



# TYSERS

International Insurance & Reinsurance Brokers

[www.tysers.com](http://www.tysers.com)

## Tyser & Co Ltd

### Report & Financial Statements

For the year ended 31 December 2012

THURSDAY



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16/05/2013

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COMPANIES HOUSE

Registered Office Beaufort House, 15 St Botolph Street, London EC3A 7EE  
Tel +44 20 3037 8000  
Registered in England No 04256470

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## Directors and Advisors

Directors	C M Spratt	(Chairman)
	G J Andrews	
	H C G Butcher	
	C J Elliott	
	P C Haynes	(Non-Executive – appointed 1 February 2012)
	Q J Heaney	
	J J Macey	
	R E Marsh	
	T P Newbery	(Non-Executive)
	J R Perry	
	D S Randle	
	C Sydenham	
	A V Wilson	
Secretary	J R Perry	
Registered Office	Beaufort House 15 St Botolph Street LONDON EC3A 7EE	
Statutory Auditor	Deloitte LLP	

## Chairman's Statement

Time and Nature are both great levellers and after the natural catastrophe bedlam of 2011 which inflicted something in the region of US\$ 120bn of losses on Insurers and Reinsurers, it would not have been reckless to presume that 2012 would treat Insurers and Reinsurers more kindly and indeed this turned out to be the case with catastrophe losses coming in at about half the level of 2011. Indeed, up until October 2012 the relative absence of major losses was almost eerie but as Superstorm Sandy crashed into the North Eastern USA the relentless force of Nature was sharply reasserted, inflicting approximately US\$ 25bn of losses on the Market. Once the debate over Sandy's status as a hurricane or superstorm had subsided, the inevitable handwringing over modelled or unmodelled events continued much as they had done through most of 2011, since when Insurers and Reinsurers have been able to take stock and publish their results for 2012 which are, it is fair to say, pretty impressive with good levels of profit and evidence of strengthening capital bases. So, not a great deal has changed in the last year and whilst Sandy might have stabilised prices as we worked our way through the year-end renewal season, it is not unreasonable to assume the pressures with which we are now so familiar will continue to be so and require us to remain alert and nimble in order to achieve growth and improved profitability.

Taking these factors into account, Tyser & Co Ltd (Tysers) performed reasonably well during 2012 with overall revenues finishing at £37.6m which is a respectable 4% growth over the £36.1m achieved in 2011. This growth rate was approximately the same on an underlying (constant exchange rate) basis as exchange rates in 2012 were very similar to those of 2011. Clearly, this has changed in the first quarter of 2013 as I write this report and the sharp fall in Sterling against most major currencies is likely to have a positive impact on our revenues going forwards. Profits, as represented by EBITDA, are shown on page 9 of the Directors' Report and the £7m that we reported for 2012 was marginally up on the £6.9m achieved in 2011. The profit margin remained constant over the two years at 19%.

Our Balance Sheet remained strong with net assets of about £11.8m reported after declaring and paying £3.75m of Inter-Company dividends to our Parent Company, Hawkes Bay Holdings Ltd (HBH). Our Balance Sheet is now debt free and in fact at the end of 2012 we had over £1.2m of free cash in excess of the £26.2m of fiduciary cash held in our Non-Statutory Trust Accounts.

Drilling down through these headline figures I think it is appropriate that I should comment more specifically on our various Broking Divisions but only to a limited extent. In broad terms most of our Broking Units managed to grow their revenues in 2012 as compared with 2011 and as with 2011 the charge was led in 2012 by our Manne and North American Divisions and the only unit which underperformed relative to 2011 was our Reinsurance Treaty Division. The Board will undoubtedly be working to improve the performance of our Treaty Division in the course of 2013 and, indeed, certain areas of the business, whilst performing perfectly adequately during 2012, will be receiving particular encouragement and attention so that we can continue to build a better balanced business.

