

# Report & Financial Statements

For the year ended 31 December 2007

**Tyser & Co Limited**

Registered number: 4256470

**DIRECTORS:**

C M Spratt (Chairman)  
G J Andrews  
H C G Butcher  
M J Cairns  
K L Cooper (resigned 24<sup>th</sup> September 2007)  
C J Elliott  
Q J Heaney  
W H Main (non executive)  
R E Marsh  
J P Ramsay (resigned 31<sup>st</sup> July 2007)  
D S Randle  
C Sydenham

**SECRETARY:**

J R Perry

**REGISTERED OFFICE:**

12-20 Camomile Street  
LONDON EC3A 7PJ

**REGISTERED AUDITOR:**

Deloitte & Touche LLP

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## CHAIRMAN'S STATEMENT

In his Chairman's Statement last year my predecessor, Roger Marsh, referred to the many changes to our accounting procedures and systems which had a significant impact on our published results for the period ending 31st December 2006, and since then further changes affecting our business have been implemented, most notably the acquisition of Tysers and its subsidiaries by Hawkes Bay Holdings Limited (HBH) in October 2007. Simultaneously, HBH acquired Introducer Agent Services Limited (IASL), a business which had been active in the introduction of certain clients and business to Tysers. These transactions are of significance because they have simplified our structure and also resolved the matter of ownership succession for Tysers and its subsidiaries, giving our clients, staff and trading partners' confidence in the continuity of our business, the services we provide and our continuing growth and development.

Trading over the last year has been against a backdrop of an ever weaker US Dollar, although the closing months of the year saw some modest strengthening, and a softening of premium levels across pretty much all classes of business following two years of relatively benign loss patterns. However, I am pleased to report that in 2007 our revenue increased to £23.9m, up from £21.8m for the calendar year 2006 (i.e. on a like for like basis) - an increase of around 10%. As a result of this good revenue growth, the changes to our accounting procedures and systems, along with tight expense control, I am delighted to be able to report our return to profitability.

Cash flow throughout 2007 was strong and our bank debt, which stood at £2.8m at 31st December 2006, has been reduced to £0.4m. Our Balance Sheet has improved with net assets/shareholders' funds increasing from a restated £1.6m to £10.5m, which includes a capital contribution of £7.6m from HBH in respect of the IASL business it acquired.

As we move forward into a new trading year it is reassuring to note that, to date, the trend of revenue growth and containment of expenses continues in an increasingly difficult market.

A great deal of good work was achieved in 2006 in terms of improving our organisation and systems, and getting some important changes in place in terms of our new senior management team. The benefits of this work have now started filtering through and I am confident that now we have achieved a sustainable transfer in the ownership of Tysers, allowing a suitably incentivised participation in that ownership by our staff, it is reasonable to expect the Company to enjoy continuing growth in terms of revenue and profitability.

It was inevitable that the processes of management and ownership change should be felt throughout the Company – change always makes people anxious. However, the positive manner in which our staff have embraced those changes, responded to the attendant opportunities and at the same time remained focused on their work, has been most commendable. I would like to put on record my thanks to our staff for their commitment and hard work, and also to Chris Elliott, Quintin Heaney and Gary Andrews, our senior management team, for guiding and controlling our business successfully throughout 2007.

Christopher Spratt  
Chairman

28th March 2008

**DIRECTORS' REPORT**

The directors present their report and financial statements for the year ended 31 December 2007.

**PRINCIPAL ACTIVITY**

The principal activity of the company continues to be that of an insurance and reinsurance broker.

**ACCOUNTING PERIOD END**

In the previous year the company changed its reporting date to 31 December, in order to be consistent with general practise within the insurance industry. As a consequence, the comparative figures included in these financial statements are for the 17 month period ended 31 December 2006.

**SIGNIFICANT TRANSACTION**

On 5 October 2007 the company was acquired by Hawkes Bay Holdings limited (HBH). At the same time, HBH acquired Introducer Agent Services Limited (IASL) – a business that had previously been established to introduce certain North American clients and business to the company. Subsequent to these acquisitions, HBH transferred the business of IASL to the company by way of a capital contribution (see notes 8 and 17).

**DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those financial statements, the directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**DIRECTORS' REPORT (continued)**

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

**RESULTS AND DIVIDENDS**

The results for the year and the state of the company's affairs are shown in the attached financial statements on pages 10 to 21.

