

Report & Financial Statements

For the period ended 31 December 2006

Tyser & Co Limited

Registered number: 4256470



DIRECTORS

R E Marsh (Chairman)
C M Spratt (Deputy Chairman)
G J Andrews
H C G Butcher
M J Cairns
K L Cooper
C J Elliott
G Graham (resigned 30 November 2005)
Q J Heaney (appointed 12 April 2006)
W H Main (non executive)
J P Ramsay
D S Randle
C Sydenham

SECRETARY

G Graham (resigned 30 November 2005)
J R Perry (appointed 1 December 2005)

REGISTERED OFFICE

12-20 Camomile Street
LONDON EC3A 7PJ

REGISTERED AUDITOR

Mazars LLP
24 Bevis Marks
LONDON EC3A 7NR

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CHAIRMAN'S STATEMENT

This year we have initiated many changes to our accounting policies and systems, changes which, cumulatively, have had a significant impact of our published results. In the following Statement, I hope to identify the more significant items and comment on their implications.

Change in our Accounting Period -

During the period covered by this Report, the Board decided to change our year-end from the 31st July to the 31st December, thus bringing our reporting period more into line with our peer group in the market. This report therefore covers an extended 17 months from 1st August, 2005 to the 31st December, 2006.

The period from August through to December is a relatively quiet one in our industry, and we make the bulk of our earnings in the first 7 months of the calendar year. To have two low-income periods in one (extended) accounting period has therefore had a significant and negative impact on our final result, reducing our 'bottom line' by something like **£800,000**, albeit this impact was fully anticipated by the Board when the decision was made.

Changes to our Financial Management systems -

During this same period we undertook a series of major and fairly costly revisions and upgrades to our management systems, at the same time as addressing a very large number of old debtor and creditor balances. This gave rise to some significant, albeit one-off, write-offs of old items, totalling some **£1,400,000**.

We also simplified our year-end income accrual basis, which, although it will make for a simpler and clearer structure for the future, again impacted on the result for the period under review. The effect was a net reduction in accounted-for brokerage of some **£800,000**.

Changes in Pensions Accounting Standards – FRS 17 -

In addition to the above, this year we are obliged, under FRS 17, to recognise the deficit we have in a Final Salary Pension Scheme that the old Tyser & Co partnership established in the early 1970s. We had effectively closed the scheme to new joiners some years ago, and less than 10% of our current group employees are involved. We have now reached an agreement with all members that has resulted in a much reduced deficit and less onerous funding obligations for the future. However, the net deficit within the scheme is still over **£1,500,000** – albeit down significantly from the **£3,120,000** restated as at 31st July 2005. Although it is an obligation of a subsidiary company, Tyser Group Services Ltd, this deficit has a material impact on our consolidated balance sheet.

General trading results and conditions -

Insofar as our general trading conditions are concerned, I am pleased to report that despite softening markets and an uncomfortably strong pound, our top line earnings including interest receivable held up overall, at over **£30,000,000** for the extended period. I am also happy to report that Tyser & Co Ltd - the regulated company within the group that trades with our clients and the market generally - continues to have over **£2,400,000** of Shareholders' Funds.

As I am writing this report, the first few months' trading for 2007 have already been completed, and we can already see the benefits of our decisions. To have our Financial Year tracking the calendar year, and therefore our business flow, gives us a much clearer picture of our progress. I am pleased to advise that we are developing strongly, with year-to-date profits of some **£2,000,000** – above our budgets and ahead of the equivalent period last year, albeit as I said above, we do budget a loss in our second half-year period.

This very much serves to confirm the Board's confidence in Tysers' underlying business and that the hard decisions we took last year, allied to the strong foundations we are laying for the future, promise some exciting results going forward.

Other important milestones -

The recent period has been a most important one for the group generally. On the 1st January, 2006 we appointed Bill Main as our first non-Executive Director and in April 2006 we appointed Quintin Heaney as Finance Director in the place of Gordon Graham, who had resigned the previous November. Bill brings to us a long history of senior roles in the Financial Services sector, culminating in very senior positions within Scottish Widows and Lloyds TSB, and one of Quintin's most recent executive roles was as Finance Director of Alexander Forbes PLC.

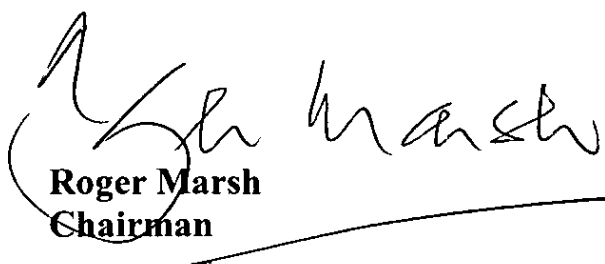
These two most significant appointments were part of an ongoing strategy to both strengthen the Board and help drive forward the process that was started at our incorporation in 2001, and to which I refer further at the end of this report. Much of the work on our systems and structures that I referred to earlier have their roots in these appointments, and they are part of a series of most exciting innovations and developments that will gradually become apparent during 2007 and into 2008.

