

2864963



Source Software Limited
Report of the Directors and
Audited Financial Statements for the Year Ended 31 December 2010

Radnor House
Greenwood Close
Cardiff Gate Business Park
Cardiff CF23 8AA



Registered to carry on audit work
and regulated for a range of
investment business activities by
the Institute of Chartered
Accountants in England and Wales

bpu Chartered Accountants is a
trading name of BPU Ltd
Company Number 3723948
Registered in Wales

A list of directors is available from the
registered office above

Source Software Limited

**Company Information
for the Year Ended 31 December 2010**

DIRECTORS:

G L Davidson
A A Masters
A McLauchlan
M R Cairns

REGISTERED OFFICE:

Drake House
Plymouth Road
Penarth
CF64 3TP

REGISTERED NUMBER:

02864963 (England and Wales)

AUDITORS:

BPU Limited
Chartered Accountants
Statutory Auditor
Radnor House
Greenwood Close
Cardiff Gate Business Park
Cardiff
CF23 8AA

BANKERS:

National Westminster Bank plc
2 Plymouth Road
Penarth
Vale of Glamorgan
CF64 3YN

Source Software Limited (Registered number: 02864963)

**Report of the Directors
for the Year Ended 31 December 2010**

The directors present their report with the financial statements of the company for the year ended 31 December 2010

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of a general insurance intermediary

REVIEW OF BUSINESS

The company's core business remains the provision of general insurance products through intermediary brokers. Growth on general insurance was 10% with income of £9m compared with £8.6m in the previous 12 months.

The directors are pleased with the development of the company during the period and the financial results and retained profit as at the year end. The directors believe that the company's product portfolio is an excellent match to the current needs of the market and that consequently Source is well positioned to grow its customer base in spite of less favourable economic conditions.

RESULTS

The results for the year are set out in the profit and loss account.

DIVIDENDS

The total distribution of dividends for the year ended 31 December 2010 will be £1,393,484 (2009 - £1,057,826).

FIXED ASSETS

Details of movements in fixed assets are set out in note 7 of the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2010 to the date of this report.

G L Davidson
A A Masters
A McLauchlan

Other changes in directors holding office are as follows:

M R Cairns was appointed as a director after 31 December 2010 but prior to the date of this report.

M T Guest ceased to be a director after 31 December 2010 but prior to the date of this report.

INTRODUCTION OF THE EURO

The directors have considered the potential impact and extent of the introduction of the Euro on the business and its operation.

The directors are of the opinion that there will be no major problems in this area and they do not feel that costs associated with it will be of a material nature.

**Report of the Directors
for the Year Ended 31 December 2010**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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 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 of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

THIS REPORT WAS APPROVED BY THE BOARD:



A A Masters - Director

Date 19 Sept 2011

Report of the Independent Auditors to the Shareholders of Source Software Limited



We have audited the financial statements of Source Software Limited for the year ended 31 December 2010 on pages seven to twenty two. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Radnor House
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Cardiff CF23 8AA

**Report of the Independent Auditors to the Shareholders of
Source Software Limited**



Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

A handwritten signature in black ink, appearing to read 'J. Palin'.

John Huw Palin ACA (Senior Statutory Auditor)
for and on behalf of BPU Limited
Chartered Accountants
Statutory Auditor

Date 21 September 2011

Radnor House
Greenwood Close
Cardiff Gate Business Park
Cardiff CF23 8AA

Source Software Limited (Registered number: 02864963)

**Profit and Loss Account
for the Year Ended 31 December 2010**

	Notes	2010 £	2009 £
TURNOVER		9,007,949	8,588,769
Cost of sales		<u>(4,730,864)</u>	<u>(4,526,234)</u>
GROSS PROFIT		4,277,085	4,062,535
Administrative expenses		<u>(2,663,076)</u>	<u>(2,543,294)</u>
OPERATING PROFIT	3	1,614,009	1,519,241
Interest receivable & similar income		<u>13,825</u>	<u>20,614</u>
		1,627,834	1,539,855
Interest payable & similar charges	4	<u>(8,073)</u>	<u>(3,364)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,619,761	1,536,491
Tax on profit on ordinary activities	5	<u>(447,774)</u>	<u>(443,080)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>1,171,987</u>	<u>1,093,411</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current year or previous year

