

# **MMO UK LIMITED**

## **Report and Financial Statements**

**31 December 2006**

***Company Registration Number : 3266637***



# **MMO UK LIMITED**

## **REPORT AND FINANCIAL STATEMENTS – 31 DECEMBER 2006**

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# **MMO UK LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

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### **DIRECTOR**

G P Nash

### **SECRETARY**

I Burley

### **REGISTERED OFFICE**

Site A

Kingmoor Park South Industrial Estate

Queens Drive

Carlisle CA6 4SB

### **AUDITORS**

KPMG Audit Plc

191 West George Street

Glasgow

G2 2LJ

## **MMO UK LIMITED**

### **DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2006**

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The director presents the annual report and the audited financial statements for the year ended 31 December 2006

#### **PRINCIPAL ACTIVITIES**

The company's principal activity was to act as a corporate name at Lloyd's. The company's final year of underwriting was the 2000 account. The company does not intend to underwrite going forward.

#### **RESULTS**

The company made a loss for the year of £447k (2005 £539k). The director does not recommend the payment of a dividend (2005 £nil). The retained loss for the year has been transferred to reserves.

#### **BUSINESS REVIEW**

During 2005 syndicate 1265 was reinsured to close into syndicate 1861, managed by Marlborough Underwriting Agency Limited, with effect from 31 December 2004. As a result of significant underwriting losses, the company has drawn on the Lloyd's Central Fund to meet its liabilities to policyholders. The director considers the company is no longer a going concern, accordingly the financial statements have been drawn up on a discontinuance basis. The effect of this is explained in note 1 to the financial statements.

#### **DIRECTOR**

The Director who held office during the year was as follows:

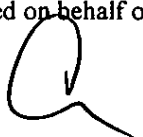
G P Nash

#### **AUDITOR**

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on  
And signed on behalf of the Board by

26 October 2007



GP NASH  
DIRECTOR.

## **EMMO UK LIMITED**

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### **STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE DIRECTOR'S REPORT AND THE FINANCIAL STATEMENTS**

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year. Under that law he has elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 these financial statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK 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 company will continue in business. As explained in note 1, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis

The director is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 1985. He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the company and to prevent and detect fraud and other irregularities

## **MMO UK LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MMO UK LIMITED**

We have audited the financial statements of MMO UK Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow and the related notes. These financial statements have not been prepared on the going concern basis for the reason set out in note 1 to the financial statements but 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 auditor's 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 director and auditors**

The director's responsibilities for preparing the Director's Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Director's Responsibilities on page 3.

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 Director's 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 director's remuneration and other transactions is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **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.

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 UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss 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 Director's Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
191 West George Street  
Glasgow  
G2 2LJ

26 October 2007

**MMO UK LIMITED****PROFIT AND LOSS ACCOUNT****For the year ended 31 December 2006**

	<i>Notes</i>	<b>2006 £'000</b>	<b>2005 £'000</b>
Settlement of underwriting balance		-	(118)
Other charges		-	(35)
		<hr/>	<hr/>
<b>Operating loss</b>		-	(153)
Interest payable		(447)	(386)
		<hr/>	<hr/>
<b>Loss on ordinary activities before tax</b>	<b>3</b>	<b>(447)</b>	<b>(539)</b>
Tax on loss on ordinary activities	6	-	-
		<hr/>	<hr/>
<b>Loss for the financial year</b>	<b>9</b>	<b>(447)</b>	<b>(539)</b>
		<hr/>	<hr/>

All activities for 2006 and 2005 derive from discontinued operations

No Statement of Total Recognised Gains and Losses is provided as there were no recognised gains or loss other than the results reflected above

The notes on pages 8 to 10 form part of these financial statements

**MMO UK LIMITED****BALANCE SHEET**

At 31 December 2006

	<i>Notes</i>	<b>2006</b> <b>£'000</b>	<b>2005</b> <b>£'000</b>
<b>ASSETS</b>			
<b>Other assets</b>			
Cash at bank and at hand		-	-
		<hr/>	<hr/>
<b>Total assets</b>		-	-
		<hr/>	<hr/>
<b>LIABILITIES</b>			
<b>Capital and reserves</b>			
Called up share capital	8	-	-
Profit and loss account	9	(23,615)	(23,168)
		<hr/>	<hr/>
<b>Deficit on shareholders' funds</b>		(23,615)	(23,168)
<b>Creditors: amounts falling due within one year</b>			
Other creditors including taxation and social security	7	23,615	23,168
		<hr/>	<hr/>
<b>Total liabilities</b>		-	-
		<hr/>	<hr/>

The notes on pages 8 to 10 form part of these financial statements

The financial statements were approved by the Board of Directors on 26 October 2007