Conclusion -

Once again, this statement cannot end without a comment on our people. There is no doubt that the innovations and changes I have referred to have made heavy demands on our staff, but, as usual, they have been outstanding in their commitment and determination. The Board has every reason to thank them, one and all.

Finally, a personal note. During 2006, I inaugurated a series of work-streams under the general heading 'Aim High' which were designed to establish and develop a new management structure for the firm and thereby lay the foundations for the future. As part of this process, amongst other senior management changes, my role as Executive Chairman changed at the end of December 2006, with Chris Elliott taking on the new post of Chief Executive Officer and Quintin Heaney becoming Chief Operating Officer. Although I retained the post of Chairman, I have decided that the time has come to step back from this position on the 31st July 2007, handing over to Christopher Spratt, currently Deputy Chairman and a colleague for 30 years.

Although I will still maintain a role within the firm going forward, this does mean that this is my last Chairman's Statement. Having joined the firm, as I did, as long ago as 1967, I cannot but reflect on the huge changes I have seen, not only within the firm itself, but in the market as a whole. However, following the decisions we have taken in the last 18 months, I have the greatest possible confidence in the future of the firm. With Christopher, Chris and Quintin as an outstanding trio of leaders for the firm, and a strong Board behind them, I believe Tysers are potentially in the strongest position we have been in our 187 years history.



Roger Marsh
Chairman

London
20th June 2007

DIRECTORS' REPORT

The directors present their report and financial statements for the 17 month period ended 31 December 2006

PRINCIPAL ACTIVITY

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

ACCOUNTING PERIOD END

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

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group 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 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

Under the Companies Act 1985 section 243A, the directors confirm that

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

During the period liability insurance for directors of the company and the group was maintained as permitted by S309c Companies Act 1985

RESULTS AND DIVIDENDS

The results for the period and the state of the group and company's affairs are shown in the attached financial statements on pages 10 to 32

The directors recommend no dividend be paid for the period (2005 £458,000, of which £153,000 was paid during the period and the balance of £305,000 was waived). The loss for the period of £846,000 (2005 restated profit of £830,000) has been taken to reserves

DIRECTORS' REPORT (continued)

BASIS OF RESTATEMENT

The financial statements have been prepared adopting the provisions of Financial Reporting Statement ("FRS") 17 (Retirement Benefits). The prior year figures have been restated to give comparative figures prepared on the same basis in accordance with the provisions of FRS3 (Reporting Financial Performance). A consequence of adopting FRS 17 is that the net liabilities of the defined contribution pension scheme operated by Tyser Group Services Limited, a wholly owned subsidiary, have been included in the group balance sheet as at 31 December 2006 and in the restated balance sheet as at 31st July 2005. The inclusion of this pension scheme deficit has caused the group to report net liabilities as at 31 December 2006 and an additional charge to the 2005 profit and loss account.

As a separate matter, the Cash Flow statement has been restated to reflect only the movement in the group's own cash balances. Movements in Insurance Cash Balances held in Trust have been reflected in the reconciliation of Operating Profit to Operating Cash Flows shown as note 22 to the accounts.

GOING CONCERN

As referred to above, a consequence of the adoption by the group of FRS17 is that the group balance sheet shows net liabilities at 31 December 2006, of £393,000. However, the cash flow of the group is unaffected by this change in accounting policy and the pension liabilities fall due to be paid over an extended period.

The business of the group is seasonal, and one consequence of the extension of the financial period to 31 December is that the reporting period to 31 December 2006 includes two periods of August to December, when business is below the calendar year average. This has contributed to the group reporting a loss for the period.

The directors have prepared and carefully considered profit and cash flow projections for a period of five years from the reporting date of 31 December 2006, in particular having regard to the above factors. Based on these forecasts, and on the trading position of the group as described more fully in the Review of the Business set out below, the directors are confident that the group has adequate resources to meet its liabilities as they fall due and that the preparation of financial statements on a going concern basis is appropriate.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

During the period to 31 December 2006 the directors have focused on the following principle 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 was 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 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

DIRECTORS' REPORT (continued)

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. Towards the end of 2006 the Board approved an investment in an underwriting agency initiative that will be progressed during the forthcoming year.

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
 - the employment of appropriately qualified and experience staff
 - the provision of appropriate training and professional development
 - the 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 cash flow 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.

DIRECTORS' REPORT (continued)

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

CHARITABLE DONATIONS

During the period the company made donations of £8,000 (2005 £9,000) to charitable organisations.

