior period	(154,894)	12,996
	<hr/>	<hr/>
	337,102	432,677
	<hr/> <hr/>	<hr/> <hr/>

Effective from 1 April 2015 the rate of UK Corporation Tax was 20%. The tax rate reduced to 19% from 1 April 2017 and reduces to 18% from 1 April 2020.

## 10. Deferred Taxation

2017

	£
Opening deferred tax liability	20,316
Utilised in the period	3,491
	<hr/>
Closing deferred tax liability	23,807
	<hr/> <hr/>

## 11. Intangible Fixed Assets

<b>Group</b>	<b>Goodwill</b>
	<b>£</b>
<b>Cost</b>	
At 1 May 2016	4,505,901
At 30 April 2017	<hr/> 4,505,901
<b>Amortisation</b>	
At 1 May 2016	3,975,608
Charge for the year	223,980
	<hr/>
At 30 April 2017	4,199,588
	<hr/>
<b>Net book value</b>	
At 30 April 2017	306,313
	<hr/>
At 30 April 2016	530,293
	<hr/> <hr/>

The Company does not have any intangible fixed assets (2016: Nil).

## 12. Tangible Fixed Assets

Group	Property £	Computer equipment £	Office furniture and equipment £	Total £
<b>Cost or valuation</b>				
At 1 May 2016	775,000	957,592	922,289	2,654,881
Additions	-	35,747	139,800	175,547
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 2017	775,000	993,339	1,062,089	2,830,428
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At 1 May 2016	-	895,478	532,179	1,427,657
Charge for the year	-	53,353	70,594	123,947
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 2017	-	948,831	602,773	1,551,604
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 30 April 2017	775,000	44,508	459,316	1,278,824
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 April 2016	775,000	62,114	390,110	1,227,224
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Company</b>		<b>Computer equipment £</b>	<b>Office furniture and equipment £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 May 2016		498,414	413,164	911,578
Additions		32,343	92,551	124,894
		<hr/>	<hr/>	<hr/>
At 30 April 2017		530,757	505,715	1,036,472
		<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At 1 May 2016		451,973	291,557	743,530
Charge for the year		40,467	25,011	65,478
		<hr/>	<hr/>	<hr/>
At 30 April 2017		492,440	316,568	809,008
		<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 30 April 2017		38,317	189,147	227,464
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 April 2016		46,441	121,607	168,048
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Included in freehold property is land and buildings with an historic cost of £942,450. The property was revalued on 1 June 2016 by an external independent valuer. The surveyor is a registered member of the Royal Institute of Chartered Surveyors with knowledge of the local market. No similar valuation was obtained for 30 April 2017. Management have estimated that the value of the property is unlikely to have fluctuated materially between the balance sheet dates.

### 13. Fixed Asset Investments

<b>Group</b>	<b>Unlisted investments £</b>	<b>Listed investments £</b>	<b>Total £</b>
<b>Valuation</b>			
At 1 May 2016	210,841	1,446,968	1,657,809
Additions	1,435	-	1,435
Disposals	(44,781)	(154,964)	(199,745)
Change in fair value	(1,788)	59,617	57,829
	<hr/>	<hr/>	<hr/>
At 30 April 2017	165,707	1,351,621	1,517,328
	<hr/>	<hr/>	<hr/>

<b>Company</b>	<b>Investments in Group undertakings £</b>	<b>Unlisted investments £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 May 2016	2,868,529	95,281	2,963,810
Disposal	-	(14,721)	(14,721)
Impairment	(230,272)	-	(230,272)
	<hr/>	<hr/>	<hr/>
At 30 April 2017	2,638,257	80,560	2,718,817
	<hr/>	<hr/>	<hr/>

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

<b>Name of undertaking</b>	<b>Nature of business</b>	<b>Class of shares</b>	<b>Group and company holding %</b>
NW Brown & Company Limited	Discretionary Investment Management Corporate Benefits, Pensions and Financial Planning advice	Ordinary	100
NW Brown Financial Services Limited	Non-trading	Ordinary	100
NW Brown Property Limited	Commercial Property Letting	Ordinary	100

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; Cambridge Index Limited. The Group owned 51% of DW Associates which was dormant through the year. The group incorporated the following dormant companies during the year; NW Brown Wealth Management; NW Brown Employee Benefits; NW Brown Corporate Benefits.



## 14. Dividends

During the year the Company paid an interim dividend of 31p per share on 1,479,659 ordinary 0.01p shares amounting to £458,694. In the year ended 30 April 2016 the company paid two interim dividends. The first of 62p per share on 1,129,299 ordinary 0.01p shares amounting to £700,165. The second of 30p per share on 1,480,159 ordinary 0.009p shares amounting to £444,048. The Company also paid a dividend of £nil (2016: £176,716) on the cumulative preference shares (note 22).

In the prior year, the company paid a dividend in specie to its shareholders for the book value of the assets and liabilities of Freedom Insurance Services Limited and its wholly owned subsidiary OK To Travel Limited. No fair value adjustments were made. Each shareholder received one 4p share in Freedom Insurance Services for each 0.0001p NW Brown Group 'A' share held.

