

**REPORT OF THE DIRECTORS AND  
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2013  
FOR  
INK UNDERWRITING AGENCIES LIMITED**

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**INK UNDERWRITING AGENCIES LIMITED**

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**INK UNDERWRITING AGENCIES LIMITED**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 AUGUST 2013**

<b>DIRECTORS:</b>	M Addis	(resigned 14 January 2013)
	J Arden	
	S Dalgarno	(appointed 14 November 2013)
	C Giles	(resigned 1 April 2013)
	J Lincoln	(appointed 17 April 2013)
	B Mageean	(appointed 4 September 2013, resigned 14 November 2013)
	P Matson	
	H McIntyre	(resigned 10 September 2012)
	B McManus	
	M Mugge	(appointed 14 November 2013)
	M Pike	(appointed 14 November 2013)
	G Prescott	
	D Ross	(appointed 14 November 2013)
	A Royle	(resigned 14 November 2013)
	M Scales	
	M Smith	(resigned 16 October 2012)

<b>SECRETARY:</b>	W McGowan
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<b>REGISTERED OFFICE</b>	The Walbrook Building 25 Walbrook London EC4N 8AW
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<b>REGISTERED NUMBER:</b>	03110970 (England and Wales)
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<b>INDEPENDENT AUDITORS</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 141 Bothwell Street Glasgow G2 7EQ
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<b>BANKERS:</b>	Lloyds Bank plc 25 Gresham Street London EC2V 7HN
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<b>SOLICITORS</b>	Dickson Minto Broadgate Tower 20 Primrose Street London EC2A 2EW
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## **INK UNDERWRITING AGENCIES LIMITED**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 AUGUST 2013**

The directors present their report with the audited financial statements of the company for the year ended 31 August 2013

#### **PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of wholesale insurance and managing general agent

#### **REVIEW OF BUSINESS**

The trading results for the year and the company's financial position at the end of the year are shown in the profit and loss account and balance sheet on pages 6 and 7 respectively

In the view of the directors the main key performance indicator for the business is the level of turnover. Turnover was £14,894,000 for the year (2012 £13,309,000) with the profit for the financial year increasing to £7,076,000 (2012 £6,973,000)

#### **DIVIDENDS**

No dividends will be distributed for the year ended 31 August 2013

#### **FUTURE DEVELOPMENTS**

The company's strategic focus continues to be on the organic growth of existing core business and the acquisition of businesses to enhance the future turnover and profitability of the company

#### **EVENTS SINCE THE END OF THE YEAR**

On 14 November 2013 Arthur J Gallagher & Co became the ultimate parent undertaking of the group (see note 21)

#### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1 September 2012 to the date of this report

J Arden  
P Matson  
B McManus  
G Prescott  
M Scales

Other changes in directors holding office are as follows

M Addis - resigned 14 January 2013  
C Giles - resigned 1 April 2013  
B Mageean - appointed 4 September 2012  
H McIntyre - resigned 10 September 2012  
J Lincoln - appointed 17 April 2013  
M Smith – resigned 16 October 2012

D Ross, M Mugge, M Pike and S Dalgarno were appointed as directors after 31 August 2013 but prior to the date of this report

B Mageean and A Royle ceased to be directors after 31 August 2013 but prior to the date of this report

#### **POLITICAL AND CHARITABLE CONTRIBUTIONS**

No charitable or political donations were made during the year (2012 £nil)

#### **FINANCIAL RISK MANAGEMENT**

In the year to 31 August 2013, financial risk management was managed on a consolidated group basis, the group being Expectrum Limited and subsidiary companies, and accordingly, the financial risk management policy of Expectrum Limited, which includes that of the company, is discussed on page 3 of the group's financial statements which does not form part of this report. As of 14 November 2013 the company manages financial risk in line with the policies in place for the Arthur J Gallagher & Co group of companies

## **INK UNDERWRITING AGENCIES LIMITED**

### **REPORT OF THE DIRECTORS - continued FOR THE YEAR ENDED 31 AUGUST 2013**

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

From the perspective of the company, during the year to 31 August 2013, the principal risks and uncertainties were integrated in the principal risks of the group and were not managed separately. Accordingly, the principal risks and uncertainties of Expectrum Limited, which includes those of the company, are discussed on page 3 of the group's financial statements which does not form part of this report. As of 14 November 2013 the company manages risk in line with the policies in place for the Arthur J Gallagher & Co group of companies.