DIRECTORS' INTERESTS

The directors set out in the table below have held office during the whole period from 1 August 2005 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 2006 Number	At 31 July 2005 Number
R E Marsh (Chairman)	22,320	22,320
C M Spratt (Deputy Chairman)	22,320	22,320
M J Cairns	16,120	16,120
K L Cooper	16,120	16,120
C J Elliott	16,120	16,120
G Graham (resigned 30 November 2005)	1,500	1,500
J P Ramsay	1,500	1,500
D S Randle	4,000	4,000

AUDITOR

A resolution to reappoint Mazars 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 20th June 2007.



Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TYSER & CO LIMITED

We have audited the financial statements for the 17 month period ended 31 December 2006 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company's Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and related notes. These financial statements have been prepared under 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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, whether the financial statements are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also 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 transactions with the company is not disclosed.

We read the Directors' Report and considered the implications for our report if we became aware of any apparent misstatement within it.

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

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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group and 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 United Kingdom Generally Accepted Accounting Practice, of the state of the group and company's affairs as at 31 December 2006 and of its result for the period 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.

Mazars LLP
Chartered Accountants
and Registered Auditor London EC3A 7NR

Mazars LLP

21 June 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the period ended 31 December 2006

	Notes	17 months to 31 December 2006 £000	Restated 12 months to 31 July 2005 £000
TURNOVER	2	29,436	21,783
Administrative expenses		(30,650)	(20,635)
OPERATING (LOSS)/ PROFIT	3	(1,214)	1,148
Other income		-	183
GROSS (LOSS)/PROFIT		(1,214)	1,331
Interest receivable	4	860	301
Interest payable and similar charges	5	(497)	(223)
		363	78
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(851)	1,409
Taxation credit/(charge) on (loss)/profit on ordinary activities	6	5	(579)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE FINANCIAL PERIOD		(846)	830

The group's turnover and expenses all relate to continuing operations

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the period ended 31 December 2006

	Notes	17 months to 31 December 2006 £000	Restated 12 months to 31 July 2005 £000
(Loss)/profit for the financial period		(846)	830
Increase in pension deficit		(708)	(447)
Less deferred tax credit		212	134
Currency translation adjustments		2	-
Total recognised gains and losses relating to the period		<u>(1,340)</u>	<u>517</u>

CONSOLIDATED BALANCE SHEET as at 31 December 2006

	Notes	17 months to 31 December 2006 £000	Restated 12 months to 31 July 2005 £000
FIXED ASSETS			
Tangible assets	10	1,037	596
Intangible assets - goodwill	11	257	305
Other investments	12	14	14
		<u>1,308</u>	<u>915</u>
CURRENT ASSETS			
Debtors	13	32,266	99,761
Cash at bank and in hand	14	24,794	23,583
		<u>57,060</u>	<u>123,344</u>
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	15	<u>(56,766)</u>	<u>(120,463)</u>
NET CURRENT ASSETS		<u>294</u>	<u>2,881</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,602</u>	<u>3,796</u>
CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	16	(437)	(4)
PROVISIONS FOR LIABILITIES AND CHARGES	18	<u>(30)</u>	<u>(30)</u>
TOTAL ASSETS EXCLUDING PENSION DEFICIT		<u>1,135</u>	<u>3,762</u>
PENSION DEFICIT	26	<u>(1,528)</u>	<u>(3,120)</u>
NET (LIABILITIES)/ASSETS INCLUDING PENSION DEFICIT		<u>(393)</u>	<u>642</u>
CAPITAL AND RESERVES			
Called up share capital	19	102	102
Share premium account	21	588	588
Merger reserve	21	465	465
Revaluation reserve	21	7	5
Profit and loss account	21	<u>(1,555)</u>	<u>(518)</u>
EQUITY SHAREHOLDERS' FUNDS		<u>(393)</u>	<u>642</u>

The financial statements on pages 10 to 32 were approved by the Board on 20th June 2007

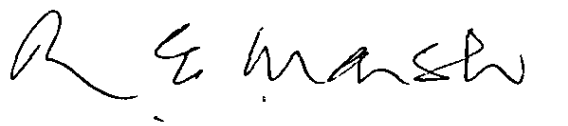


Director

COMPANY BALANCE SHEET as at 31 December 2006

	Notes	31 December 2006 £000	31 July 2005 £000
FIXED ASSETS			
Investments	12	370	370
CURRENT ASSETS			
Debtors	13	30,283	97,846
Cash at bank and in hand	14	24,763	23,081
		55,046	120,927
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	15	(52,506)	(118,088)
NET CURRENT ASSETS		2,540	2,839
CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	16	(437)	-
PROVISIONS FOR LIABILITIES AND CHARGES	18	(30)	(30)
NET ASSETS		2,443	3,179
CAPITAL AND RESERVES			
Called up share capital	19	102	102
Share premium account	21	588	588
Merger reserve	21	465	465
Profit and loss account	21	1,288	2,024
EQUITY SHAREHOLDERS' FUNDS		2,443	3,179

The financial statements on pages 10 to 32 were approved by the Board on 20th June 2007



