

Registered Number 2230654

Welcome Insurance Services Limited  
(formerly known as Magicmono Limited)  
Annual Report and Unaudited Financial Statements  
for the year ended 31 December 2008



# **Welcome Insurance Services Limited**

## **Annual Report and Financial Statements for the year ended 31 December 2008**

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# **Welcome Insurance Services Limited**

## **Directors and advisers**

### **Directors**

J R Drummond Smith  
R D East

### **Company Secretary**

R C W Todd

### **Registered Office**

Kingston House  
Centre 27 Business Park  
Woodhead Road  
Birstall  
Batley  
West Yorkshire  
WF17 9TD

Registered in England  
Registered Number 2230654

# **Welcome Insurance Services Limited**

## **Directors' report for the year ended 31 December 2008**

The directors present their Annual Report together with the unaudited financial statements of the company for the year ended 31 December 2008

### **Principal activity and business review**

The company did not trade in the year. There is no intention of the company to trade in the foreseeable future. On 31 January 2008 the company changed its name from Magicmono Limited to Welcome Insurance Services Limited.

The company has been dormant as defined in section 249AA of the Companies Act 1985 throughout the year and preceding financial period. Key performance indicators are not considered necessary for an understanding of the development, performance or position of the business of the company. There are no risks or uncertainties facing the company, including those within the context of the use of financial instruments.

Details of significant post balance sheet events are disclosed in note 7 to the financial statements.

### **Going concern**

On 25 November 2009, the company's ultimate parent company, Cattles plc (Cattles) announced that it had agreed a Standstill and Equalisation Agreement (SEA) with its key financial creditors, and that this should improve the likelihood of Cattles achieving its restructuring objectives, namely

- to stabilise the financial position of Cattles and its subsidiaries, and
- against this background, to continue discussions with Cattles' key financial creditors with a view to agreeing a consensual restructuring of the Cattles group.

Further details of the SEA are set out in note 7 to the financial statements.

The company is party to an unsecured multilateral bank guarantee together with other members of the Cattles group. The company does not currently anticipate that the bank guarantee will be called upon because Cattles is engaged in discussions with its key financial creditors and others in order to progress proposals for a consensual restructuring of the Cattles group. These discussions are progressing satisfactorily. However, a material uncertainty exists around the outcome of these discussions. After making enquiries regarding the circumstances outlined in the Statement of accounting policies contained in the financial statements, the directors have concluded that there is a reasonable expectation that the company can continue to pay its debts as they fall due for the foreseeable future (taking into account the expectations of the company in relation to the bank guarantee, as well as the ongoing discussions with key financial creditors, as set out above). Accordingly they continue to adopt the going concern basis in preparing the financial statements.

### **Directors**

The directors who held office during the year and up to the date of signing the financial statements were

J R Drummond Smith (appointed 30 April 2009)

R D East (appointed 3 July 2009)

M W G Collins (removed 3 July 2009)

J J Corr (removed 3 July 2009)

### **Statement of 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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. 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 of the company for that period.

# **Welcome Insurance Services Limited**

## **Directors' report for the year ended 31 December 2008 (continued)**

### **Statement of directors' responsibilities (continued)**

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance,
- make judgements and estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business

The directors confirm that they have complied with the above requirements in preparing the financial statements. The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company to 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.

By Order of the Board



R C W Todd  
Company Secretary  
12 March 2010

Registered Number 2230654

# Welcome Insurance Services Limited

## Balance sheet as at 31 December 2008

	Notes	2008 £	2007 £
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Intra-group borrowings		522,810	522,810
<b>Net liabilities</b>		<b>522,810</b>	<b>522,810</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	4	1,000	1,000
Retained earnings - deficit		(523,810)	(523,810)
<b>Total equity</b>		<b>(522,810)</b>	<b>(522,810)</b>

Welcome Insurance Services Limited (registered number 2230654) did not trade during the current or preceding period and has made neither profit nor loss, nor any other recognised gain or loss

The financial statements have not been audited because the company is entitled to the exemption provided by section 249AA(1) of the Companies Act 1985 relating to dormant companies and its members have not required the company to obtain an audit of these financial statements in accordance with section 249B(2) of the Companies Act 1985

The directors acknowledge their responsibilities for ensuring that the company keeps accounting records that comply with section 221 of the Companies Act 1985. The directors also acknowledge their responsibilities for

- preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with section 226 of the Companies Act 1985, and
- which otherwise comply with the requirements of that Act relating to financial statements, so far as applicable to the company

Approved by the Board on 12 March 2010 and signed on its behalf



J R Drummond Smith  
Director

Registered Number 2230654

# Welcome Insurance Services Limited

## Statement of accounting policies

### General information

Welcome Insurance Services Limited is a company incorporated in the United Kingdom. The address of the registered office is given on page 2. The nature of the company's operations and its principal activity is set out in the Directors' Report.

