

Company Registration No 4582221 (England and Wales)

HARRISON BEAUMONT INSURANCE SERVICES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011



HARRISON BEAUMONT INSURANCE SERVICES LIMITED

COMPANY INFORMATION

Directors	Mr R Proudman Mr R Williams
Secretary	Mr R Proudman
Company number	4582221
Registered office	Globe House 24 Turret Lane Ipswich Suffolk IP4 1DL
Auditors	Ensors Cardinal House 46 St Nicholas Street Ipswich IP1 1TT
Bankers	Bank of Scotland 35 Princes Street Ipswich Suffolk IP1 1AE

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

CONTENTS

	Page
Directors' report	1 - 3
Independent auditors' report	4 - 5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes to the financial statements	9 - 19

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report and financial statements for the year ended 31 December 2011

Principal activities and review of the business

The principal activity of the company is that of the provision of insurance brokering services

The business focuses on the charity, sports and leisure sector as well as providing operational fulfilment for other Group businesses in return for a commission share. Overall the business has performed well in difficult market conditions caused by the prevailing economic circumstances

Some of our key niche areas have performed strongly, for example Professional Fitness, the latter seeing a 30% increase in the in force count following previous solid growth. It has now more than tripled in size since we acquired the business at the end of 2005. The new relationship with Eunisure has seen a large increase in PA premium though the main contribution to earnings is as a result of premium finance provided by another group company. In other areas of the business where we continue to operate schemes for standard products we face strong competition. These accounts are being managed for profit and will continue to gradually decline. An increasing amount of business is being obtained from online sales and the growth of Professional Fitness is largely driven from online advertising and an expanding affiliate programme linked to expanded eligibility criteria from our Underwriters. The additional financial resources available to the business has meant we have targeted various print media to distribute niche products like activity equipment and activity travel with some success. We have also started to exploit new media with facebook and twitter activity building towards the end of the year.

The principal risks and uncertainties affecting the company continue to arise from the threat of increased competition in some core product areas and increasing costs from our regulator over which we have no control. As an intermediary we are dependent on our suppliers and so have to drive a sufficient volume of profitable business to them to maintain long term arrangements. We are managing this risk through regular sharing of information between us. We have a generally supportive arrangement with our underwriters and for example have been given additional delegated authority to quote war risks /kidnap and ransom insurance. This has been useful in differentiating our Banner brand for charities and NGO's.

HBIS acquired the rights to provide access to an emergency assistance service supported by a wristband and secure database and 24 hour phone support during 2009. We have successfully used this as a cross sale product with volume of sales increasing through the year.

HBIS acquired the remaining run off of acquisition loans from R3 Holdings as part of the internal restructure and these were all successfully repaid before the end of the year.

Results and dividends

The results for the year are set out on page 6

Future developments

Marketing budgets are being further enhanced and we expect to generate additional income in niche market areas linked to our online solutions with students, activity equipment and activity travel being targeted. Within the R3 Group a large IT investment has been made in a CRM platform - Global - and we expect to make more use of this within HBIS during the next 12 months.

We are also actively looking to make further acquisitions

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

Directors

The following directors have held office since 1 January 2011

Mr R Proudman
Mr R Williams

Financial instruments

The financial risk management objective of the company is to ensure the business remains profitable and competitive within the insurance environment and contributes to the affinities within the wider R3 group. The company assesses financial risk and exposure to price, credit, liquidity and cash-flow risk by identifying a number of key performance indicators such as turnover, margin, cash-flow and net asset ratios on a regular basis and assessing their impact on the business.

Auditors

Ensors were appointed auditors to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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.

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



Mr R Proudman

Director

31 March 2012

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HARRISON BEAUMONT INSURANCE SERVICES LIMITED

We have audited the financial statements of Harrison Beaumont Insurance Services Limited for the year ended 31 December 2011 set out on pages 6 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 1 - 3, 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. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF HARRISON BEAUMONT INSURANCE SERVICES 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

Malcolm McGready (Senior Statutory Auditor)
for and on behalf of Ensors

16/04/2012

Chartered Accountants
Statutory Auditor

Cardinal House
46 St Nicholas Street
Ipswich
IP1 1TT

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £	2010 £
Turnover	2	1,596,743	2,470,903
Cost of sales		(563,236)	(1,633,255)
Gross profit		1,033,507	837,648
Administrative expenses		(701,580)	(573,361)
Operating profit	4	331,927	264,287
Exceptional items	3	-	70,047
Profit on ordinary activities before interest		331,927	334,334
Other interest receivable and similar income	5	1,268	-
Interest payable and similar charges	6	(1,706)	-
Profit on ordinary activities before taxation		331,489	334,334
Tax on profit on ordinary activities	7	-	(41,890)
Profit for the year	15	331,489	292,444