## 15. Debtors: Amounts due in less than a year

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Trade debtors	125,922	99,646	-	-
Amounts owed by Group undertakings	-	-	4,184,885	2,748,701
Other debtors	1,459,193	1,571,851	1,631,420	1,424,835
Prepayments and accrued income	1,051,209	931,321	65,421	61,349
	<u>2,636,324</u>	<u>2,602,818</u>	<u>5,881,726</u>	<u>4,234,885</u>

## 16. Debtors: Amounts Falling Due After More Than One Year

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Subordinated loan	885,000	1,085,000	885,000	1,085,000
Loan	165,601	184,800	-	-
NWBIB sale proceeds	1,257,944	1,450,126	1,257,944	1,450,126
	<u>2,308,545</u>	<u>2,719,926</u>	<u>2,142,944</u>	<u>2,535,126</u>

The subordinated loan was decreased from £1,085,000 to £885,000 on 24 February 2017. The loan is repayable in five equal instalments commencing 1 August 2020. Interest is payable annually and is charged at LIBOR plus five percent. Interest of £57,685 was received during the year (2016: £34,027).

The loan was advanced on 30 April 2014. The loan is interest-free provided that the beneficiary holds an agreed percentage of their personal investments with the Group. If this condition ceases to be satisfied interest will be charged at 2% per annum. The loan is repayable by 31 December 2020.

## 17. Creditors: Amounts Falling Due Within One Year

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Trade creditors	116,979	98,768	45,579	52,248
Corporation tax	31,960	-	-	-
Other tax and social security	358,420	327,718	51,894	19,404
Other creditors	479,366	443,377	12,375	4,876
Accruals and deferred income	742,379	622,202	184,864	180,263
	<u>1,729,104</u>	<u>1,492,065</u>	<u>294,712</u>	<u>256,791</u>

## 18. Creditors: Amounts Falling Due After More Than One Year

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Borrowings (note 19)	-	56,000	-	-
	<u>-</u>	<u>56,000</u>	<u>-</u>	<u>-</u>

## 19. Borrowings

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
<b>Due after more than one year</b>				
Liability component of 6% preference shares arising on acquisition	-	56,000	-	-
	<u>-</u>	<u>56,000</u>	<u>-</u>	<u>-</u>
<b>Total borrowings</b>	<u>-</u>	<u>56,000</u>	<u>-</u>	<u>-</u>

## 20. Provisions for Liabilities

	Dilapidations	
	Group £	Company £
At 1 May 2016	210,000	210,000
Provided in the year	-	-
Released in the period	-	-
	<u>210,000</u>	<u>210,000</u>
At 30 April 2017	<u>210,000</u>	<u>210,000</u>

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. The underlying lease was renewed in December 2013 (note 22).

## 21. Ordinary Share Capital

	2017 £	2016 £
<b>Called up, allotted and fully paid</b>		
1,479,659 (2016: 1,480,159) ordinary shares of 0.009p (2016: 0.009p) each	133	133
	<u>          </u>	<u>          </u>

### Issue/redemption of shares

No shares were issued in the year. No share options were granted.

### Share options

The following share options have been granted under an approved share option scheme in respect of ordinary shares of 0.009p each.

2016 cumulative	Lapsed	Issued	Exercised in year	2017 cumulative	Exercise price per share £	Date of grant
36,667	(8,334)	-	-	28,333	5.36	1 April 2011
69,999	(1,667)	-	-	68,332	5.36	1 April 2013
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>		
106,666	(10,001)	-	-	96,665		
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>		

The share options exercisable at £5.36 per share are, subject to certain conditions, exercisable five years from the date of grant and will lapse ten years from the date of grant.

The company recognised an expense of £19,386 (2016: £51,581) in relation to equity settled share-based payment transactions in the year. The Group recognised an expense of £26,346 (2016: £58,910) in relation to equity settled share-based payment transactions in the year.

## 22. Operating Lease Commitments

The Company and the Group had the following future minimum lease payments under non-cancellable operating leases at the balance sheet date.

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Land and buildings leases:				
Not later than one year	210,000	210,000	210,000	210,000
Later than one year and not later than five years	840,000	840,000	840,000	840,000
Later than five years	2,446,932	2,656,932	2,446,932	2,866,932
	<u>3,496,932</u>	<u>3,706,932</u>	<u>3,496,932</u>	<u>3,916,932</u>

The company's lease of its Cambridge premises at 16 Regent Street expires on 24 December 2033. The company has sublet, under operating leases to third parties, a part of the land and buildings leased above.