### Statement of compliance

These financial statements have been prepared in accordance with EU endorsed IFRS and IFRIC interpretations issued by the International Accounting Standards Board (IASB). These financial statements have also been prepared in accordance with the Companies Act 1985 as applicable to companies reporting under IFRS.

### Basis of preparation

The company is party to an unsecured multilateral bank guarantee together with other members of the Cattles group. The company does not currently anticipate that the bank guarantee will be called upon because Cattles is engaged in discussions with its key financial creditors and others in order to progress proposals for a consensual restructuring of the Cattles group. These discussions are progressing satisfactorily. However, a material uncertainty exists around the outcome of these discussions. After making enquiries regarding the circumstances outlined above, the directors have concluded that there is a reasonable expectation that the company can continue to pay its debts as they fall due for the foreseeable future (taking into account the expectations of the company in relation to the bank guarantee, as well as the ongoing discussions with key financial creditors, as set out above). Accordingly they continue to adopt the going concern basis in preparing the financial statements.

The financial statements are prepared under the historical cost convention, and are presented in Pounds Sterling, the company's functional and presentational currency.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### Adoption of new and revised Standards

In the current year the company has not adopted any additional standards as none have become effective for this reporting period. Three interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current year. These are IFRIC 12 'Service Concession Arrangements', IFRIC 13 'Customer Loyalty Programmes' and IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. The adoption of these has not led to any changes in the company's accounting policies. At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not effective:

IAS 1 (revised)	Presentation of Financial Statements
IAS 32 (amendments)	Financial Instruments – Presentation
IAS 39 (amendments)	Financial Instruments – Disclosures
IFRS 7 (amendments)	Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments
IFRS 9	Financial Instruments – Classification and Measurement
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the company.

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# **Welcome Insurance Services Limited**

## **Statement of accounting policies (continued)**

### **Income statement**

No income statement is presented with these financial statements because the company has not received income, incurred expenditure or recognised any gains or losses during either the year under review or the preceding financial year. Furthermore, there have been no other recognised gains or losses and therefore a statement of recognised income and expense is not presented.

### **Cash flow statement**

The company did not enter into any cash transactions during either of the years presented, therefore a cash flow statement has not been presented.

### **Borrowings**

Other financial liabilities, including borrowings are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest rate method, with any interest expense recognised on an effective yield basis.



# Welcome Insurance Services Limited

## Notes to the financial statements for the year ended 31 December 2008

### 1 Directors' emoluments

The company has no employees other than the directors (2007 none) The directors received no remuneration for their services to the company (2007 £nil)

### 2 Borrowings

Intra-group borrowings are unsecured No interest accrues on intra-group borrowings

The fair value of the company's intra group borrowings does not materially differ from their carrying value

### 3 Financial risk management

The most significant financial risks faced by the company are credit risk and liquidity risk

#### Credit risk

The company's credit risk is solely related to its intra-group receivables which also represents its maximum exposure to credit risk

#### Liquidity risk and capital management

The company has no financial liabilities and therefore is not subject to any material liquidity risk

### 4 Share capital

	2008	Authorised	2007	
	No.	£	No	£
Ordinary shares of £1 each	1,000	1,000	1,000	1,000

  

	2008	Allotted, called up and fully paid	2007	
	No.	£	No	£
Ordinary shares of £1 each	1,000	1,000	1,000	1,000

The rights attached to the ordinary shares are as follows

#### Voting

On a show of hands every ordinary shareholder who is present in person at a general meeting of the company and every proxy appointed by an ordinary shareholder and present at a general meeting of the company shall have one vote and on a poll every ordinary shareholder who is present in person or by proxy shall have one vote for every share held

#### Dividends

Ordinary shareholders shall be entitled to receive such dividend as the company by ordinary resolution may from time to time declare as a final dividend (such dividend not to exceed the amount recommended by the Board) or as the Board may from time to time declare as an interim dividend

#### Return of capital on a winding-up

Ordinary shareholders are entitled to participate in any surplus assets on the winding-up of the company in proportion to their shareholdings

# **Welcome Insurance Services Limited**

## **Notes to the financial statements for the year ended 31 December 2008 (continued)**

### **5 Contingent liabilities**

The company has assigned leases in respect of which it could become liable for future rentals on the default of the assignees. The maximum liability under these arrangements is £111,842 (2007 £134,542)

The company, together with other companies in the Cattles group, has entered into an unsecured multilateral guarantee. There are no fair values attached to the bank guarantee.

### **6 Related party transactions**

#### **Ultimate parent undertaking**

The ultimate parent undertaking and controlling party of this company is Cattles, registered in England and Wales.