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

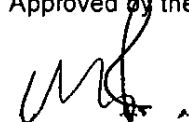
BALANCE SHEET

AS AT 31 DECEMBER 2011

	Notes	2011 £	£	2010 £	£
Fixed assets					
Intangible assets	8		396,785		525,057
Tangible assets	9		4,477		5,970
Investments	10		451,372		451,372
			<u>852,634</u>		<u>982,399</u>
Current assets					
Debtors	11	1,530,938		1,061,896	
Cash at bank and in hand		<u>605,726</u>		<u>475,572</u>	
		2,136,664		1,537,468	
Creditors amounts falling due within one year	12	<u>(739,041)</u>		<u>(600,842)</u>	
Net current assets			<u>1,397,623</u>		<u>936,626</u>
Total assets less current liabilities			2,250,257		1,919,025
Provisions for liabilities			-		(257)
			<u>2,250,257</u>		<u>1,918,768</u>
Capital and reserves					
Called up share capital	14		2		2
Other reserves	15		385,000		385,000
Profit and loss account	15		<u>1,865,255</u>		<u>1,533,766</u>
Shareholders' funds	16		<u>2,250,257</u>		<u>1,918,768</u>

Approved by the Board and authorised for issue on

31/3/12



Mr R Proudman
Director

Company Registration No 4582221

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	£	2011 £	£	2010 £
Net cash inflow from operating activities	22,		175,235		474,406
Returns on investments and servicing of finance					
Interest received		1,268		-	
Interest paid		(1,706)		-	
Net cash outflow for returns on investments and servicing of finance			(438)		-
Taxation			(57,079)		(26,802)
Capital expenditure					
Payments to acquire intangible assets		-		(107,152)	
Payments to acquire tangible assets		-		(2,537)	
Net cash outflow for capital expenditure			-		(109,689)
Acquisitions and disposals					
Purchase of subsidiary undertakings (net of cash acquired)		-		(399,973)	
Net cash outflow for acquisitions and disposals			-		(399,973)
Net cash outflow before management of liquid resources and financing			117,718		(62,058)
Decrease in cash in the year	23, 24		117,718		(62,058)

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1 Accounting policies

1.1 Accounting convention

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

1.3 Turnover

Brokerage commission on the sale of general insurance is recognised at the date of inception or renewal of the policy. Under the company's current business terms, there are no contractual obligations to provide post placement services at a cost to the company, therefore no provision has been made for the deferral of revenue under post placement activities

Commission on other financial services and other similar revenue streams is recognised on an accruals basis, in the month to which it relates

The company's entire turnover is derived from the company's ordinary activities carried out in the United Kingdom

At 31 December 2010 the company acquired the trade, assets and liabilities of Banner Financial Services Group Limited (a subsidiary undertaking). Both companies are involved in the same line of business and the activities of Banner Financial Services Group Limited were combined with the activities of the company at the acquisition date. Consequently, it has not been possible to accurately determine the post acquisition turnover and operating profit of Banner Financial Services Group Limited. However, based on both previous trading activity and current year budgets, the directors estimate that Banner Financial Services Group Limited contributed 14% to turnover and operating profit for the year ended 31 December 2011

1.4 Goodwill

Goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life, being 3-10 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

Fixtures, fittings & equipment	25% reducing balance basis
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1.6 Leasing

Rentals payable under operating leases are charged on a straight line basis over the lease term. Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

1.7 Investments

Income from fixed asset investments is recognised on an accruals basis when the company becomes unconditionally entitled to the income

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

1 Accounting policies (continued)

1.8 Pensions

The company operates a defined contribution pension scheme for all employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account. The pension charge represents the amounts payable by the company to the fund in respect of the year.

1.9 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.10 Foreign currency translation

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

1.11 Insurance broking assets and liabilities

The company's insurance debtors and creditors are presented net as the company has in place formal arrangements to net settle with its insurance companies.