#### **GOING CONCERN**

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should have adequate resources to continue in operational existence for at least 12 months from the signing of these financial statements. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

#### **DIRECTORS INDEMNITY PROVISIONS**

The directors benefited from third party indemnity provisions in place during the financial year and to the date of this report.

#### **EMPLOYEE INVOLVEMENT**

It is the company policy that there should be effective communication with employees at all levels on matters which affect their current jobs or future prospects.

#### **DISABLED EMPLOYEES**

The policy of the company with regard to disabled persons is to give full and fair consideration to all applicants for employment and to all employees in relation to promotion. Wherever possible, employees who become disabled during their employment are offered suitable alternative employment.

#### **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 prepared 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 and 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,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 maintaining 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.

**INK UNDERWRITING AGENCIES LIMITED**

**REPORT OF THE DIRECTORS - continued  
FOR THE YEAR ENDED 31 AUGUST 2013**

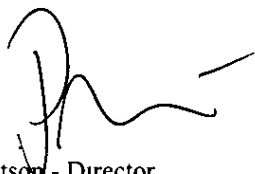
**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

The directors at the date of approval of this report confirm that

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

This confirmation is given and should be interpreted in accordance with the provisions of the Companies Act 2006

**BY ORDER OF THE BOARD:**

A handwritten signature in black ink, appearing to be 'P Matson', with a long horizontal stroke extending to the right.

P Matson - Director

Date 20 December 2013

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF INK UNDERWRITING AGENCIES LIMITED**

We have audited the financial statements of Ink Underwriting Agencies Limited for the year ended 31 August 2013 which comprise the Profit and Loss Account, Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 3 of the Report of the directors, 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.

This report, including the opinions, has been prepared for and only for the company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **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 Report of the Directors and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 August 2013 and of its profits 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

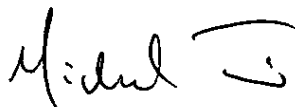
### **Opinion on other matter prescribed by the Companies Act 2006**

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.

### **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



Michael Timar (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and  
Statutory Auditors  
141 Bothwell Street  
Glasgow  
G2 7EQ

Date 20 Dec 2013

**INK UNDERWRITING AGENCIES LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 AUGUST 2013**

	Notes	£'000	2013 £'000	2012 £'000
<b>TURNOVER</b>			14,894	13,309
Continuing operations		14,894		13,258
Acquisitions		<u>-</u>		<u>51</u>
		<u>14,894</u>		<u>13,309</u>
Net operating expenses	2		<u>8,201</u>	<u>6,362</u>
<b>OPERATING PROFIT</b>	5		6,693	6,947
Continuing operations		6,693		6,920
Acquisitions		<u>-</u>		<u>27</u>
		<u>6,693</u>		<u>6,947</u>
Interest receivable and similar income			<u>387</u>	<u>26</u>
			7,080	6,973
Interest payable and similar charges	6		<u>4</u>	<u>-</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			7,076	6,973
Tax on profit on ordinary activities	7		<u>-</u>	<u>-</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>			<u>7,076</u>	<u>6,973</u>