## 23. Financial Assets and Liabilities

The Group had the following financial assets and liabilities at the balance sheet date

<b>Financial assets – carried at fair value through the profit and loss</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Investments	1,517,328	1,657,809
	<hr/>	<hr/>
	1,517,328	1,657,809
	<hr/> <hr/>	<hr/> <hr/>
 <b>Financial assets – carried at amortised cost</b>	 <b>2017</b>	 <b>2016</b>
	<b>£</b>	<b>£</b>
Cash	8,337,995	5,615,777
Long term debtors	2,308,545	2,719,926
Trade debtors	125,922	99,646
Other debtors	1,459,193	1,438,565
Accrued income	889,523	786,455
	<hr/>	<hr/>
	13,121,178	10,660,369
	<hr/> <hr/>	<hr/> <hr/>
 <b>Financial liabilities – carried at amortised cost</b>	 <b>2017</b>	 <b>2016</b>
	<b>£</b>	<b>£</b>
Trade creditors	116,979	98,768
Other creditors	479,366	443,377
Accruals	654,678	605,990
	<hr/>	<hr/>
	1,251,023	1,148,135
	<hr/> <hr/>	<hr/> <hr/>

The group is exposed to minimal credit, liquidity and market risk.

### Credit risk

The Group is exposed to credit risk on the amounts it is owed from former subsidiaries of the Group (£885,000 from Freedom Insurance Services Limited and £1,257,944 from NWBIB Limited). There are no financial assets past due at the year-end that are not impaired. For Investment Management clients the significant majority of fees are collected by the Company from the client's portfolio, and therefore the Company is exposed to minimal credit risk from trade debtors. During the year, the Company has written off no material amount of bad debt.

### Liquidity risk

All financial liabilities are due in less than 3 months. The group retains Cash reserves in excess of the capital adequacy requirements of its subsidiaries.

### Market risk

The group is exposed to minimal foreign exchange risk. The Group is exposed to fluctuations in the stock markets as its fees are calculated relative to market values.

## 24. Related Party Transactions

Certain directors of the Company and other Group subsidiaries have entered into mortgage related contracts through the subsidiary NW Brown & Company Limited. The business is undertaken on staff terms and 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.

Due to changes in pension scheme rules to restrict the amount of any one person's fund the company made one off payments to directors which may result in lower payments in future years. In the opinion of the directors an estimate of the impact on future expenses might be £123,202 (2016: £220,154). As in the event of their departure from the Group we would be wholly dependent on the goodwill of the director concerned to receive any value for the contributions made. No prepayment has been created within those accounts.

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

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

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

Kirly Limited, a company controlled by M W Johnson and his family, its subsidiaries and its pension scheme, have investments managed by NW Brown & Company Limited on staff terms. NW Brown (Trustees) Limited is a trustee of the Kirly pension scheme, and is remunerated on an arm's length basis. Anglian Archives Limited, a company formerly controlled by M W Johnson and his family, provided confidential waste disposal services to the Group. Transactions were dealt with on an arm's length basis and on normal terms. The Group paid Anglian Archives Limited £2,592 (2016: £3,306) during the year of which £0 (2016: £604) was outstanding at the year end. The Company ceased to use the services of Anglian Archives in March 2017.

During the year the Company settled a debt which related in part to companies owned and controlled by Marcus Johnson. The amount outstanding at year end was £7,563.24.

In the course of negotiating the sale of NW Brown Insurance Brokers Limited to One Broker Limited in May 2014, Kirly Limited made a loan of £1,250,000 to One Broker Limited so that the settlement of the cash consideration was not delayed. Kirly Limited is a substantial shareholder of NW Brown Group Limited and M W Johnson and his family effectively control Kirly Limited. The terms of the loan are Base plus 4% and a fee of 1% was payable on drawdown. The terms are considered arm's length by the Company.

NWBIB Limited, a former 100%-owned subsidiary provides insurance broking services to the Group. Transactions are dealt with on an arm's length basis and on normal terms. The Group paid £76,069 (2016: £81,735) during the year of which £0 (2016: £4,134) was outstanding at the year end. The figure includes both insurance premiums due to the insurer and income for NWBIB Limited.

At the year-end Freedom Insurance Services Limited, a Company divested during the year owed £140,287 (2016: £167,819) to the Group for a range of services including IT, accounting and human resource management. The Group was also owed £885,000 by Freedom Insurance Services Limited for the subordinated loan.

Interest free loans of up to £10,000 are made available to all staff to purchase NW Brown Group Limited shares. The following loans to directors and subsidiary directors were outstanding at the year end. Interest is charged at the HMRC official rate on all loans over the HMRC interest-free limit.

	Loan from Group and Company		Interest on loan	
	2017	2016	2017	2016
	£	£	£	£
P Burke	91,587	91,596	2,614	231
L Turner	138,666	145,458	3,924	3,766
O Phillips	177,809	185,255	4,906	2,689
T Yates	74,784	77,745	1,969	1,964
G Clark	7,863	8,846	-	-
P Fox	17,956	19,855	115	20
	<u>508,665</u>	<u>528,755</u>		
			<b>2017</b>	<b>2016</b>
			£	£
Key management personnel compensation			<u>1,623,737</u>	<u>2,040,951</u>

During the year the Group paid the following amounts in dividends to the directors of the Group and the directors of its subsidiary companies. These balances include dividends paid to close family members of the directors.

	£
M Johnson	186,220
C Manktelow	27,133
P Burke	9,435
L Turner	8,735
O Phillips	13,110
R Raywood	22,233
T Yates	2,976
P Fox	538
D Wilson	649
N Brown	33,604
A Puckridge	26,564
S Thorpe	40,058
	<u>371,255</u>