## Chairman's Statement (*continued*)

Last year I referred to improving operational capabilities as provided by our Support Departments and pointed out that we are not shy of incurring expenses in order to improve the services provided to our Broking Units so as to ensure that they are supported by a robust and efficient platform and progress here over the last year has been encouraging. During 2012, our IT investment was not insignificant and the fruits of this investment are now becoming apparent with the delivery of our Claims Management System in the late-Summer. This system is functioning well and it is worth noting that it won the accolade of Highly Commended Technology Initiative of the Year Award at the Insurance Day Awards in November, beaten into second place by Xchanging's ECF 2 Project which might just have had the edge over us as an attention grabber. Our IT investment is now continuing with the upgrading of our Broking System. This is an exciting new push and with User Acceptance Testing imminent, it is hoped that the system will be fully functioning by mid-Summer 2013.

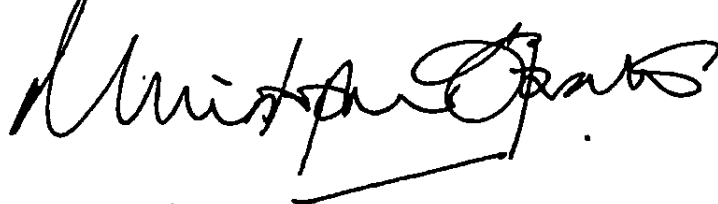
This Statement inevitably requires me to touch on the perennial topic of our Regulatory environment. The breaking of the FSA into a new twin peak regime, which I referred to in my Statement last year, is due to come into effect in April with the new FCA becoming the Intermediaries Regulator and we will have to wait and see how that plays out and what effect the new regime will have on the efficient transaction of our business. Meanwhile, we have enjoyed a good working relationship with the FSA in the course of the past year and have every intention of developing a strong and positive relationship with the FCA. However, there are many important issues which concentrate our minds on the regulatory front, most notably the outcome of the FSA's ongoing review of the Client Money Regime for Insurance Intermediaries (CASS 5) which is nearing completion. Alongside that, Financial Crime has concentrated our minds and a great deal of time and effort has been expended in developing proper systems and controls to ensure that we have strong governance in this area. Similarly, sanctions and increased regulatory controls continue to impact and exercise our attention as these are not without their own complications and penalties for failure to comply have serious economic implications in addition to possible criminal prosecution. However, I am confident that the Board and our Management are well on top of this aspect of our governance and that good progress is being made in embedding the appropriate cultures.

2013 is not going to be an easy year as the macroeconomic environment remains patchy, interest rates remain low and the downward pressure on the pricing of risk in most classes of business continues, and here we have to be aware of the inevitable effect of new Third Party Capital entering the Market. The Board understands fully how we want to grow our business and have specific projects in play. The investment necessary to bring these initiatives to fruition and the lead time required to bring them to a point where they are making a positive contribution to our business performance is such that it is unlikely that any tangible benefit will become evident until at least the second half of 2013.

## Chairman's Statement (*continued*)

In closing I am pleased to advise you of an important change to the structure of the business which will be brought about by the establishment of Tysers LLP which will become effective at the end of the first Quarter of 2013. As you may well be aware, Tysers traded as a Partnership from inception in 1820 all the way through to 2001 and since then, in our incorporated form, we have worked hard to preserve as much of the character and ethos of the Partnership. Now the LLP model is established and proven, it has been decided to integrate Tysers LLP into the HBH Group's corporate structure. Apart from reinforcing the character and ethos referred to above, we believe that the LLP will provide improved flexibility and profitability thereby increasing shareholder value in the holding company, Hawkes Bay Holdings.

Finally, 2012 has been a satisfactory year and what has been achieved over the last five years since the management buy-out of Tysers by our Parent Company, Hawkes Bay Holdings Ltd, has been notable and whilst 2013 will be a demanding year I have no doubt that the Board is well prepared to take on the challenges and opportunities and, that, coupled with the support of our loyal and energetic senior managers and staff, will ensure a successful outcome to 2013. I would like to thank the Board and our staff for their continuing commitment to the excellent business that we have developed and will continue to take forward.