**TOTAL RECOGNISED GAINS AND LOSSES**

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

**CONTINUING OPERATIONS**

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

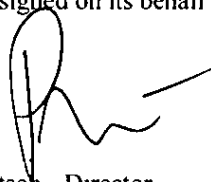


**INK UNDERWRITING AGENCIES LIMITED (REGISTERED NUMBER: 03110970)**

**BALANCE SHEET AS AT  
31 AUGUST 2013**

	Notes	£'000	2013 £'000	£'000	2012 £'000
<b>FIXED ASSETS</b>					
Intangible assets	8		4,928		5,386
Tangible assets	9		2		2
Investments	10		<u>6,570</u>		<u>6,691</u>
			11,500		12,079
<b>CURRENT ASSETS</b>					
Debtors	11	46,213		35,834	
Cash at bank	12	<u>12,922</u>		<u>12,549</u>	
		59,135		48,383	
<b>CREDITORS</b>					
Amounts falling due within one year	13	<u>36,909</u>		<u>33,562</u>	
<b>NET CURRENT ASSETS</b>			<u>22,226</u>		<u>14,821</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			33,726		26,900
<b>CREDITORS</b>					
Amounts falling due after more than one year	14		<u>-</u>		<u>250</u>
<b>NET ASSETS</b>			<u>33,726</u>		<u>26,650</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	16		-		-
Profit and loss account	17		<u>33,726</u>		<u>26,650</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>	22		<u>33,726</u>		<u>26,650</u>

The financial statements on pages 6 to 16 were approved by the Board of Directors on 20 December 2013 and were signed on its behalf by



P Matson - Director

The notes form part of these financial statements

# **INK UNDERWRITING AGENCIES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2013**

### **1 ACCOUNTING POLICIES**

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention, in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards and accounting policies which have been consistently applied

#### **Going concern**

The financial statements have been prepared under the going concern concept as discussed in the Report of the directors

#### **Preparation of consolidated financial statements**

The financial statements contain information about Ink Underwriting Agencies Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, Expectrum Limited, a company registered in England and Wales

#### **Cash flow statement**

The directors have taken advantage of the exemption in Financial Reporting Standard ("FRS") 1 (revised 1996) "Cash Flow Statements" from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

#### **Turnover**

Turnover represents commission and fees earned in the capacity as managing general agent for placing and servicing risks on behalf of clients and income from business placed with financing companies. The company recognises this income when earned. Commission is recognised at policy inception date with a proportion of income deferred over the period of the underlying contracts to recognise the ongoing contractual obligations of maintaining and servicing the contracts over that period

Turnover attributable to company's activities which were hived up into Ink Underwriting Agencies Limited during the year, and books of business purchased during the year, is shown on the face of the profit and loss account as turnover from acquisitions

#### **Goodwill**

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration originally paid over the fair value of the identifiable assets and liabilities at the time of hive up, is capitalised and written off on a straight line basis over its useful economic life, which the directors have assessed to be 12 years. Provision is made for any impairment

Goodwill 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. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account

#### **Tangible fixed assets**

Tangible fixed assets are recorded at historical purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use

#### **Depreciation**

Depreciation is provided on all tangible fixed assets at rates calculated so as to write off the cost or valuation less estimated residual value, over its estimated useful life as follows

Fixtures and fittings	- 3 years straight line
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#### **Investments in subsidiaries**

Investments in subsidiary companies are recorded at cost less any provision for impairment. Impairment reviews are performed by the directors where there has been an indication of impairment

# INK UNDERWRITING AGENCIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 AUGUST 2013

### 1 ACCOUNTING POLICIES - continued

#### Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at the balance sheet date that will result in an obligation to pay more, or a right to pay less tax, in the future. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, 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 is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the schemes are held separately from those of the group. The annual contributions payable are charged to the profit and loss account.

#### Insurance related debtors and creditors

The company principally acts as managing general agent in placing the insurable risks of their clients with insurers and, as such, generally is not liable as principal for amounts arising from such transactions. Notwithstanding such legal relationships, debtors and creditors arising from these transactions are shown as assets and liabilities in recognition of the fact that the company is entitled to retain investment income on any cash flows arising from such transactions and accordingly such investment income is included in operating profits. Such cash is held in a client account separate from the general funds of the company. The company has applied FRS 5 'Reporting the Substance of Transactions' and offsets debtors and creditors from insurance transactions only when it is legally enforceable.