 Director

CONSOLIDATED CASH FLOW STATEMENT
For the period ended 31 December 2006

	Notes	17 months to 31 December 2006 £000	Restated 12 Months to 31 July 2005 £000
Cash flow from operating activities	22(a)	468	(2,405)
Returns on investments and servicing of finance			
Interest received		860	301
Interest paid		(497)	(223)
		<hr/>	<hr/>
Net cash inflow for returns on investments and servicing of finance		363	78
Taxation		(473)	(14)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,023)	(323)
Sale of tangible fixed assets		6	13
		<hr/>	<hr/>
Net cash outflow for capital expenditure and financial investment		(1,017)	(310)
Equity dividends paid		(153)	-
		<hr/>	<hr/>
Cash outflow before financing		(812)	(2,651)
Financing			
Receipt of financing loan		750	-
Financing loan repayments		(63)	-
Capital element of finance lease rental payments		-	(3)
		<hr/>	<hr/>
Net cash inflow/(outflow) for financing		687	(3)
		<hr/>	<hr/>
Decrease in cash during the period	22 (b)(c)	<u>(125)</u>	<u>(2,654)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December 2006

1. ACCOUNTING POLICIES

(a) Accounting basis

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

(b) Basis of consolidation

The group financial statements consolidate the financial statements of Tyser & Co Limited and all its subsidiary undertakings made up to 31 December 2006

On 27 July 2001 Tyser & Co partnership transferred its' business to Tyser & Co Limited. The principles of merger accounting were applied to this business combination in preparing the group financial statements

No profit and loss account for Tyser & Co Limited has been presented as permitted by Section 230 of the Companies Act 1985

(c) Tangible fixed assets

Depreciation is calculated to write off the cost of tangible fixed assets over the expected useful lives of the assets concerned on the following bases -

Office refurbishment	- Reducing balance over the period of the lease
Furniture and office equipment	- 12.5% straight line basis
Motor vehicles	- 25% straight line basis
Computer equipment	- 10 % or 33.3% straight line basis

(d) Goodwill

Goodwill is amortised on a straight line basis over its estimated useful life of 10 years

(e) Turnover

Turnover represents net brokerage and commission receivable on continuing activities. Brokerage is credited to the profit and loss account on the earlier of the date of inception of a risk or the debit note date. Brokerage on cover policies is accounted for on a declarations basis while 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.

(f) 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. Foreign subsidiaries are accounted for using the closing rate method.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2006

1. ACCOUNTING POLICIES (continued)

(g) Deferred taxation

Deferred tax is provided in respect of the tax effect of all timing differences at the rates of tax expected to apply when the timings differences reverse

(h) Insurance broking assets and liabilities

Insurance brokers usually act as agents in placing the insurable risks of their clients with insurers and, as such, generally are not liable as principals for amounts arising from such transactions. Notwithstanding these legal relationships, debtors and creditors arising from insurance broking transactions are shown as assets and liabilities. This recognises that the insurance broker is entitled to retain the investment income on any cash arising from these transactions.

Insurance broking debtors arising from a transaction between clients and insurers are recorded simultaneously. Consequently, there is a high level of correlation between the totals reported in respect of insurance broking debtors and insurance broking creditors.

The position of the insurance broker as agent means that generally the credit risk is borne by the principals. There can be circumstances where the insurance broker acquires credit risk – through statute, or through the act or omission of the insurance broker or of one of the principals. There is much legal uncertainty surrounding the circumstances and the extent of such exposures and consequently they cannot be evaluated. However, the total of insurance broking debtors appearing in the balance sheet is not an indication of credit risk.

It is normal practice for insurance brokers to settle accounts with other intermediaries, clients, insurers and market settlement bureaux on a net basis. Thus large changes in both insurance broking debtors and creditors can result from comparatively small cash settlements. For this reason, the totals of insurance broking debtors and creditors give no indication of future cash flows.

The legal status of settling accounts on a net basis is uncertain and in the event of insolvency, it is generally abandoned. Financial Report Standard Number 5 “Reporting the substance of transactions” (FRS5) requires that off set of assets and liabilities should be recognised in financial statements where, and only where, the offset would survive the insolvency of the other party. Accordingly, only such offsets have been recognised in calculating insurance broking debtors and creditors.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2006

1. ACCOUNTING POLICIES (continued)

(i) Pensions

Defined benefits scheme

Contributions payable to the group's pension scheme are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme. The pension charge is calculated on the basis of actuarial advice

Defined contribution schemes

Contributions payable to the group's pension scheme and other executive pension schemes are charged to the profit and loss account in the period to which they relate

(j) Lease and hire purchase contracts

Assets held under hire purchase contracts are valued at cost net of finance charges. Finance charges included in each instalment are computed using a sum of the digits method

Rentals payable under operating leases are charged on a straight-line basis over the term of the lease