Christopher Spratt  
Chairman

18 April 2013



## Directors' Report

The Directors present their report and financial statements for the year ended 31 December 2012

### Principal Activity

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

### Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable 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

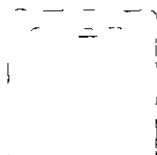
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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.

### Disclosure of Information to the Auditor

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006



## **Directors' Report (*continued*)**

### **Directors' Indemnities**

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

### **Results and Dividends**

The results for the year and the state of the company's affairs are shown in the attached financial statements on pages 14 to 26

The profit for the year of £4,902,000 (2011: £4,669,000) has been taken to reserves. Final dividends were settled during the year of £3,750,000 (2011: £5,500,000). The directors recommend a further final dividend to be paid for the year of £1,250,000 (2011: £1,900,000).

### **Going Concern**

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the paragraphs headed "Review of the business and future developments" below. These paragraphs also refer to the financial position of the company including its cash flows, liquidity position and borrowing facilities. The paragraphs below headed "Financial instruments" refer to the company's objectives, policies and processes for managing its capital and its financial risk management, including exposures to credit risk and liquidity risk. In addition note 17 to the accounts gives details of its financial instruments and hedging activity.

The group of which the company is a member has adequate financial resources together with committed borrowing facilities that provide additional comfort. The majority of the company's revenue is derived from renewable policies. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current challenging environment.

The directors are aware that the directors of the ultimate holding company, Hawkes Bay Holdings Ltd (HBH), have prepared and carefully considered cash flow forecasts for the group for a period of five years from the reporting date of 31 December 2012 and are confident that the group has sufficient resources to meet its liabilities as they fall due. These forecasts include separate analyses and forecasts for each of the regulated entities within the group.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue trading for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.



## **Directors' Report (*continued*)**

### **Review of the business and future developments**

During the year to 31 December 2012 the directors have focused on the following principal areas:

- continuing development of the current business, including organic growth from existing divisions and focused recruitment where appropriate;
- striving for the highest levels of service to clients as well as to the markets into which business is placed;
- improving the efficiency of the infrastructure and management information from 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 Board manages the business through regular formal meetings along with committees chaired by members of the Board which report back to the Board as required. The general business environment continued to be one of weak insurance rates. 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.

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

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

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



## Directors' Report *(continued)*

### Review of the business and future developments *(continued)*

EBITDA is a common measure used by investors and analysts to evaluate the financial performance of companies. It is defined as a company's profit or loss (Earnings) Before Interest expense, Taxation, Depreciation and Amortisation. In addition to measuring financial performance based on operating profit, the directors consider EBITDA to be an important measure of operating performance because it reflects the underlying operating cash profits by eliminating many of the non-cash items such as depreciation and amortisation.

A reconciliation of the company's profit to EBITDA is set out below.

	Notes	2012 £'000	2011 £'000	2010 £'000
<b>Turnover</b>	2	<u>37,585</u>	<u>36,066</u>	<u>34,232</u>
<b>Profit on ordinary activities before taxation</b>	Page 14	6,622	6,495	3,721
<i>Add back:</i>				
Goodwill amortisation	8	398	397	469
Interest expense	5	<u>5</u>	<u>14</u>	<u>26</u>
<b>EBITDA</b>		<u>7,025</u>	<u>6,906</u>	<u>4,216</u>
<b>EBITDA/Revenue %</b>		<b>19%</b>	<b>19%</b>	<b>12%</b>

## Directors' Report (*continued*)

### Review of the business and future developments (*continued*)

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

- Financial risks are managed through:
  - ❖ A currency hedging programme and other financial instruments described further below.
  - ❖ Financial processes and controls that allow us to monitor and 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.
  - ❖ Managing a spread of banking relationships in order to minimise credit and liquidity risks.