1.12 Consolidation

The company is a wholly-owned subsidiary of PAWRR Limited, a company incorporated in the UK and in accordance with Section 400 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts. These financial statements therefore present information about the company as an individual undertaking and not about its group. The address of PAWRR Limited is Globe House, 24 Turret Lane, Ipswich, IP4 1DL.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

3 Exceptional item

During the year to 31 December 2010 the R3 Group of companies underwent a restructuring exercise in order to improve the operating efficiency of the group. As part of this exercise certain inter-company balances at 30 April 2010 were eliminated by inter-company forgiveness or write off. The impact of this exercise in Harrison Beaumont Insurance Services Limited was to increase the net assets value of the company at 30th April 2010 by £72,672. This was recognised in the profit and loss account.

Following the hive up of the trade, assets and liabilities of Banner Financial Services Group Limited to Harrison Beaumont Insurance Services Limited at 31 December 2010, the directors considered that the realisable amount at 31 December 2010 is nil. Accordingly, an impairment charge of £527,625 was recognised in the profit and loss account. At the same time, Banner Financial Services Group Limited forgave the inter-company balance owing, resulting in an increase in net assets of the company of £525,000 which was included in the profit and loss account.

4 Operating profit	2011 £	2010 £
Operating profit is stated after charging		
Amortisation of intangible assets	128,271	28,288
Depreciation of tangible assets	1,493	1,929
Loss on foreign exchange transactions	23	-
Operating lease rentals	7,128	-

The audit fee was paid through R3 Group Limited, a related company in which the directors have a controlling interest.

Amortisation of intangible assets includes an impairment of £10,934.

5 Investment income	2011 £	2010 £
Bank interest	1,268	-
	1,268	-

6 Interest payable	2011 £	2010 £
On bank loans and overdrafts	1,706	-

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

7	Taxation	2011 £	2010 £
	Domestic current year tax		
	U K corporation tax	-	43,004
	Adjustment for prior years	-	(1,371)
	Total current tax	-	41,633
	Deferred tax		
	Origination and reversal of timing differences	-	257
		-	41,890
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	331,489	334,334
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 26.00% (2010 - 28.00%)	86,187	93,614
	Effects of		
	Difference in depreciation and capital allowances	292	593
	Expenses not allowable	22,856	(19,797)
	Adjustments to previous periods	-	(1,371)
	Adjustments for marginal relief	-	(215)
	Group relief claimed	(109,335)	(31,191)
		(86,187)	(51,981)
	Current tax charge for the year	-	41,633

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

8 Intangible fixed assets

Goodwill
£

Cost

At 1 January 2011 & at 31 December 2011

670,156

Amortisation

At 1 January 2011

145,099

Charge for the year

117,338

Impairment

10,934

At 31 December 2011

273,371

Net book value

At 31 December 2011

396,785

At 31 December 2010

525,057

9 Tangible fixed assets

**Fixtures,
fittings &
equipment**
£

Cost

At 1 January 2011 & at 31 December 2011

25,493

Depreciation

At 1 January 2011

19,523

Charge for the year

1,493

At 31 December 2011

21,016

Net book value

At 31 December 2011

4,477

At 31 December 2010

5,970

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

10 Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 1 January 2011 & at 31 December 2011	451,372
Net book value	
At 31 December 2011	451,372
At 31 December 2010	451,372

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
R3 Holdings Limited	United Kingdom	Ordinary shares	33 00
Banner Financial Services Group Limited	United Kingdom	Ordinary shares	100 00

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows

	Principal activity	Capital and reserves 2011 £	Profit/(loss) for the year 2011 £
R3 Holdings Limited	Holding Company	(1,381,425)	185,619
Banner Financial Services Group Limited	Dormant	-	-

11 Debtors

	2011 £	2010 £
Amounts owed by parent and fellow subsidiary undertakings	899,291	725,000
Other debtors	573,744	317,776
Prepayments and accrued income	57,903	19,120
	1,530,938	1,061,896

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

12 Creditors, amounts falling due within one year	2011 £	2010 £
Bank loans and overdrafts	12,436	-
Trade creditors	465,986	443,706
Amounts owed to subsidiary undertakings	-	50,000
Corporation tax	-	56,822
Other taxes and social security costs	6,707	6,562
Other creditors	253,494	43,293
Accruals and deferred income	418	459
	<u>739,041</u>	<u>600,842</u>