The notes form part of these financial statements

Source Software Limited (Registered number: 02864963)

**Balance Sheet
31 December 2010**

	Notes	2010 £	2009 £
FIXED ASSETS			
Tangible assets	7	859,553	890,839
CURRENT ASSETS			
Debtors	8	980,298	883,700
Cash at bank and in hand		2,018,878	2,475,627
		<u>2,999,176</u>	<u>3,359,327</u>
CREDITORS			
Amounts falling due within one year	9	2,722,088	2,778,902
NET CURRENT ASSETS		<u>277,088</u>	<u>580,425</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,136,641</u>	<u>1,471,264</u>
CREDITORS			
Amounts falling due after more than one year	10	(291,386)	(310,583)
PROVISIONS FOR LIABILITIES	14	(2,000)	(13,000)
ACCRUALS AND DEFERRED INCOME	15	(201,273)	(284,202)
NET ASSETS		<u>641,982</u>	<u>863,479</u>
CAPITAL AND RESERVES			
Called up share capital	16	2,000	2,000
Profit and loss account	17	639,982	861,479
SHAREHOLDERS' FUNDS	20	<u>641,982</u>	<u>863,479</u>

The notes form part of these financial statements

Source Software Limited (Registered number: 02864963)

Balance Sheet - continued
31 December 2010

The financial statements were approved by the Board of Directors on
and were signed on its behalf by

19 September 2011



G L Davidson - Director

The notes form part of these financial statements

Source Software Limited (Registered number: 02864963)

**Cash Flow Statement
for the Year Ended 31 December 2010**

	Notes	2010 £	2009 £
Net cash inflow from operating activities	1	1,408,815	2,074,713
Returns on investments and servicing of finance	2	5,752	17,250
Taxation		(433,784)	(372,693)
Capital expenditure	2	(25,315)	(821,730)
Equity dividends paid		(1,393,484)	(1,057,826)
		(438,016)	(160,286)
Financing	2	(18,733)	329,695
(Decrease)/Increase in cash in the period		(456,749)	169,409
Reconciliation of net cash flow to movement in net funds	3		
(Decrease)/Increase in cash in the period		(456,749)	169,409
Cash outflow/(inflow) from decrease/(increase) in debt		18,733	(329,695)
Change in net funds resulting from cash flows		(438,016)	(160,286)
Movement in net funds in the period		(438,016)	(160,286)
Net funds at 1 January		2,145,932	2,306,218
Net funds at 31 December		1,707,916	2,145,932

The notes form part of these financial statements

Notes to the Cash Flow Statement
for the Year Ended 31 December 2010

1 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2010 £	2009 £
Operating profit	1,614,009	1,519,241
Depreciation charges	56,601	65,969
(Increase)/Decrease in debtors	(96,598)	12,825
(Decrease)/Increase in creditors	(165,197)	476,678
Net cash inflow from operating activities	1,408,815	2,074,713

2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2010 £	2009 £
Returns on investments and servicing of finance		
Interest received	13,825	20,614
Interest paid	(8,073)	(3,364)
Net cash inflow for returns on investments and servicing of finance	5,752	17,250
Capital expenditure		
Purchase of tangible fixed assets	(25,315)	(821,730)
Net cash outflow for capital expenditure	(25,315)	(821,730)
Financing		
New loans in year	-	350,000
Capital repayments in year	(18,733)	(20,305)
Net cash (outflow)/inflow from financing	(18,733)	329,695

The notes form part of these financial statements

Notes to the Cash Flow Statement
for the Year Ended 31 December 2010

3 ANALYSIS OF CHANGES IN NET FUNDS

	At 1/1/10 £	Cash flow £	At 31/12/10 £
Net cash			
Cash at bank and in hand	2,475,627	(456,749)	2,018,878
	<u>2,475,627</u>	<u>(456,749)</u>	<u>2,018,878</u>
Debt			
Debts falling due within one year	(19,112)	(464)	(19,576)
Debts falling due after one year	(310,583)	19,197	(291,386)
	<u>(329,695)</u>	<u>18,733</u>	<u>(310,962)</u>
Total	<u>2,145,932</u>	<u>(438,016)</u>	<u>1,707,916</u>