The liquidity position of the company and the group is monitored on a daily basis, and cash flow projections are maintained and updated regularly. Borrowing arrangements for the group as a whole are in place and the group has significant committed facilities over and above the facilities that are indicated as required by its cash flow projections.

- People risks are managed through the
  - ❖ Offering and implementation of competitive remuneration and incentive packages.
  - ❖ Employment of appropriately qualified and experienced staff.
  - ❖ Provision of appropriate training and professional development.
  - ❖ Provision of an appropriate working environment.

### Financial Risk Management

#### *Treasury operations and financial instruments*

The group of which the company is a member operates a centralised treasury function, monitored by a Treasury Committee and chaired by a Non-Executive Director. It is responsible for managing the liquidity, interest and foreign currency risks associated with the group's activities.

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

#### *Liquidity risk*

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

#### *Interest rate risk*

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



## Directors' Report *(continued)*

### Financial Instruments *(continued)*

#### **Foreign currency risk**

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

#### **Credit risk**

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

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

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

### Directors

The directors are listed on page 2 of these financial statements and have held office during the whole year from 1 January 2012 to the date of this report unless otherwise noted. The company is pleased to announce Peter Haynes as an additional Non-Executive Director appointed in February 2012.

### Auditors

The company has dispensed with the need to hold an Annual General Meeting and hence the need to reappoint auditors annually. Therefore, Deloitte LLP are deemed to continue in office.

This report was approved by the Board on 18 April 2013.



**C M Spratt**  
Director



**Q J Heaney**  
Director

Beaufort House  
15 St Botolph Street  
London  
EC3A 7EE

## **Independent Auditor's Report to the members of Tyser & Co Limited**

We have audited the financial statements of Tyser & Co Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 18. 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, 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.

### **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 group's and the parent 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 annual report to identify material inconsistencies with the audited financial statements. 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 December 2012 and of the company's profit 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

## **Independent Auditor's Report (*continued*)**

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

In our opinion the information given in the Directors' Report 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



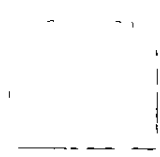
**Andrew Downes (Senior Statutory Auditor)**

*for and on behalf of Deloitte LLP*

*Chartered Accountants and Statutory Auditor*

*London, United Kingdom*

18 April 2013



# **Profit and Loss Account**

For the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
<b>Turnover</b>	2	37,585	36,066
Administrative expenses			
Goodwill amortisation	8	(398)	(397)
Other		(31,032)	(29,479)
<b>Total administrative expenses</b>		<u>(31,430)</u>	<u>(29,876)</u>
<b>Operating profit</b>		6,155	6,190
Interest receivable	4	472	319
Interest payable and similar charges	5	(5)	(14)
<b>Net interest</b>		<u>467</u>	<u>305</u>
<b>Profit on ordinary activities before taxation</b>		6,622	6,495
Tax charge on profit on ordinary activities	6	<u>(1,720)</u>	<u>(1,826)</u>
<b>Profit on ordinary activities after taxation for the financial year</b>		<u><u>4,902</u></u>	<u><u>4,669</u></u>

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

There are no recognised gains or losses in the year other than those reported in the profit and loss account and therefore no statement of total recognised gains and losses has been presented.