The directors recommend no dividend be paid for the year (2006: nil). The profit for the year of £1,335,000 (2006: loss for the 17 months to 31 December 2006 of £1,041,000) has been taken to reserves.

**REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

During the year to 31 December 2007 the directors have focused on the following principal areas:

- continuing development of the current business, including organic growth from our existing teams and focused recruitment where appropriate;
- striving for the highest levels of service to our clients as well as to the markets into which we place business;
- improving the efficiency of our infrastructure and management information from our business systems through the development of better and more business friendly reporting;
- development of new areas of business; and
- management of risk in the business.

The business is managed through the Board which meets on a monthly basis. The general business environment continued to be one of softening insurance rates and a significant weakening of the US dollar – the currency in which much of the group's business is transacted. Against this background the Board is very pleased with the overall increase in business volumes achieved during the period and has continued its efforts to maintain the momentum of business development. We have employed a number of additional business producers throughout the period under review and this has assisted with the achievement of increased business volumes.

One of the fundamentals of our business is the quality of service we offer to clients, prospective clients and the markets in which we place our clients' business. This is manifested in a number of ways, from competitive pricing, quality, speed and accuracy of document production and ultimately through to the quality of claims service should our clients have the need for this. This requires constant review and innovation in order to keep ahead of our competitors and stay abreast of market developments – particularly as various electronic processing initiatives evolve. The Board is aware of the critical importance of our service offering and constantly reviews this aspect of the business to try to ensure that we remain at the forefront of the market.

The continuing development of our business systems along with the refinement of detailed management information has enabled management to review all areas of the business. From these reviews management expect to focus more on profitable business and to withdraw from or rationalise the unprofitable business carried on by the group. In addition the group is able to identify areas of business that need to be developed for targeted enhancement or recruitment of additional teams and producers to improve the quality of our service offering.

The Board is constantly examining ways in which the business can be strengthened and further growth achieved both organically and through new business areas and business models.

**DIRECTORS' REPORT (continued)**

Risks inherent in the business can broadly be categorised into two areas – financial and people related

- Financial risks are managed through:
  - our currency hedging programme and other financial instruments described further below.
  - financial processes and controls that allow us to control insurance and company funds accurately and in a timely manner.
  - appropriate banking relationships and facilities to allow working capital requirements to be managed efficiently.
- People risks are managed through the:
  - offering and implementation of competitive remuneration and incentive packages.
  - employment of appropriately qualified and experience staff.
  - provision of appropriate training and professional development.
  - provision of an appropriate working environment.

**FINANCIAL INSTRUMENTS****Treasury operations and financial instruments**

The Group operates a centralised treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with the Group's activities.

The Group's principal financial instruments comprise forward exchange contracts the purpose of which is to manage currency risks arising from the Group's activities, bank overdrafts and loans. In addition, the Group has various other financial assets and liabilities such as trade receivables and trade payables arising directly from its operations. In accordance with the Group's treasury policy, derivative instruments are not entered into for speculative purposes.

**Liquidity risk**

The Group manages its cash and borrowing requirements centrally to maximise interest income and minimise interest expense, whilst ensuring that the Group has sufficient liquid resources to meet the operating needs of its business.

**Interest rate risk**

The Group is exposed to interest rate risk on deposits, bank overdrafts and loans.

**Foreign currency risk**

The Group's principal foreign currency exposures arise from revenues denominated in overseas currencies, in particular in US dollars. Group policy permits but does not demand that these exposures be hedged in order to protect the sterling value of those revenues. This hedging activity involves the use of foreign exchange forward contracts and options.

**Credit risk**

Investments of cash surpluses, borrowings and forward exchange contracts are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Both the level of the business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustainable for the foreseeable future.

**DIRECTORS' REPORT (continued)**

**DIRECTORS' INTERESTS**

The directors set out in the table below have held office during the whole year from 1 January 2007 to the date of this report unless otherwise stated. The interests of the directors holding office at the period end in the shares of the company were as shown below:

	Ordinary shares of £1 each	
	At 31 December	
	2007	2006
	Number	Number
R E Marsh	Nil	22,320
C M Spratt	Nil	22,320
M J Cairns	Nil	16,120
K L Cooper	Nil	16,120
C J Elliott	Nil	16,120
J P Ramsay	Nil	1,500
D S Randle	Nil	4,000

**AUDITORS**

During the year Mazars LLP resigned as auditor to the company, there are no circumstances connected with this resignation which are required to be brought to the attention of the members of the company.