The notes form part of these financial statements

**Notes to the Financial Statements
for the Year Ended 31 December 2010**

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention

Turnover

Turnover represents brokerage income for which the company takes credit upon inception of the corresponding insurance policy, where the premium has been received by the company, one of its insurance underwriters, or a third party collection agency

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

Freehold property	- 2% straight line
Plant and machinery	- 20% straight line
Fixtures and fittings	- 20% straight line
Computer equipment	- 25% - 33% straight line

Freehold property is maintained to ensure that its value does not diminish over time. The cost of maintenance of freehold property is charged to the profit and loss in the year incurred. In the directors' opinion, depreciation would be immaterial and has not been charged.

Deferred tax

Full provision is made for deferred taxation resulting from timing differences between the recognition of gains and losses in the accounts and their recognition for tax purposes. Deferred taxation is calculated on an un-discounted basis at the tax rates which are expected to apply in the periods when the timing differences will reverse.

Insurance balances

The company acts as an insurance intermediary and is not liable for premiums due to underwriters or for claims payable to clients. Notwithstanding this legal relationship with clients and underwriters, the company follows generally accepted accounting practice by showing debtors, cash and creditors relating to insurance business as assets and liabilities of the company itself. The company receives premiums and premium refunds under risk transfer agreements with underwriters.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2010

1 ACCOUNTING POLICIES - continued

Hire purchase and leasing commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and depreciated over their useful lives

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding

Rentals paid under operating leases are charged to income on a straight line basis over the lease term

2 STAFF COSTS

	2010 £	2009 £
Wages and salaries	1,587,423	1,605,227
Social security costs	154,800	176,363
	<u>1,742,223</u>	<u>1,781,590</u>

The average monthly number of employees during the year was as follows

	2010	2009
Employees	<u>62</u>	<u>62</u>

3 OPERATING PROFIT

The operating profit is stated after charging

	2010 £	2009 £
Depreciation - owned assets	56,601	65,969
Audit fees	8,790	8,225
Non audit services	4,235	604
Operating lease rentals	<u>21,635</u>	<u>49,197</u>
	<u>363,218</u>	<u>526,881</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2010**

3 OPERATING PROFIT - continued

Information regarding the highest paid director is as follows

	2010	2009
	£	£
Emoluments etc	<u>187,780</u>	<u>263,490</u>

4 INTEREST PAYABLE & SIMILAR CHARGES

	2010	2009
	£	£
Bank loan interest	<u>8,073</u>	<u>3,364</u>

5 TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows

	2010	2009
	£	£
Current tax		
UK corporation tax	458,774	435,880
Deferred tax	<u>(11,000)</u>	<u>7,200</u>
Tax on profit on ordinary activities	<u>447,774</u>	<u>443,080</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2010

5 TAXATION - continued

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below

	2010 £	2009 £
Profit on ordinary activities before tax	<u>1,619,761</u>	<u>1,536,491</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 - 28%)	453,533	430,217
Effects of Expenses not deductible for tax purposes	45	950
Tax Depreciation in excess of capital allowances	3,799	1,220
Prior period adjustment	<u>1,397</u>	<u>3,493</u>
Current tax charge	<u>458,774</u>	<u>435,880</u>

6 DIVIDENDS

	2010 £	2009 £
Ordinary shares of £1 each Paid	<u>1,393,484</u>	<u>1,057,826</u>

The directors have proposed a final dividend for the year ended 31 December 2010 of £335,851 which was paid in January 2011

Notes to the Financial Statements - continued
for the Year Ended 31 December 2010

7 TANGIBLE FIXED ASSETS

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
COST					
At 1 January 2010	782,265	94,211	86,875	220,869	1,184,220
Additions	-	676	2,767	21,872	25,315
At 31 December 2010	782,265	94,887	89,642	242,741	1,209,535
DEPRECIATION					
At 1 January 2010	-	63,769	69,352	160,260	293,381
Charge for year	-	14,449	8,514	33,638	56,601
At 31 December 2010	-	78,218	77,866	193,898	349,982
NET BOOK VALUE					
At 31 December 2010	782,265	16,669	11,776	48,843	859,553
At 31 December 2009	782,265	30,442	17,523	60,609	890,839