The accompanying notes form an integral part of the financial statements



# **Balance Sheet**

As at 31 December 2012

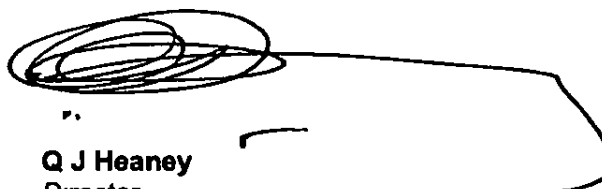
Registered number: 04256470

	Notes	2012 £'000	2011 £'000
<b>Fixed assets</b>			
Intangible assets - goodwill	8	5,927	6,325
Investments	9	14	14
		<u>5,941</u>	<u>6,339</u>
<b>Current assets</b>			
Debtors	10	11,909	10,952
Cash at bank and in hand	11	27,376	36,901
		<u>39,285</u>	<u>47,853</u>
Creditors: amounts falling due within one year	12	(33,419)	(43,537)
<b>Net current assets</b>		<u>5,866</u>	<u>4,316</u>
<b>Net assets</b>		<u>11,807</u>	<u>10,655</u>
<b>Share capital and reserves</b>			
Ordinary share capital	14	102	102
Share premium account	15	588	588
Capital reserves	15	6,037	6,435
Profit and loss account	15	5,080	3,530
<b>Equity shareholders' funds</b>		<u>11,807</u>	<u>10,655</u>

The accompanying notes form an integral part of the financial statements. The financial statements on pages 14 to 26 were approved by the Board on 18 April 2013.



**C M Spratt**  
Director



**Q J Heaney**  
Director



## Notes to the financial statements

For the year ended 31 December 2012

### 1. Accounting policies

The principal accounting policies, which have been applied consistently throughout the current and prior years, are set out below

#### (a) Accounting basis

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

The financial position of the company is further described in the Chairman's Statement and Directors' Report. Accordingly the financial statements have been prepared on the going concern basis.

#### (b) Purchased Goodwill

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

#### (c) Turnover

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

#### (d) Foreign currencies

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

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

Interest receivable and interest payable are recognised on an accruals basis

# Notes to the financial statements (*continued*)

For the year ended 31 December 2012

## 1. Accounting policies (*continued*)

### (f) Derivative financial instruments

The company uses derivative financial instruments to reduce exposure to foreign exchange risk. The company does not hold derivative financial instruments for speculative purposes.

Foreign exchange contracts are related to anticipated currency earnings and are taken out to protect the company's sterling income position relative to the underlying overseas currency in which the income is earned. Gains and losses arising on these contracts are deferred and are recognised as the revenue to which the contract relates is recognised.

### (g) Taxation

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

In accordance with FRS 19, deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

### (h) Investments

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

### (i) Insurance broking assets and liabilities

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

# Notes to the financial statements (continued)

For the year ended 31 December 2012

## 1. Accounting policies (continued)

### (j) Related party transactions

In accordance with FRS 8, the company is exempt, as a wholly owned subsidiary, from the requirement to disclose transactions with other wholly-owned entities that are part of the group

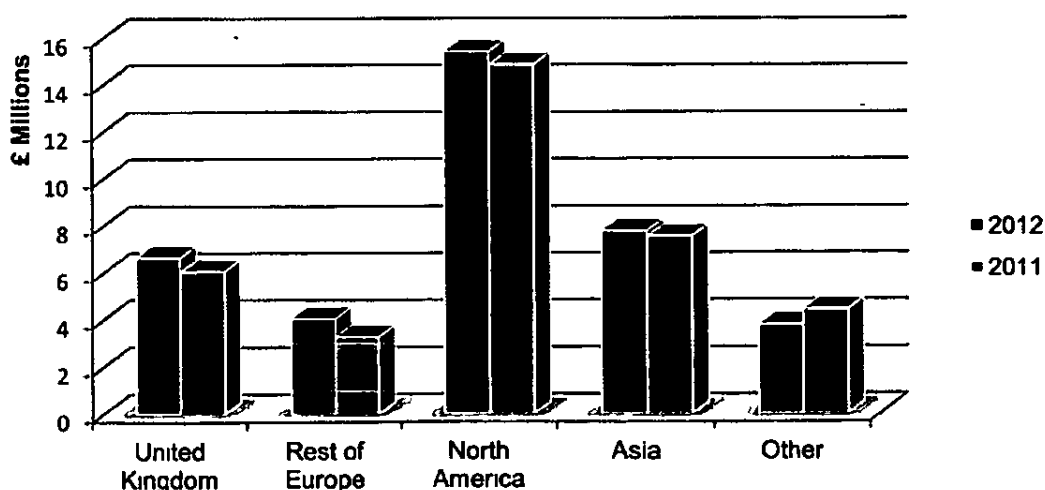
### (k) Exemption from preparing cash flow statement

The company has taken advantage of the exemption under FRS 1 (Revised) not to prepare a cash flow statement, on the grounds that it is a wholly owned subsidiary of a group which prepares a consolidated cash flow statement and whose accounts are publicly available.