(k) Compliance with accounting standards and Companies Act 1985

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

2. TURNOVER

	17 months to 31 December 2006 £000	12 months to 31 July 2005 £000
United Kingdom	8,068	6,028
Rest of Europe	3,953	2,844
North America	11,128	6,250
Asia	2,430	1,778
Other	3,857	4,883
	<u>29,436</u>	<u>21,783</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2006

3. OPERATING PROFIT

Operating profit is stated after charging

	17 months to 31 December 2006 £000	12 months to 31 July 2005 £000
Auditors' remuneration		
- audit services	90	118
- other non audit work	38	40
Depreciation	582	252
Amortisation of goodwill	48	34
(Profit)/loss on disposal of fixed assets	(6)	90
(Profit) on disposal of investment	-	(6)
Amounts paid under operating leases		
- rent of buildings	814	614
	<u>814</u>	<u>614</u>

4. INTEREST RECEIVABLE

	17 months to 31 December 2006 £000	12 months to 31 July 2005 £000
Bank deposit	860	300
Loans to staff	-	1
	<u>860</u>	<u>301</u>

5. INTEREST PAYABLE

	17 months to 31 December 2006 £000	Restated 12 months to 31 July 2005 £000
Overdrafts	305	72
Pension finance costs	192	151
	<u>497</u>	<u>223</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2006

6. TAXATION

(a) Analysis of charge in period

	17 months to 31 December 2006 £000	Restated 12 months to 31 July 2005 £000
UK tax		
Corporation tax (credit)/payable at 30% (2005 30%) on the taxable profits for the period	(532)	619
Adjustment in respect of prior periods	25	32
	<u>(507)</u>	<u>651</u>
Deferred tax charge/(credit)	502	(81)
Foreign tax		
New Zealand, Dutch and Australian tax on income for the period	-	9
	<u>-</u>	<u>9</u>
Tax (credit)/charge	<u>(5)</u>	<u>579</u>

(b) Factors affecting tax charge for period

	17 months to 31 December 2006 £000	12 months to 31 July 2005 £000
(Loss)/profit on ordinary activities before tax	(851)	1,599
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	(255)	480
<i>Effects of</i>		
Expenses not deductible for tax purposes	216	186
Capital allowances (greater)/less than depreciation	(26)	27
Overseas losses not taxed in the UK	14	2
Short term timing differences	-	(76)
Pension credits not taxable	(690)	-
Adjustments to tax charge in respect of prior periods	25	32
Losses c/fwd as deferred tax asset	209	-
	<u>(507)</u>	<u>651</u>
Current tax (credit)/charge for period (see (a) above)	<u>(507)</u>	<u>651</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2006

6. TAXATION (continued)

(c) Balance sheet deferred tax	17 months to 31 December 2006 £000	Restated 12 months to 31 July 2005 £000
Decelerated capital allowances	71	83
Losses carried forward	209	-
Pension fund deficit	458	936
Other timing differences	1	10
	<hr/>	<hr/>
Deferred tax asset	739	1,029
	<hr/>	<hr/>
Asset at start of period	1,029	814
Deferred tax charge in profit and loss account for period	(502)	81
Deferred tax credit in Statement of Recognised Gains and Losses	212	134
	<hr/>	<hr/>
Asset at end of period (note 13)	739	1,029
	<hr/>	<hr/>
Deferred tax at start of period as previously reported	93	69
Prior Year Adjustment relating to pension liabilities	936	745
	<hr/>	<hr/>
Deferred tax at start of period as restated	1,029	814
	<hr/>	<hr/>

7. DIVIDEND

	17 months to 31 December 2006 £000	12 months to 31 July 2005 £000
Proposed final dividend	-	(458)
Prior year dividend waived	305	-
	<hr/>	<hr/>

8. STAFF COSTS

(a) Staff costs	17 months to 31 December 2006 £000	12 months to 31 July 2005 £000
Wages and salaries	16,060	11,141
Social security costs	1,636	1,190
Other pension costs	1,474	846
	<hr/>	<hr/>
	19,170	13,177
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2006

8. STAFF COSTS (continued)

	17 months to 31 December 2006 Number	12 months to 31 July 2005 Number
(b) The average number of persons employed by the company during the period was as follows		
Management	22	24
Broking and technical	187	187
	<u>209</u>	<u>211</u>

9. DIRECTORS' EMOLUMENTS

	17 months to 31 December 2006 £000	12 months to 31 July 2005 £000
Management services	2,737	1,226
Pension scheme contributions under defined contributions schemes	10	178
Pension scheme contributions under defined benefits scheme	354	22
	<u>3,101</u>	<u>1,426</u>
During the period the following number of directors	2006 Number	2005 Number
Accrued benefits under defined contribution pension schemes	11	7
Accrued benefits under defined benefit pension schemes	<u>1</u>	<u>1</u>
The highest paid director received emoluments and benefits as follows	17 months to 31 December 2006 £000	12 months to 31 July 2005 £000
Emoluments	582	188
Contributions to a defined contribution pension scheme	-	30
	<u>582</u>	<u>218</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2006