Deloitte & Touche LLP were appointed to fill the vacancy thus created. A resolution to reappoint Deloitte & Touche LLP as auditor to the company and to authorise the directors to fix their remuneration will be proposed at the Annual General Meeting.

This report was approved by the Board on 28 March 2008.

QJ Heaney  
Director

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TYSER & CO LIMITED**

We have audited the financial statements of Tyser & Co Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TYSER & CO LIMITED  
(continued)**

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
London, United Kingdom

28 March 2008

**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 December 2007**

	Notes	12 months to 31 December 2007 £000	17 months to 31 December 2006 £000
TURNOVER	2	23,851	29,425
Administrative expenses	3	(23,043)	(31,734)
OPERATING PROFIT/(LOSS)		<u>808</u>	<u>(2,309)</u>
Interest receivable	4	1,288	858
Interest payable and similar charges	5	(223)	(75)
		<u>1,065</u>	<u>783</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		1,873	(1,526)
Taxation (charge)/credit on profit/(loss) on ordinary activities	6	(538)	485
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE FINANCIAL PERIOD		<u><u>1,335</u></u>	<u><u>(1,041)</u></u>

The company's turnover and expenses all relate to continuing operations.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**For the year ended 31 December 2007**

	Notes	12 months to 31 December 2007 £000	17 months to 31 December 2006 £000
Profit/(loss) for the financial period		1,335	(1,041)
Prior year adjustment	16,18	(858)	-
Total recognised gains and losses relating to the period		<u><u>477</u></u>	<u><u>(1,041)</u></u>

**BALANCE SHEET as at 31 December 2007**

	Notes	31 December 2007 £000	Restated See note 16 2006 £000
<b>FIXED ASSETS</b>			
Intangible assets - goodwill	9	7,596	-
Investments	10	368	370
		7,964	370
<b>CURRENT ASSETS</b>			
Debtors	11	19,343	30,650
Cash at bank and in hand	12	25,939	24,763
		45,282	55,413
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	13	(42,542)	(53,761)
<b>NET CURRENT ASSETS</b>		2,740	1,652
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	14	(188)	(437)
<b>NET ASSETS</b>		10,516	1,585
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	102	102
Share premium account	18	588	588
Capital reserves	18	8,061	465
Profit and loss account	18	1,765	430
<b>EQUITY SHAREHOLDERS' FUNDS</b>		10,516	1,585

The financial statements on pages 10 to 21 were approved by the Board on 28 March 2008.

QJ Heaney  
Director

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2007**

**1. ACCOUNTING POLICIES**

**(a) Accounting basis**

The financial statements have been prepared under the historical cost convention and on the going concern basis.

**(b) Purchased Goodwill**

Goodwill arising on the acquisition of subsidiary businesses, representing any excess of the fair value of the consideration over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

**(c) Turnover**

Turnover represents net brokerage and commission receivable on continuing activities. Brokerage is credited to the profit and loss account on the later of the date of inception of a risk or, if the completion of placement occurs subsequent to inception, the debit note date. Adjustments relating to additional or return premiums are accounted for as and when they arise. Commission is credited on an accruals basis.

Brokerage is deferred to recognise contractual post placement activities. As described in note 16, the company has re-assessed its compliance with FRS5 "Recording the Substance of transactions" and in particular Application Note G to FRS5 and concluded that its treatment in the previous year was incorrect in that it made inadequate deferral of revenue to recognise its commercial obligations to handle claims arising on policies in respect of which commission income has been recognised. Accordingly such a deferral has now been made.

**(d) Foreign currencies**

Profit and loss account transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Assets and liabilities in overseas currencies have been translated into sterling at the rates of exchange ruling at the balance sheet date. Gains and losses on translation are included in the profit and loss account.

**(e) Interest payable and interest receivable**

Interest receivable and interest payable are recognised on an accruals basis

**(f) Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

In accordance with FRS 19, 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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2007**

**1. ACCOUNTING POLICIES (continued)**

**(g) Investments**

Investments held as fixed assets, including investments in subsidiary undertakings, are stated at cost less provision for impairment.

**(h) Insurance broking assets and liabilities**

Insurance brokers act as agents in placing insurance risks of their clients with insurers and as such, are not liable as principals for amounts arising from such transactions. In recognition of this relationship, debtors and creditors arising from these insurance broking transactions are not included as assets or liabilities of the company. Other than amounts receivable for fees or commissions earned on a transaction, no recognition of the insurance transaction occurs until the company receives or settles cash in respect of premiums or claims, at which time a corresponding asset or liability is established in favour of the insurer or the client.