## 2. Turnover

	2012 £'000	2011 £'000
United Kingdom	6,634	6,040
Rest of Europe	4,017	3,242
North America	15,395	14,834
Asia	7,760	7,541
Other	3,779	4,409
	<u>37,585</u>	<u>36,066</u>

The whole of the turnover relates to insurance broking activities.



# **Notes to the financial statements (*continued*)**

For the year ended 31 December 2012

## **3. Auditor's remuneration**

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

	2012 £'000	2011 £'000
Audit fee	47	50
Tax services	34	10
	<hr/>	<hr/>
Paid by Tyser Group Services Limited on behalf of the company	81	60
	<hr/>	<hr/>

## **4. Interest receivable**

	2012 £'000	2011 £'000
Interest receivable from insurance broking and corporate funds	472	319
	<hr/>	<hr/>

## **5. Interest payable**

	2012 £'000	2011 £'000
Interest charged on bank loans and overdrafts	5	14
	<hr/>	<hr/>

# Notes to the financial statements (continued)

For the year ended 31 December 2012

## 6. Taxation

	2012 £'000	2011 £'000
<b>a) Analysis of charge in year</b>		
UK tax		
Corporation tax charge at 24.5% (2011: 26.5%) on the taxable profit for the year	1,720	1,600
Corporation tax prior year adjustment	(150)	-
Total current year charge	1,570	1,600
Group relief payable	-	226
Group relief payable prior year adjustment	150	-
Total current year charge	1,720	1,826
Deferred tax charge/(credit)	-	-
Total tax	1,720	1,826
<b>b) Factors affecting tax charge for year</b>		
Profit on ordinary activities before tax	6,622	6,495
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	1,622	1,721
Effects of:		
Amortisation of goodwill	98	105
Current tax charge for the year (see 6 (a) above)	1,720	1,826
<b>c) Balance sheet deferred tax</b>		
Balance brought forward and carried forward in respect of:		
Other timing differences	-	-

In recent years the UK government has steadily reduced the rate of the UK corporation tax, with the latest enacted rate standing at 23% with effect from 1 April 2013. Further reductions of the rate to 21% with effect from 1 April 2014 and 20% from 1 April 2015 were announced on 5 December 2012 and 20 March 2013 respectively, but not substantively enacted at the balance sheet date. Accordingly, the closing deferred tax assets and liabilities have been calculated at 23%.

# **Notes to the financial statements (continued)**

For the year ended 31 December 2012

## **7. Directors' emoluments**

None of the directors received any remuneration from the company

All of the directors and employees engaged in the business of the company are employed by other group companies. Staff costs and numbers are disclosed in the accounts of those companies

## **8. Intangible assets - goodwill**

	2012 £'000	2011 £'000
<i>Insurance broking business</i>		
<b>Cost</b>		
At 1 January	7,951	7,951
Addition	-	-
31 December	<u>7,951</u>	<u>7,951</u>
<b>Amortisation</b>		
At 1 January	1,626	1,229
Charged during the year	398	397
31 December	<u>2,024</u>	<u>1,626</u>
<b>Net book value</b>		
31 December	<u>5,927</u>	<u>6,325</u>

## **9. Investments**

	2012 £'000	2011 £'000
<b>Unlisted Investments:</b>		
At 1 January and 31 December	<u>14</u>	<u>14</u>

**Notes to the financial statements (continued)**

For the year ended 31 December 2012

**10. Debtors: Amounts falling due within one year**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	8,554	8,770
Other debtors	-	52
Prepayments and accrued income	1,924	1,807
Amounts owed by group undertakings	1,431	323
	<u>11,909</u>	<u>10,952</u>