#### Deferred consideration

The total consideration payable by the company when acquiring businesses often includes a deferred element which is based on the future trading performance of the acquired business. The company provides for the deferred consideration where there is a reasonable expectation that the acquired business will meet the targets specified in the acquisition agreement.

#### Accrued income

Income is accrued when it has been earned in the year but will be received in a future accounting period, and when the amount earned can be estimated with reasonable certainty.

#### Deferred income

Income is deferred when it has been received in the year but will be earned in a future accounting period.

### 2 ANALYSIS OF OPERATIONS

	Continuing	Acquisitions	2013 Total
	£'000	£'000	£'000
Turnover	<u>14,894</u>	<u>-</u>	<u>14,894</u>
Net operating expenses			
Administrative expenses	<u>8,201</u>	<u>-</u>	<u>8,201</u>

# **INK UNDERWRITING AGENCIES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS - continued** **FOR THE YEAR ENDED 31 AUGUST 2013**

### **2 ANALYSIS OF OPERATIONS - continued**

	Continuing £'000	Acquisitions £'000	2012 Total £'000
Turnover	<u>13,258</u>	<u>51</u>	<u>13,309</u>
Net operating expenses			
Administrative expenses	<u>6,338</u>	<u>24</u>	<u>6,362</u>

### **3 STAFF COSTS**

	2013 £'000	2012 £'000
Wages and salaries	5,162	4,132
Social security costs	788	490
Other pension costs	<u>225</u>	<u>85</u>
	<u>6,175</u>	<u>4,707</u>

The average number of employees during the year, including executive directors, was as follows

	2013	2012
Managing general agency and administration	<u>127</u>	<u>109</u>

### **4 DIRECTORS' EMOLUMENTS**

The directors during the year were remunerated by Giles Insurance Brokers Limited, a fellow subsidiary undertaking. Details of their emoluments are included in the financial statements of Giles Insurance Brokers Limited. The directors do not consider it practical to allocate the percentage of their remuneration to Ink Underwriting Agencies Limited.

### **5 OPERATING PROFIT**

The operating profit is stated after charging

	2013 £'000	2012 £'000
Depreciation - owned assets	2	-
Goodwill amortisation	473	224
Operating lease costs - land and buildings	<u>115</u>	<u>112</u>

The remuneration payable, excluding VAT, to the auditors in respect of the audit of the financial statements is £15,085 (2012 £13,959) and in respect of taxation services is £7,553 (2012 £7,876). These costs have been borne and paid for by Giles Insurance Brokers Limited, a fellow group subsidiary.

### **6 INTEREST PAYABLE AND SIMILAR CHARGES**

	2013 £'000	2012 £'000
Bank interest	<u>4</u>	<u>-</u>

# INK UNDERWRITING AGENCIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 AUGUST 2013

### 7 TAX ON PROFIT ON ORDINARY ACTIVITIES

#### Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 August 2013 nor for the year ended 31 August 2012

#### Factors affecting the tax charge

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

	2013 £'000	2012 £'000
Profit on ordinary activities before tax	<u>7,076</u>	<u>6,973</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.58% (2012 - 25.160%)	1,668	1,754
Effects of		
Expenses not deductible for tax purposes	186	145
Other timing differences	(5)	23
Group relief claimed	<u>(1,849)</u>	<u>(1,922)</u>
Current tax charge	<u>-</u>	<u>-</u>

Ink Underwriting Agencies Limited has an unrecognised deferred tax asset at 31 August 2013 of £34,603 (2012 £60,977). This asset is not recognised on the balance sheet due to the availability of losses to shelter the group from corporation tax for the following period

During the year, changes in the UK corporation tax rate were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These include reductions in the main rate of corporation tax from 23% to 21% from 1 April 2015. The relevant deferred tax balances have been re-measured accordingly.