The largest and smallest group in which the results of the company are consolidated is that headed by Cattles. The latest consolidated financial statements of this group will be available to the public and may be obtained from the Registered Office, Kingston House, Centre 27 Business Park, Woodhead Road, Birstall, Batley, West Yorkshire, WF17 9TD.

#### **Related party transactions**

Amounts payable to the ultimate parent undertaking are disclosed as intra-group borrowings on page 5.

### **7 Post balance sheet events**

On 10 March 2009, Cattles, the company's ultimate parent company announced that it believed that it was in breach of covenants under its borrowing arrangements.

On 25 November 2009, Cattles announced that it had agreed a formal SEA with its key financial creditors. At the same time, Cattles also agreed certain modifications to the terms of its bank facilities, private placement notes and, subsequently, its bonds.

The signing of the SEA and these modifications was expected to improve the likelihood of Cattles achieving its restructuring objectives, namely:

- to stabilise the financial position of Cattles and its subsidiaries, and
- against this background, to continue discussions with Cattles' key financial creditors with a view to agreeing a consensual restructuring of the Group.

The SEA was signed by Cattles, Welcome Financial Services Limited (WFS), certain other members of the Cattles group and, among others, lenders of certain syndicated and bilateral facilities to Cattles (Banks), certain guaranteed hedging counterparties (Guaranteed Hedging Counterparties), certain unguaranteed hedging counterparties (Unguaranteed Hedging Counterparties) and holders of certain private placement notes issued by Cattles (Noteholders).

The SEA became effective on 17 December 2009 (the Effective Date) following the formal approval of the amendments to the bonds by holders of the 2014 and 2017 bonds (Bondholders).

The key provisions of the SEA include:

- **Standstill:** A formal agreement by the key financial creditors to "stand still" and therefore agree not to take enforcement action against Cattles, WFS or other members of the Group for a limited period of time.

# Welcome Insurance Services Limited

## Notes to the financial statements for the year ended 31 December 2008 (continued)

### 7 Post balance sheet events (continued)

- **Cash distributions:** Obligations on WFS to distribute the majority of cash generated by the Group to the key financial creditors, subject to the right of WFS to forecast and retain a provision for working capital requirements and other contingencies. The SEA expressly provides that this forecast will be prepared on a conservative basis to provide ongoing liquidity for the Cattles group.
- **Cash management:** Obligations on Cattles, WFS and other members of the Group to ensure that the majority of cash generated by the Group, which is currently subject to rights of set off in favour of certain key financial creditors, continues to be maintained in bank accounts that are subject to such rights of set off in favour of such key financial creditors.

The period of standstill is linked to the litigation process relating to certain intra Group subordination arrangements (as set out in Cattles' announcement of 11 August 2009) (the Litigation). The Banks, the Noteholders and the Guaranteed Hedging Counterparties are required to stand still during an initial standstill period from (and including) the Effective Date and ending on the earlier of

- (i) 30 June 2011,
- (ii) the date on which the relative entitlements of the creditors to Interim Distributions paid after the conclusion of the Litigation have been finally determined by the Entity Priority Accountant, and
- (iii) the occurrence of the date on which the SEA is terminated,

unless the Banks and the Guaranteed Hedging Counterparties whose claims against the Group represent at least 75% of the aggregate claims of the Banks and the Guaranteed Hedging Counterparties against the Group and the Noteholders whose claims against the Group represent at least 75% of the aggregate claims of the Noteholders against the Group decide that the standstill applicable to the Banks and the Guaranteed Hedging Counterparties and the Noteholders should be terminated.

During the period after 30 June 2011 or after the date on which the relative entitlements of the creditors to Interim Distributions paid after the conclusion of the Litigation have been finally determined by the Entity Priority Accountant, the standstill can be terminated (i) in the case of the standstill applicable to the Banks and Guaranteed Hedging Counterparties, by the Banks and Guaranteed Hedging Counterparties whose claims against the Group represent at least 75% of the aggregate claims of the Banks and Guaranteed Hedging Counterparties against the Group, and (ii) in the case of the Noteholders, by the Noteholders whose claims against the Group represent at least 75% of the aggregate claims of the Noteholders against the Group.

With respect to the Bondholders and the Unguaranteed Hedging Counterparties, the initial standstill period (which began on the Effective Date) has been extended following the appeal of the first instance judgment to the Court of Appeal. The Court of Appeal hearing is presently listed for 12 or 13 May 2010. There will be a further automatic extension of such standstill period following any appeal of the Court of Appeal judgment, provided that a relevant majority of the Banks, the Noteholders and the Guaranteed Hedging Counterparties agree that WFS shall fund the legal costs of any appeal (up to a maximum amount of £1,500,000). The standstill period for the Bondholders and the Unguaranteed Hedging Counterparties shall terminate where (i) a relevant majority of the Banks, the Noteholders and the Guaranteed Hedging Counterparties do not agree that WFS shall fund such costs, or (ii) the SEA is terminated.