8 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £	2009 £
Trade debtors	809,500	820,772
Other debtors	7,603	2,141
Prepayments and accrued income	163,195	60,787
	<u>980,298</u>	<u>883,700</u>

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £	2009 £
Bank loan (see note 11)	19,576	19,112
Trade creditors	2,070,724	2,133,950
Corporation tax	457,377	432,387
Social security and other taxes	39,962	41,663
Other creditors	-	1,056
Accruals and deferred income	134,449	150,734
	<u>2,722,088</u>	<u>2,778,902</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2010

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2010 £	2009 £
Bank loan (see note 11)	<u>291,386</u>	<u>310,583</u>

11 LOANS

An analysis of the maturity of loans is given below

	2010 £	2009 £
Amounts falling due within one year or on demand Bank loans	<u>19,576</u>	<u>19,112</u>
Amounts falling due between one and two years Bank loans - 1-2 years	<u>20,051</u>	<u>19,576</u>
Amounts falling due between two and five years Bank loans - 2-5 years	<u>63,119</u>	<u>61,624</u>
Amounts falling due in more than five years		
Repayable by instalments Bank loans more 5 yr by instal	<u>208,216</u>	<u>229,383</u>

The bank loan is due to mature in June 2024, with an interest rate charged at base rate + 1.97%

Notes to the Financial Statements - continued
for the Year Ended 31 December 2010

12 OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year

	Other operating leases	
	2010 £	2009 £
Expiring		
Within one year	13,042	-
Between one and five years	-	25,005
	<u>13,042</u>	<u>25,005</u>

13 SECURED DEBTS

The following secured debts are included within creditors

	2010 £	2009 £
Bank loan	<u>310,962</u>	<u>329,695</u>

14 PROVISIONS FOR LIABILITIES

	2010 £	2009 £
Deferred tax	<u>2,000</u>	<u>13,000</u>
		Deferred tax £
Balance at 1 January 2010		13,000
Charged to profit & loss		(11,000)
Balance at 31 December 2010		<u>2,000</u>

15 ACCRUALS AND DEFERRED INCOME

	2010 £	2009 £
Accruals and deferred income	<u>201,273</u>	<u>284,202</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2010

16 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid Number	Class	Nominal value £1	2010 £ <u>2,000</u>	2009 £ <u>2,000</u>
2,000	Ordinary			

17 RESERVES

	Profit and loss account £
At 1 January 2010	861,479
Profit for the year	1,171,987
Dividends	<u>(1,393,484)</u>
At 31 December 2010	<u>639,982</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2010

18 RELATED PARTY DISCLOSURES

a) Related parties

(i) Other/director:-

A A Masters
G L Davidson

b) Loans between related parties

	Received in year £	Paid in year £	Debtor / (Creditor) at year end £
2009			
A A Masters	(137,500)	137,500	-

c) Purchase of property from related parties

	Net value of supply in year £	Balance owed at year end £
2009		
Other	750,000	-

d) Rental of property from related parties

	Net value of supply in year £	Balance owed at year end £
2009		
Other	13,500	-

Notes to the Financial Statements - continued
for the Year Ended 31 December 2010

e) Consultancy services from related parties

	Net value of supply in year £	Balance owed at year end £
2010		
Other	119,152	10,450
2009		
Other	36,736	-

f) Dividends paid to directors during the year

	2010 £	2009 £
G L Davidson	97,544	74,048
M T Guest	55,739	42,313
A A Masters	710,677	544,780
A McLauchlan	209,023	158,674

19 ULTIMATE CONTROLLING PARTY

The company is ultimately controlled by A A Masters, the chairman and effective 51% shareholder

20 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010 £	2009 £
Profit for the financial year	1,171,987	1,093,411
Dividends	(1,393,484)	(1,057,826)
Net (reduction)/addition to shareholders' funds	(221,497)	35,585
Opening shareholders' funds	863,479	827,894
Closing shareholders' funds	641,982	863,479