10. TANGIBLE FIXED ASSETS

Group	Office refurbishments £000	Furniture and office equipment £000	Computer equipment £000	Motor vehicles £000	Total £000
COST					
1 August 2005	145	176	719	22	1,062
Additions	535	267	221	-	1,023
Disposals	-	-	(8)	(22)	(30)
31 December 2006	680	443	932	-	2,055
DEPRECIATION					
1 August 2005	-	74	376	16	466
Charge for the period	190	72	314	6	582
Disposals	-	-	(8)	(22)	(30)
31 December 2006	190	146	682	-	1,018
NET BOOK VALUE					
31 December 2006	490	297	250	-	1,037
1 August 2005	145	102	343	6	596

11. GOODWILL

Group

	£000
COST	
1 August 2005 and 31 December 2006	340
AMORTISATION	
1 August 2005	35
Charged during the period	48
31 December 2006	83
NET BOOK VALUE	
31 December 2006	257
1 August 2005	305

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2006

12. INVESTMENTS

Group

These investments are held by the group and are made up as follows at cost

	31 December 2006 £000	31 July 2005 £000
Unlisted investments at cost	<u>14</u>	<u>14</u>

In the opinion of the directors the value of the unlisted investments is not less than their cost

Company

	Investment in Subsidiary undertakings £000	Unlisted Investments £000	Total £000
1 August 2005 and 31 December 2006	<u>356</u>	<u>14</u>	<u>370</u>

Details of the company's subsidiaries at 31 December 2006 are as follows

Name of operation	Country of incorporation	Activity	Proportion of shares held by the company	Proportion of shares held by subsidiaries
Tyser Group Services Limited	England	Service Company	100%	
Tyser Special Risks Limited	England	Dormant	100%	
Tyser Overseas Holdings Limited	England	Service Company	100%	
Tyser (UK) Limited	England	Dormant		100%
Tyser & Co (PTY) Limited	South Africa	Dormant		100%
Tyser Risk Management (Bangladesh) Ltd	Bangladesh	Risk Management Advisor		98%
Tyser Holdings (Holland) B V	Holland	Holding Company		100%
Tyser N V	Dutch Antilles	Holding Company		100%
Tyser Reinsurance Brokers PTY Ltd	Australia	Holding Company		60%
Tyser North America Inc	USA	Dormant		100%
Tyser International Management Corp	USA	Holding Company		100%

During the period Tyser Holdings Limited changed its name to Tyser Group Services Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2006

13. DEBTORS

	Group		Company	
	31 December	Restated 31 July	31 December	31 July
	2006	2005	2006	2005
	£000	£000	£000	£000
Due in less than one year				
Trade debtors	26,804	96,769	26,804	96,580
Other debtors	3,413	1,448	-	74
Deferred tax	739	1,029	136	1
Prepayments and accrued income	1,310	515	1,007	256
Amounts owed by subsidiary undertakings	-	-	2,336	935
	<u>32,266</u>	<u>99,761</u>	<u>30,283</u>	<u>97,846</u>

14. CASH AT BANK AND IN HAND

Included in cash at bank and in hand for the group is £31,000 (2005 £502,000) in respect of funds held in bank deposit accounts by subsidiary companies

Included in cash at bank and in hand for the group and the company is £24,763,000 (2005 £22,977,000) which is held in non-statutory trust accounts, which operate in compliance with the requirements of the Financial Services Authority

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31 December	31 July	31 December	31 July
	2006	2005	2006	2005
	£000	£000	£000	£000
Bank overdraft (see note 17)	2,608	3,058	2,078	2,227
Bank loan due within one year	250	-	250	-
Trade creditors	49,113	112,933	49,113	112,591
New Zealand tax	-	4	-	-
Other taxes and social security costs	442	314	-	-
Other creditors	176	411	969	-
Accruals and deferred income	4,066	2,194	-	74
Amounts owed to subsidiary undertaking	-	-	-	2,013
Corporation tax	111	1,091	96	725
Dividend payable	-	458	-	458
	<u>56,766</u>	<u>120,463</u>	<u>52,506</u>	<u>118,088</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2006

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

	Group		Company	
	31 December 2006 £000	31 July 2005 £000	31 December 2006 £000	31 July 2005 £000
Bank Loan	437	-	437	-
Other creditor	-	4	-	-
	<u>437</u>	<u>4</u>	<u>437</u>	<u>-</u>

17. LOANS AND HIRE PURCHASE CONTRACTS

(a) Maturity

	Group		Company	
	31 December 2006 £000	31 July 2005 £000	31 December 2006 £000	31 July 2005 £000
Bank overdraft				
Aggregate amounts repayable				
Within one year	<u>2,608</u>	<u>3,058</u>	<u>2,078</u>	<u>2,227</u>