**INK UNDERWRITING AGENCIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 AUGUST 2013**

**8 INTANGIBLE FIXED ASSETS**

	<b>Goodwill £'000</b>
<b>COST</b>	
At 1 September 2012	5,661
Additions	<u>15</u>
At 31 August 2013	<u>5,676</u>
<b>AMORTISATION</b>	
At 1 September 2012	275
Amortisation for year	<u>473</u>
At 31 August 2013	<u>748</u>
<b>NET BOOK VALUE</b>	
At 31 August 2013	<u><u>4,928</u></u>
At 31 August 2012	<u><u>5,386</u></u>

**9 TANGIBLE FIXED ASSETS**

	<b>Fixtures and fittings £'000</b>
<b>COST</b>	
At 1 September 2012	93
Additions	4
Disposals	<u>(2)</u>
At 31 August 2013	<u>95</u>
<b>DEPRECIATION</b>	
At 1 September 2012	91
Charge for year	<u>2</u>
At 31 August 2013	<u>93</u>
<b>NET BOOK VALUE</b>	
At 31 August 2013	<u><u>2</u></u>
At 31 August 2012	<u><u>2</u></u>

# INK UNDERWRITING AGENCIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 AUGUST 2013

### 10 FIXED ASSET INVESTMENTS

	Shares in group undertakings £'000
<b>COST</b>	
At 1 September 2012	6,691
Disposals	(121)
At 31 August 2013	<u>6,570</u>
<b>NET BOOK VALUE</b>	
At 31 August 2013	<u>6,570</u>
At 31 August 2012	<u>6,691</u>

Disposals relate to adjustments made to the total consideration paid for the purchase of the entire share capital of Westinsure Group Limited and subsidiary companies, due to a reduction in the deferred consideration payable

The directors believe that the carrying value of the investments is supported by their underlying net assets

At 31 August 2013 the company held the entire issued share capital of the following companies

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business Insurance broker network
Westinsure Group Limited	England	Ordinary shares	100%	
Westinsure Online Limited (1)	England	Ordinary shares	100%	Non trading
Insurance Watchdog Limited (1)	England	Ordinary shares	100%	Non trading

(1) - held indirectly by Westinsure Group Limited

### 11 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £'000	2012 £'000
Insurance Debtors	8,480	4,639
Amounts owed by group undertakings	36,970	29,522
Other debtors	49	45
Prepayments and accrued income	<u>714</u>	<u>1,628</u>
	<u>46,213</u>	<u>35,834</u>

Amounts owed by group undertakings are repayable on demand and are on an interest free basis, with the exception of cash transfers between Ink Underwriting Agencies Limited and DMWSL 588 Limited which are repayable on demand and bear interest at 2% above the Bank of England base rate. The balance subject to interest at 31 August 2013 was £9,125,000 (2012 £2,250,000)

### 12 CASH AT BANK

	2013 £'000	2012 £'000
Insurance bank accounts	8,089	7,923
Business bank accounts	<u>4,833</u>	<u>4,626</u>
	<u>12,922</u>	<u>12,549</u>

# **INK UNDERWRITING AGENCIES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS - continued** **FOR THE YEAR ENDED 31 AUGUST 2013**

### **12 CASH AT BANK - continued**

Insurance bank accounts hold cash on behalf of clients and insurers

### **13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2013	2012
	£'000	£'000
Trade Creditors	9	-
Insurance Creditors	18,149	13,444
Amounts owed to group undertakings	17,321	17,494
Social security and other taxes	180	185
Other creditors	131	330
Deferred consideration	250	750
Accruals and deferred income	869	1,359
	<u>36,909</u>	<u>33,562</u>

Amounts owed to group undertakings are repayable on demand and are on an interest free basis, with the exception of cash transfers between Ink Underwriting Agencies Limited and DMWSL 588 Limited which are repayable on demand and bear interest at 2% above the Bank of England base rate. The balance subject to interest at 31 August 2013 was £nil (2012: £nil).