**(i) Exemption from Group Accounts**

Group accounts are not prepared in line with section 228A of the Companies Act 1985 as the company is itself a wholly owned subsidiary and is included in the consolidated financial statements of Hawkes Bay Holdings Limited, its ultimate parent company. These financial statements therefore present information about the company as an individual undertaking and not about its group.

In accordance with FRS8, the company is exempt, as a wholly owned subsidiary, from the requirement to disclose transactions with entities that are part of the Group.

The company has taken advantage of the exemption under FRS1 (Revised) not to prepare a cash flow statement, on the grounds that it is a wholly owned subsidiary of a group which prepares a consolidated cash flow statement.

**(j) Compliance with accounting standards and Companies Act 1985**

The financial statements have been prepared in accordance with applicable accounting standards.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2007**

**2. TURNOVER**

Turnover represents amounts derived from insurance broking.

Geographical analysis of turnover:

	<b>Year to 31 December 2007 £000</b>	<b>17 months to 31 December 2006 £000</b>
United Kingdom	6,773	8,068
Rest of Europe	3,130	3,953
North America	9,617	11,128
Asia	2,935	2,419
Other	1,396	3,857
	<u>23,851</u>	<u>29,425</u>

**3. AUDITORS REMUNERATION**

The remuneration of the auditors in respect of the audit of the company and other work is paid by Tyser Group Services Limited, and included in the accounts of that company. The amount paid is as follows:

	<b>Year to 31 December 2007 £000</b>	<b>17 months to 31 December 2006 £000</b>
Audit Fee	56	66
Other services pursuant to legislation	6	4
Tax services	7	15
	<u>69</u>	<u>85</u>
Paid by Tyser Group Services limited on behalf of the company	<u>69</u>	<u>85</u>

**4. INTEREST RECEIVABLE**

	<b>Year to 31 December 2007 £000</b>	<b>17 months to 31 December 2006 £000</b>
Interest receivable from insurance broking and corporate funds	<u>1,288</u>	<u>858</u>

**5. INTEREST PAYABLE**

	<b>Year to 31 December 2007 £000</b>	<b>17 months to 31 December 2006 £000</b>
Interest charged on bank loans and overdrafts	<u>223</u>	<u>75</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2007**

**6. TAXATION**

**(a) Analysis of charge in period**

	<b>Year to 31 December 2007 £000</b>	<b>Restated 17 months to 31 December 2006 £000</b>
UK tax:		
Corporation tax payable/(credit) at 30% (2006: 30%) on the taxable profits for the period	43	(323)
Adjustment in respect of prior periods	-	(27)
	<u>43</u>	<u>(350)</u>
Deferred tax charge/(credit) – current year	503	(135)
Deferred tax adjustment in respect of prior years	(9)	-
Effect of rate change to 28% on deferred tax carried forward	1	-
	<u>495</u>	<u>(135)</u>
Deferred tax charge/(credit) for the period	495	(135)
Tax charge/(credit) in the Profit and Loss account	<u>538</u>	<u>(485)</u>

	<b>12 months to 31 December 2007 £000</b>	<b>17 months to 31 December 2006 £000</b>
<b>(b) Factors affecting tax charge for period</b>		
Profit/(loss) on ordinary activities before tax	1,873	(1,526)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006: 30%)	562	(458)
<i>Effects of:</i>		
Prior year charge for claims handling	(367)	-
Adjustments to tax charge in respect of prior periods	-	(27)
Group relief	(17)	-
(Utilisation of losses)/losses c/fwd as deferred tax asset	(135)	135
	<u>43</u>	<u>(350)</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2007**

**6. TAXATION (continued)**

<b>(c) Balance sheet deferred tax</b>	<b>12 months to 31 December 2007 £000</b>	<b>Restated 17 months to 31 December 2006 £000</b>
Losses carried forward	-	135
Other timing differences	8	1
	<hr/>	<hr/>
Deferred tax asset	8	136
	<hr/>	<hr/>
Asset at start of period:		
As previously stated	136	1
Prior year adjustment relating to claims handling costs	367	367
	<hr/>	<hr/>
	503	368
Deferred tax charge in profit and loss account for period	(495)	135
	<hr/>	<hr/>
Deferred tax asset at end of period (note 11)	8	503
	<hr/>	<hr/>