(b) Security

The bank overdraft is secured by an unlimited multilateral company guarantee and debenture given by group companies

18. PROVISION FOR LIABILITIES AND CHARGES

Group and Company	Potential		Provided	
	31 December 2006 £000	31 July 2005 £000	31 December 2006 £000	31 July 2005 £000
Deferred Brokerage	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>

The company has undertaken to support its subsidiary, Tyser Group Services Limited, by making available sufficient resources to enable third party liabilities to be met as and when they fall due. At 31 December 2006, Tyser Group Services Limited had net liabilities of £2,567,000 (2005 restated liabilities £2,362,000). The directors do not believe any provision to be necessary.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2006

19. CALLED UP SHARE CAPITAL

	31 December 2006 £'000	31 July 2005 £'000
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>

20. PROFIT AND LOSS ACCOUNT

	17 months to 31 December 2006 £000	Restated 12 months to 31 July 2005 £000
Revenue surplus		
- parent company (loss)/profit	(1,041)	957
- subsidiary companies profit/(loss)	195	(127)
	<u> </u>	<u> </u>
	(846)	830
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2006

21. RESERVES

Group	Share capital £000	Share Premium a/c £000	Merger reserve £000	Revaluation reserve £000	Profit and Loss account £000	Total £000
At 1 August 2005	102	588	465	5	1,666	2,826
Prior Year Adjustment	-	-	-	-	(2,184)	(2,184)
At 1 August restated	102	588	465	5	(518)	642
Actuarial losses, net of deferred tax	-	-	-	-	(496)	(496)
Loss for the period transferred to reserves	-	-	-	-	(846)	(846)
Dividend credit	-	-	-	-	305	305
Revaluation reserve	-	-	-	2	-	2
At 31 December 2006	102	588	465	7	(1,555)	(393)
Company	Share Capital £000	Share premium account £000	Merger reserve £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 1 August 2004	102	588	465	-	2,024	3,179
Retained loss for the period	-	-	-	-	(736)	(736)
At 31 December 2006	102	588	465	-	1,288	2,443

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2006

22. CASH FLOW STATEMENT

(a) Reconciliation of operating (loss)/profit to operating cash flows

	17 months to 31 December 2006 £000	Restated 12 months to 31 July 2005 £000
Operating (loss)/profit	(1,214)	1,148
Other income	-	183
Depreciation charges	582	252
Amortisation charges	48	34
(Profit)/loss on disposal of assets	(6)	90
Profit on disposal of Investments	-	(6)
Increase in Insurance cash balances held in Trust	(1,786)	(8,334)
Decrease/(increase) in debtors	67,205	(13,735)
(Decrease)/increase in creditors	(62,059)	17,772
Repayment of overseas creditor	(4)	-
(Decrease)/increase in Pension fund deficit	(1,592)	638
Losses recognised through STRGL	(706)	(447)
Net cash inflow/(outflow) from operating activities	<u>468</u>	<u>(2,405)</u>

(b) Reconciliation of net cash flow to movement in net cash

	17 months to 31 December 2006 £000	Restated 12 months to 31 July 2005 £000
Decrease in cash in the period	(125)	(2,654)
Cash (inflow)/outflow from decrease in debt and lease financing	(687)	3
Movement in net debt in the period	(812)	(2,651)
Opening net cash	(2,452)	199
Closing net cash	<u>(3,264)</u>	<u>(2,452)</u>

(c) Analysis of net cash

	Restated 1 August 2005 £000	Cash flow £000	31 December 2006 £000
Cash in hand and at bank	606	(575)	31
Overdraft	(3,058)	450	(2,608)
	<u>(2,452)</u>	<u>(125)</u>	<u>(2,577)</u>
Receipt of financing loan net of payments	-	(687)	(687)
Total	<u>(2,452)</u>	<u>(812)</u>	<u>(3,264)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2006

23. CAPITAL COMMITMENTS

At 31 December 2006 the group had capital commitments of £ nil (31 July 2005 £582,000)

24. FINANCIAL COMMITMENTS

The group was committed to making the following payments under non-cancellable operating leases

	Group		Company	
	31 December	31 July	31 December	31 July
	2006	2005	2006	2005
	£000	£000	£000	£000
Operating leases which expire				
Less than 1 year	-	80	-	-
Within 1-2 years	69	-	-	-
Within 2-5 years	638	74	-	-
Greater than 5 years	-	154	-	-
	<u>707</u>	<u>308</u>	<u>-</u>	<u>-</u>

25. RELATED PARTY TRANSACTIONS

Mr G Graham provided consultancy services for a period of six months from 30 November 2006 (the date he ceased to be a director), for which he received a fee of £60,000

26. PENSION COMMITMENTS

The group operates several pension schemes providing benefits to employees

Defined benefit scheme

Scheme one is a defined benefit scheme, providing benefits based on final pensionable pay. This scheme is closed to new members. Assets of the Scheme are held in a separate trustee administered fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' estimated working lives within the group.