13 Pension and other post-retirement benefit commitments Defined contribution

	2011 £	2010 £
Contributions payable by the company for the year	-	1,283

14 Share capital	2011 £	2010 £
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	2	2

15 Statement of movements on reserves

	Other reserves (see below) £	Profit and loss account £
Balance at 1 January 2011	385,000	1,533,766
Profit for the year	-	331,489
Balance at 31 December 2011	<u>385,000</u>	<u>1,865,255</u>
Other reserves		
Capital redemption reserve		
Balance at 1 January 2011 & at 31 December 2011	<u>385,000</u>	

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

16 Reconciliation of movements in shareholders' funds	2011	2010
	£	£
Profit for the financial year	331,489	292,444
Opening shareholders' funds	1,918,768	1,626,324
	<u> </u>	<u> </u>
Closing shareholders' funds	2,250,257	1,918,768
	<u> </u>	<u> </u>

17 Financial commitments

At 31 December 2011 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2012

	Land and buildings	
	2011	2010
	£	£
Operating leases which expire		
Between two and five years	27,700	-
	<u> </u>	<u> </u>

18 Directors' remuneration	2011	2010
	£	£
Remuneration for qualifying services	60,000	60,000
	<u> </u>	<u> </u>

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

19 Employees

Number of employees

The average monthly number of employees (including directors) during the year was

	2011 Number	2010 Number
Administration	6	8
Operations	12	12
	<u>18</u>	<u>20</u>

Employment costs

	2011 £	2010 £
Wages and salaries	306,840	375,306
Social security costs	27,771	30,323
Other pension costs	-	1,283
	<u>334,611</u>	<u>406,912</u>

20 Control

The parent company is PAWRR Limited. The ultimate controlling party are the directors, Mr R Proudman and Mr R Williams, due to their shareholdings in the parent company.

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

21 Related party transactions

At the year end the company was owed £6,600 (2010 £50,000 creditor) by PAWRR Limited, the parent undertaking

During the year, the company paid commission of £101,340 (2010 £nil) to R3 Group Limited, a fellow subsidiary undertaking. This relates to commission paid in the normal course of business. A management charge was also payable to R3 Group Limited of £85,357 (2010 £nil) in relation to administrative functions provided to the company. At the year end the company was owed £892,691 (2010 £725,000) by R3 Group Limited.

At the year end the company was owed £573,745 (2010 £317,183) by R3 Holdings Limited, a company in which the directors have a controlling interest. The company also incurred a management charge from R3 Holdings Limited of £30,438 (2010 £nil).

At the year end, the company also owed £112,000 (2010 £20,000) to Stuart Harvey Insurance Brokers Limited, a company in which the directors have a controlling interest. During the year the company paid commission of £249,501 (2010 £264,751) to this company.

The company also owed £57,000 (2010 £nil) to Mortgage Excellence plc, a company in which the directors have a controlling interest.

During the year, acting in its capacity as the group's insurance broker, the company sold insurance for the following amounts to the following related companies:

Stuart Harvey Insurance Brokers Limited £26,865 (2010 £30,824)
Mortgage Excellence plc £6,383 (2010 £8,100)
R3 Affinity Alliance Limited £2,650 (2010 £3,150)
R3 Holdings Limited £nil (2010 £4,985)
Banner Financial Services Group Limited £nil (2010 £1,785)
R3 Group Limited £3,298 (2010 £1,785)
Harmans Limited £nil (2010 £4,468)

22 Reconciliation of operating profit to net cash inflow from operating activities	2011	2010
	£	£
Operating profit	331,927	264,287
Depreciation of tangible assets	1,493	1,929
Amortisation of intangible assets	117,337	28,288
Impairment of investment	10,934	-
(Increase)/decrease in debtors	(469,042)	201,364
Increase in creditors within one year	182,586	(21,462)
Net cash inflow from operating activities	175,235	474,406

HARRISON BEAUMONT INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

23 Analysis of net funds	1 January 2011	Cash flow	Other non-cash changes	31 December 2011
	£	£	£	£
Net cash				
Cash at bank and in hand	475,572	130,154	-	605,726
Bank overdrafts	-	(12,436)	-	(12,436)
	<u>475,572</u>	<u>117,718</u>	<u>-</u>	<u>593,290</u>
Net funds	<u>475,572</u>	<u>117,718</u>	<u>-</u>	<u>593,290</u>

24 Reconciliation of net cash flow to movement in net funds	2011	2010
	£	£
Increase/(decrease) in cash in the year	117,718	(62,058)
Movement in net funds in the year	<u>117,718</u>	<u>(62,058)</u>
Opening net funds	475,572	537,630
Closing net funds	<u>593,290</u>	<u>475,572</u>