**7. DIVIDEND**

	<b>12 months to 31 December 2007 £000</b>	<b>17 months to 31 December 2006 £000</b>
Prior year dividend waived	-	305
	<hr/>	<hr/>

**8. DIRECTORS' EMOLUMENTS**

None of the directors received any remuneration from the company.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2007**

**9. INTANGIBLE ASSETS – GOODWILL**

	<b>31 December</b>	
	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
Insurance Broking Business	7,596	-

On 5 October the company was acquired by Hawkes Bay Holdings Limited (HBH). On the same day, HBH acquired the whole of the share capital of Introducer Agent Services Limited (IASL). The business of IASL was to introduce North American clients and business to the company. Following the acquisition, the trade of IASL was transferred from IASL to HBH and subsequently transferred by HBH to the company by way of a capital contribution on 18 December 2007.

**10. INVESTMENTS**

	<b>Investment in Subsidiary undertakings £000</b>	<b>Unlisted Investments £000</b>	<b>Total £000</b>
<b>At 1 January 2007</b>	356	14	370
Capital Subscribed	1,750	-	1,750
Transfer to ultimate holding company	(1,752)	-	(1,752)
<b>At 31 December 2007</b>	<u>354</u>	<u>14</u>	<u>368</u>

During the year Tyser Group Services Limited, a wholly owned subsidiary, issued one further share for a consideration of £1,750,000 which was satisfied through the intercompany account. The company subsequently transferred the whole of the share capital of Tyser Group Services Limited to Hawkes Bay Holdings Limited, its ultimate holding company.

Details of the company’s subsidiary at 31 December 2007 are as follows:

Name of operation	Country of incorporation	Activity	Proportion of shares held
Tyser Special Risks Limited	England	Dormant	100%

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended 31 December 2007

11. DEBTORS

	Restated	
	31 December	
	2007	2006
	£000	£000
Due in less than one year:		
Trade debtors	16,979	26,804
Deferred tax	8	503
Prepayments and accrued income	501	1,007
Amounts owed by group undertakings	1,855	2,336
	19,343	30,650
	19,343	30,650

12. CASH AT BANK AND IN HAND

Included in cash at bank and in hand is £25,220,000 (2006: £24,763,000) which is held in non-statutory trust accounts, which operate in compliance with the requirements of the Financial Services Authority.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Restated	
	31 December	
	2007	2006
	£000	£000
Bank overdraft (see note 15)	-	2,078
Bank loan due within one year	249	250
Trade creditors	39,936	49,113
Accruals and deferred income	1,261	2,224
Amounts owed to group undertaking	1,053	-
Corporation tax	43	96
	42,542	53,761
	42,542	53,761

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 December	
	2007	2006
	£000	£000
Bank Loan		
Due between one and two years	188	249
Due between two and five years	-	188
	188	437
	188	437

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2007**

**15. LOANS AND HIRE PURCHASE CONTRACTS**

**(a) Maturity**

	<b>31 December</b>	
	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
Bank overdraft:		
Aggregate amounts repayable:		
Within one year	-	2,078
	<u>          </u>	<u>          </u>

**(b) Security**

The company has a bank overdraft facility which is secured by an unlimited multilateral company guarantee and debenture given by group companies.

**16. ACCRUALS AND DEFERRED INCOME AND BASIS FOR RESTATEMENT**

	<b>31 December</b>	
	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
<b>Deferred Brokerage</b>		
<b>At 1 January 2007/1 August 2005</b>		
As previously stated	30	30
Prior year adjustment	1,225	1,225
	<u>          </u>	<u>          </u>
<b>Restated at 1 January 2007/1 August 2005</b>	<u>1,255</u>	<u>1,255</u>
	<u>          </u>	<u>          </u>
<b>At 31 December</b>	<u>1,255</u>	<u>1,255</u>

The company has re-assessed its compliance with FRS5 “Recording the Substance of Transactions” and in particular Application Note G to FRS5 and concluded that its treatment in the previous year was incorrect, in that it made inadequate deferral of revenue to recognise its commercial obligations to handle claims arising on policies in respect of which commission income has been recognised. Accordingly such a deferral has now been made.

The prior year balance sheet has been adjusted to reflect correction of this fundamental accounting error. The revenue deferral of £1,225,000 is offset by a deferred tax credit of £367,000. The result is a reduction in net assets of £858,000. The restatement has no impact on cash flows and no material impact on the profit and loss accounts for the periods presented.