Signed on behalf of the Board of Directors

  
**GP Nash**  
Director



**MMO UK LIMITED****CASH FLOW STATEMENT****For the year ended 31 December 2006**

	<b>2006</b> <b>£'000</b>	<b>2005</b> <b>£'000</b>
<b>Cashflows were generated as follows:</b>		
(Loss) on ordinary activities before tax	<b>(447)</b>	<b>(539)</b>
(Decrease) in technical provisions	-	<b>(14,909)</b>
Decrease in debtors	-	<b>1,001</b>
Increase in creditors	<b>447</b>	<b>5,013</b>
	<hr/>	<hr/>
Net cashflow	-	<b>(9,434)</b>
	<hr/>	<hr/>
<b>Cashflows were invested as follows:</b>		
Decrease in cash	-	<b>(4,533)</b>
Decrease in investments	-	<b>(4,901)</b>
	<hr/>	<hr/>
	-	<b>(9,434)</b>
	<hr/>	<hr/>

# MMO UK LIMITED

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2006

### 1) Basis of preparation and accounting policies

#### *Basis of preparation*

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

The financial statements have been prepared on a discontinuance basis because of a deficit arising from the underwriting obligations to the syndicates in which the company participated. Such liabilities are normally financed by assets lodged with Lloyd's and letter of credit provided by investing shareholders, if a company cannot meet its obligations by other means. All available letters of credit were fully utilised as at 31<sup>st</sup> December 2004 and the company was reliant on the Lloyd's Central Fund to meet its liabilities to policyholders. Accordingly the financial statements have been prepared on a discontinuance basis. The impact of this is that all assets have been valued at their recoverable amounts. This has not had any financial impact on the accounts of the company.

#### *Investments*

All investments are stated at their current value at the balance sheet date

#### *Investment income*

Investment income is accounted for on a receivable basis and is accrued up to the balance sheet date

Investment income and all investment gains and losses relating to syndicate investments and cash are dealt with through the technical account. Other investment income is dealt with through the non-technical account

#### *Deferred taxation*

Deferred tax, without discounting, 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 the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered

### 2) Net operating expenses

	2006 £'000	2005 £'000
Administrative expenses	-	35
	<hr/>	<hr/>

### 3) Loss on ordinary activities before tax

	2006 £'000	2005 £'000
Operating loss is after charging		
Auditor's remuneration -- audit of these financial statements	-	5
- other services in relation to tax	-	14
Interest payable on amounts due to Lloyds	447	386
	<hr/>	<hr/>

In 2006, auditors' remuneration of £7,000 in respect of the audit of these financial statements and £15,000 in respect of taxation services was paid by the shareholders of the company

### 4) Employees

There were no employees, other than directors, during the current or previous year

### 5) Directors

The director received remuneration of £5,000 (2005 £2,000) in respect of his services to the company during the current year. This expense was borne by the shareholders of the company

**MMO UK LIMITED****NOTES TO THE ACCOUNTS****For the year ended 31 December 2006****6) Tax on loss on ordinary activities****2006  
£'000****2005  
£'000***Analysis of charge in period*

Current tax

UK Corporation tax charge at 30% for the current year (2005 30%)

-

-

Tax on loss on ordinary activities

-

-

*Factors affecting tax charge for the year*

Loss on ordinary activities before tax

**(447)****(539)**Loss on ordinary activities multiplied by standard rate of  
UK corporation tax of 30% (2005 30%)**(134)****(162)**

Effects of

Tax losses to be surrendered as group relief

**134****162**

Current charge for the period

-

-

*Factors which may affect future tax charges*

A deferred tax asset amounting to £5.5m in respect of unutilised trading losses carried forward of £18.2m (2005 £18.2m) has not been recognised due to uncertainty over sufficient taxable profits arising in the foreseeable future

**7) Creditors****2006  
£'000****2005  
£'000**

Due to former parent undertaking

**17,541****17,541**

Due to Lloyd's

**4,916****4,916**

Other creditors and accruals

**1,158****711****23,615****23,168****8) Called up share capital****2006  
£****2005  
£**

Authorised 100 Ordinary £1 shares

**100****100**

Called up, allotted and fully paid 2 Ordinary £1 shares

**2****2**

# MMO UK LIMITED

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2006

### 9) Reconciliation of movements on shareholders' funds

	2006 £'000	2005 £'000
Opening deficit on shareholders' funds	(23,168)	(22,629)
Loss for the financial year	(447)	(539)
	<hr/>	<hr/>
Closing deficit on shareholders' funds	(23,615)	(23,168)
	<hr/>	<hr/>

### 11) Contingent Liabilities

Where a company participates on a syndicate which closes, it pays a reinsurance to close premium to other Lloyd's Names or an insurer external to Lloyd's to assume its ongoing liabilities. The nature of this arrangement is that of reinsurance, such that the company retains liability in the event of failure of these Lloyd's Names and the Lloyd's chain of security or any external insurer. The directors consider the likelihood of such failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle liabilities outstanding at the closure of an underwriting account.

### 12) Related Parties

During 2005, the Company was sold by NY MAGIC Inc, its former ultimate parent undertaking. At the year end a balance of £17,541k remained due to NY MAGIC Inc.

### 13) Controlling Parties

The controlling parties are EWM (Topco) Limited and Robertson Group Limited by virtue of their interests in the company's equity capital.

The accounts of these companies are available to the public and can be obtained from

Robertson Group Limited  
10 Perimeter Road  
Pinefield Industrial Estate  
Elgin  
IV30 6AE

EWM (Topco) Limited  
Waverley Mills  
Langholm  
Dumfriesshire  
DG13 0EB