The contributions are determined by a qualified actuary on the basis of triennial valuations using an aggregate method of funding incorporating a control period of 20 years. A full actuarial valuation was carried out by a qualified independent actuary as at 31 July 2005, and updated to 31 December 2006. The major assumptions used by the actuary were:

Main financial assumptions used at the balance sheet date	31 Dec 2006 per annum	31 July 2005 per annum	31 July 2004 per annum
Inflation assumption	3.00%	2.75%	3.00%
Rate of increase in salaries	0% for 5 years, 1.5% thereafter	4.25%	4.50%
Rate of increase for deferred pensions	3.00%	2.75%	3.00%
LPI pension in payment increases	3.25%	3.25%	3.50%
Rate used to discount scheme liabilities	5.10%	5.15%	5.75%

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2006

26. PENSION COMMITMENTS (continued)

The assets of the scheme and the expected rate of return were

	Value at 31 December 2006 £000	Value at 31 July 2005 £000	Value at 31 July 2004 £000
Insured policy	5,263	5,830	5,313
Long term rate of return expected at period end	5.5%	5.5%	5.5%
Total market value of assets	5,263	5,830	5,313
Present value of scheme liabilities	(6,791)	(8,950)	(7,795)
Pensions deficit before deferred tax	(1,528)	(3,120)	(2,482)
Related deferred tax	458	936	745
Deficit in the scheme	(1,070)	(2,184)	(1,737)
Funding level	77%	65%	68%

The assets of the scheme consist of an insured policy and a sum of money held on deposit

The movement in deficit is detailed as follows

	17 months to 31 December 2006 £000	12 months to 31 July 2005 £000
Deficit at the beginning of the period	(3,120)	(2,482)
Movement in the period		
Current service cost	(505)	(297)
Finance charge		
- interest on pension scheme liabilities	(619)	(459)
- expected return on pension scheme assets	427	308
Contributions	809	257
Actuarial loss	(708)	(447)
Curtailment gain	2,188	-
Deficit carried forward	(1,528)	(3,120)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2006

26. PENSION COMMITMENTS (continued)

Amounts included in the Statement of Total Recognised Gains and losses are as follows

	17 months to 31 December 2006 £000	12 months to 31 July 2005 £000
Difference between expected and actual return on scheme assets		
- Amount	(151)	(100)
- Percentage of scheme assets	-2.9%	-1.7%
Experience gains and losses arising on the scheme liabilities		
- Amount	261	565
- Percentage of present value of scheme liabilities	3.8%	6.3%
Changes in assumptions underlying present value of scheme liabilities		
- Amount	(818)	(912)
- Percentage of present value of scheme liabilities	-12.0%	-10.2%
Total actuarial loss recognised		
- Amount	(708)	(447)
- Percentage of present value of scheme liabilities	-10.4%	-5.0%

The current service costs are not expected to rise significantly as the members approach retirement

Defined contribution schemes

The group also operates defined contribution arrangements for staff. These comprise a number of individual arrangements along with a Group Personal Plan, managed by an independent insurance company. These are all defined contribution schemes. Contribution rates vary from employee to employee.

Contributions to these various schemes amounted to £969,000 for the 17 month period (2005 £664,000 for 12 months)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2006

27 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 each month, until December 2007, giving a total commitment as at 31 December 2006 of USD 6million

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 conversely require the company to sell those currencies at a protection rate should the value rise above a different, higher rate

Details of the option contracts in place are as follows

- **US Dollars:** a series of contracts to protect USD 1 million per month until 31 December 2007 at a certain exchange rate should the value of the US dollar fall below that rate, and conversely require the company to sell the same value at different protection rates should the value rise above a specified higher rate. In addition, in certain circumstances these contracts can require the company to sell a further USD 500,000 per month, and/or can be extended for a further 6 months to 30 June 2008 for the same USD sales per month
- **Euros:** a series of contracts to protect Euros 250,000 per month until 31 December 2007 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, in certain circumstances this contract can require the company to sell a further Euro's 150,000 per month, and/or can be extended for a second year to 31 December 2008 for the same Euro sales per month
- **CAD:** a series of contracts to protect CAD250,000 per month until 31 December 2007 at a certain exchange rate should the value of the Canadian dollar fall below that rate, and conversely require the company to sell that value at a different protection rate should the value rise above a specified higher rate. In addition, in certain circumstances this contract can require the company to sell a further CAD150,000 per month, and/or can be extended for a second year to 31 December 2008 for the same CAD sales per month

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

Currency	Potential monthly Maximum commitment	Date expires If all extensions apply	Total potential maximum commitment
USD	1,500,000	June 2008	27,000,000
EURO	400,000	December 2008	9,600,000
CAD	400,000	December 2008	9,600,000