**11. Cash at bank and in hand**

Included in cash at bank and in hand is £26,150,000 (2011: £36,320,000) which is held in non-statutory trust accounts, which operate in compliance with the requirements of the Financial Services Authority

**12. Creditors: Amounts falling due within one year**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	30,253	39,750
Corporation tax	1,023	800
Amounts owed to group undertakings	219	1,026
Accruals and deferred income (note 13)	1,924	1,960
	<u>33,419</u>	<u>43,537</u>

**Notes to the financial statements (*continued*)**

For the year ended 31 December 2012

**13. Accruals and deferred income**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Deferred brokerage	1,924	1,955
Sundry accruals	-	5
	<u>1,924</u>	<u>1,960</u>

**14. Called up share capital**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Authorised share capital. 250,000 ordinary shares of £1 each	<u>250</u>	<u>250</u>
Alotted, called up and fully paid share capital 101,772 ordinary shares of £1 each	<u>102</u>	<u>102</u>



# **Notes to the financial statements (continued)**

For the year ended 31 December 2012

## **15. Share capital and reserves**

	Share capital	Share premium	Capital reserves	Profit and Loss account	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2012	102	588	6,435	3,530	10,655
Profit for the year transferred to reserves	-	-	-	4,902	4,902
Amortisation of goodwill	-	-	(398)	398	-
Dividends	-	-	-	(3,750)	(3,750)
At 31 December 2012	<u>102</u>	<u>588</u>	<u>6,037</u>	<u>5,080</u>	<u>11,807</u>

## **16. Capital commitments and contingent liabilities**

At 31 December 2012 the company had no capital commitments (2011: £nil)

The company has extended a guarantee to Tyser Group Services Limited (TGSL) in respect of the pension deficit recorded within the financial statements of TGSL, which has been calculated in accordance with the provisions of FRS 17 Retirement Benefits. The deficit (net of related deferred tax) amounted to £2,331,000 at 31 December 2012 (2011: £1,194,000)

# Notes to the financial statements (continued)

For the year ended 31 December 2012

## 17. Hedging contracts

The company has entered into a number of contracts and options to help protect the value of its foreign currency earnings against fluctuations in exchange rates. As at 31 December 2012, these comprise:

### Forward sale agreements

A series of forward sale agreements to sell USD, EUR and CAD at predetermined rates of exchange during 2013, 2014 and 2015. Total commitments in each of these years are shown below.

Currency	2013	Forward sale values in:	
		2014	2015
USD	11,200,000	15,000,000	-
EUR	900,000	1,300,000	-
CAD	2,000,000	2,150,000	400,000

### Option agreements

A series of options in USD, EUR and CAD that protect the sterling value of our three primary revenue earning currencies. Should the currency strengthen against sterling up to a trigger rate then the company has no obligation to sell that currency. Should the currency strengthen beyond the trigger rate then the company is obliged to sell at the original protected rate of exchange.

The maximum commitment of the company under these options is as follows:

Currency	2013	Maximum option value in:	
		2014	2015
USD	18,500,000	8,000,000	7,500,000
EUR	1,950,000	750,000	900,000
CAD	2,300,000	900,000	500,000

Fair values for each class of derivatives are as follows, assuming the protection rate is triggered in all cases.

	2012 £'000	2011 £'000
Forward sale agreements	(30)	97
Option agreements	(1,070)	(938)
	<u>(1,100)</u>	<u>(841)</u>

**Notes to the financial statements (*continued*)**

For the year ended 31 December 2012

**18. Ultimate parent company and related party transactions**

At the balance sheet date Hawkes Bay Holdings Limited (HBH) is considered by the directors the ultimate controlling party and immediate and ultimate holding company of Tyser & Co Limited. Consolidated accounts of Hawkes Bay Holdings Limited, the smallest and largest group into which this company is consolidated, are publicly available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