**17. CALLED UP SHARE CAPITAL**

	<b>31 December</b>	
	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Authorised share capital:		
250,000 ordinary shares of £1 each	250	250
	<u>          </u>	<u>          </u>
Allotted, called up and fully paid		
101,772 ordinary shares of £1 each	102	102
	<u>          </u>	<u>          </u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2007**

**18. RESERVES**

	Share Capital (Note 17) £'000	Share Premium £'000	Capital Reserves £'000	Profit and Loss Account £'000	Total £'000
As previously reported at 31 December 2006	102	588	465	1,288	2,443
Prior year adjustment					
Revenue deferral (note 16)	-	-	-	(1,225)	(1,225)
Deferred tax credit	-	-	-	367	367
Restated at 31 December 2006	102	588	465	430	1,585
As at 1 January 2007	102	588	465	430	1,585
Capital Contribution (note 9)	-	-	7,596	-	7,596
Profit for the year	-	-	-	1,383	1,383
As at 31 December 2007	102	588	8,061	1,813	10,564

The prior year adjustment impacts the opening shareholders' funds at 1 August 2005 by the same amount, with a revenue deferral of £1,225,000 and an offsetting deferred tax credit of £367,000 reducing shareholders' funds at this date by £858,000. Therefore the prior year adjustment has no impact upon the profit and loss account for either period.

**19. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

At 31 December 2007 the company had capital commitments of £nil (31 December 2006: £nil).

The company has extended a guarantee to Tyser Group Services Limited (TGSL) in respect of the pension deficit recorded within the financial statements of TGSL, which has been calculated in accordance with the provisions of FRS17 Retirement Benefits. The deficit (net of related deferred tax) amounted to £1.464m at 31 December 2007.

**20. HEDGING CONTRACTS**

The Group has entered into a number of contracts and options to help protect the value of its foreign currency earnings against fluctuations in exchange rates. These comprise:

**Forward sale agreement**

A forward sale agreement to sell USD 500,000 at a predetermined rate of exchange during each of the last six months of 2008, giving a total commitment of USD 3 million.

**Option agreements**

Various option contracts which enable the company to sell currency each month at pre-determined rates should the value of the currency fall below those rates, and in the case of the contracts in respect of Euros and CAD, conversely require the company to sell those currencies at a protection rate should the value rise above a different, higher rate.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2007**

**20. HEDGING CONTRACTS (continued)**

Details of the option contracts in place are as follows.

- **US Dollars:** a series of contracts to protect USD 1.5 million per month until 31 December 2008. These contract give the company the opportunity, but not an obligation, to sell USD at certain exchange rates should the value of the US dollar fall below those rates.
- **Euros:** a series of contracts to protect Euros 250,000 per month until 31 December 2008 at a certain exchange rate should the value of the Euro fall below that rate, and conversely require the company to sell the same value at a different protection rate should the value rise above a specified higher rate. In addition, should the rate rise to a specified higher rate again, this contract requires the company to sell a further Euros150,000 per month.
- **CAD:** a series of contracts to protect CAD 250,000 per month until 31 December 2008 at a certain exchange rate should the value of the CAD fall below that rate, and conversely require the company to sell the same value at a different protection rate should the value rise above a specified higher rate. In addition, should the rate rise to a specified higher rate again, this contract requires the company to sell a further CAD 150,000 per month

The maximum commitment of the company under these various hedging arrangements is as follows.

<b>Currency</b>	<b>Potential monthly Maximum commitment</b>	<b>Date expires</b>	<b>Total potential maximum commitment</b>
EURO	400,000	December 2008	4,800,000
CAD	400,000	December 2008	4,800,000

Fair values for each class of derivatives are as follows:

	<b>31 December</b>	
	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
Forward sale agreements	55	-
Option agreements	(58)	512
	<u>(3)</u>	<u>512</u>

**21. ULTIMATE PARENT COMPANY AND RELATED PARTY TRANSACTIONS**

At the balance sheet date Hawkes Bay Holdings Limited is considered by the directors the ultimate controlling party and immediate and ultimate holding company of Tyser & Co Limited. Consolidated accounts of Hawkes Bay Holdings Limited will be publicly available from Companies House, Cardiff.

Tyser & Co Limited was charged a management fee for the year totalling £22,323,000 (2006: £28,000,000) by Tyser Group Services Limited (TGSL), a subsidiary of the company until a group reorganisation transferred TGSL to be a direct subsidiary of Hawkes Bay Holdings Limited, the ultimate holding company.