### **14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2013	2012
	£'000	£'000
Deferred consideration	<u>-</u>	<u>250</u>

### **15 OPERATING LEASE COMMITMENTS**

The following operating lease payments are committed to be paid:

	Land and buildings	
	2013	2012
	£'000	£'000
Expiring		
Between one and five years	<u>30</u>	<u>139</u>

### **16 CALLED UP SHARE CAPITAL**

Allotted and issued:			2013	2012
Number	Class	Nominal value:	£	£
100	Share capital 1	£1	<u>100</u>	<u>100</u>



# INK UNDERWRITING AGENCIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 AUGUST 2013

### 17 RESERVES

	Profit and loss account £'000
At 1 September 2012	26,650
Profit for the year	<u>7,076</u>
At 31 August 2013	<u>33,726</u>

### 18 ULTIMATE PARENT COMPANY

The immediate parent company is Quillco 227 Limited. The ultimate holding company at 31 August 2013 was Expectrum Limited, which is incorporated in Great Britain and registered in England and Wales, and is the parent undertaking of the smallest and largest group to consolidate these financial statements. A copy of the consolidated financial statements is available from Expectrum Limited, 7th Floor, Warwick Court, Paternoster Square, London, EC4M 7DX. The ultimate controlling party at 31 August 2013 was funds managed by Charterhouse General Partners (VIII) Limited.

On 14 November 2013 Arthur J Gallagher & Co, a company incorporated in USA and registered in Delaware, became the ultimate holding company and ultimate controlling party.

### 19 DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

Mr M Scales, a non-executive director of the company is also a non-executive director of Newline Underwriting Management Limited and Newline Insurance Company Limited. In the year to August 2013, Ink Underwriting Agencies Limited placed £391,000 (2012 £275,000) of gross written premiums with these companies, on an arm's length basis.

### 20 RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS8, 'Related Party Disclosures', on the grounds that it was a wholly owned subsidiary of a group headed by Expectrum Limited, whose accounts are publicly available.

### 21 POST BALANCE SHEET EVENTS

Arthur J Gallagher & Co, a company incorporated in USA and registered in Delaware, became the ultimate parent undertaking of the group on 14 November 2013. Following the change of ultimate parent undertaking Rio 588 Limited (formerly DMWSL 588 Limited), a fellow group subsidiary, repaid all outstanding debt under the Senior Credit Agreement referred to in note 23. All financial commitments, securities and guarantees under the Senior Credit Agreement ceased to exist as of 14 November 2013.

### 22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013 £'000	2012 £'000
Profit for the financial year	<u>7,076</u>	<u>6,973</u>
Net addition to shareholders' funds	7,076	6,973
Opening shareholders' funds	<u>26,650</u>	<u>19,677</u>
Closing shareholders' funds	<u>33,726</u>	<u>26,650</u>

## **INK UNDERWRITING AGENCIES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 AUGUST 2013**

#### **23 CONTINGENCIES AND COMMITMENTS**

At the year end the Group had a £181,005,910 (2012 £181,005,910) Senior Credit Agreement ("the Debt Agreement") with the Bank of Scotland plc to fund the acquisition of the entire share capital of Quillco 226 Limited and its subsidiary companies

The company had a deed of accession as a guarantor to this agreement and an intercreditor deed whereby the company agreed certain ranking and priority arrangements relating to the debt and a debenture whereby the company created a first ranking fixed and floating charge over its assets, property and undertaking and assign by way of security all their rights, interest, title and benefit in their present and future assets to the Bank of Scotland plc

The company, together with certain other group subsidiary companies, had an intra-group loan agreement with DMWSL 588 Limited to provide a revolving credit facility of up to £800,000,000 Advances made under the terms of this agreement were subject to interest at a rate of 2% above base and are subject to the terms of the intercreditor deed as described above

Subsequent to the year end these liabilities ceased to exist Further information can be found in Note 21