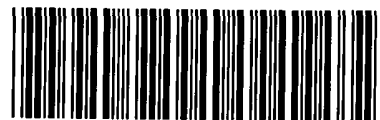


Tyser & Co Limited

Annual Report & Financial Statements

For the year ended 31 December 2016

FRIDAY



A67962JR

A23

26/05/2017

#301

COMPANIES HOUSE

Contents

Directors and Advisors	2
Chairman's Statement.....	3
Strategic Report	5
Directors' Report.	9
Independent Auditor's Report to the members of Tyser & Co Limited	12
Profit and Loss Account	14
Balance Sheet.....	15
Statement of Changes in Equity	16
Notes to the financial statements	17



TYSERS

Reputation, professionalism and experience | **International Insurance and Reinsurance Brokers**

Directors and Advisors

Directors	C M Spratt	(Chairman)
	G J Andrews	
	S F Blakeborough	
	K A Cross	
	C J Elliott	
	J J Macey	
	I M Witt	
	P C Haynes	(Non-Executive)
	N Montgomery	(Non-Executive) (appointed 23 March 2016)

Company Secretary M James

Registered Office Beaufort House
15 St Botolph Street
London
EC3A 7EE

Statutory Auditor Deloitte LLP
Chartered Accountant
and Statutory Auditor
London
United Kingdom



TYSERS

Reputation, professionalism and experience | International Insurance and Reinsurance Brokers

Chairman's Statement

At first sight one might be inclined to dismiss 2016, from the perspective of Insurers and Reinsurers, as being "more of the same". With premium levels continuing to slide downwards, but perhaps at not quite the precipitous rate as has been experienced over preceding years, and low interest rates and excess capacity persisting in dampening any prospect of a meaningful correction. But then if we take a closer look at the landscape, perhaps there are tell-tale signs that slowly but surely there is recognition of the inevitability of corrective measures. I believe that one of these tell-tale signs is evident in a relatively clear divergence in the financial performance of (Re)Insurers for 2016 – some continue to do quite well whilst others are struggling and one can detect signs of stress and evidence of retrenchment – without good investment returns and foreign exchange gains these signs of stress would have been more marked as deteriorating underwriting results, increasing expense ratios and shrinking reserve releases take their toll.

Insurance broking businesses cannot isolate themselves from the difficulties being experienced by (Re)Insurers as falling premiums directly impact on brokerage revenue; we are in the same boat as far as investment income is concerned and increasing costs are another common challenge. However, I am pleased to be able to report that Tysers has delivered another creditable performance in 2016. Total revenue of £52.8m is up by 13% on 2015 (£46.8m) and our EBITDA profit as stated on page 6 of the Strategic Report is £10.6m up from £9.4m for 2015 and the EBITDA margin has remained steady at 20%. I should point out that the full potential of a windfall foreign exchange gain within our EBITDA profit has been tempered by hedging contracts we have in place. Our Balance Sheet remains strong with net assets of £11.9m after declaring and paying £2m of inter-company dividends to our parent company, Hawkes Bay Holdings Ltd. The Balance Sheet continues to be debt free and at the close of 2016 we had over £4.1m of free cash in excess of the £61.5m of Fiduciary cash to be held in our Non-Statutory Trust bank accounts.

As a well-established and highly respected mid-market (Re)Insurance broking business, much of our success had come about through our stability, our ability to grow organically and by being true to our business model and principles. We understand what we are good at and are committed to providing specialist rather than generic solutions and with the signals of change that we have detected and to which I referred earlier in this statement we believe that we are in an excellent position to benefit from the corrective "flight to quality" which will occur as necessary adjustments are made across the Market – by both (Re)Insurers and our broking peers.

Meanwhile Tysers continues to develop soundly with further encouraging progress being made in the growth of our restructured Corporate/International and Aviation Practices where current trends will provide opportunities for expansion. We also continue to support "Market Modernisation" initiatives notably through Placing Platform Limited currently supporting Terrorism, Financial Institutions and Marine classes. Delegated Authorities are in the pipeline here and when that capability is up and running that will be a really important step forward. However, and as ever, we will continue to keep a watchful eye on these initiatives as we do need to ensure that they deliver real benefits at an acceptable cost to all stakeholders.

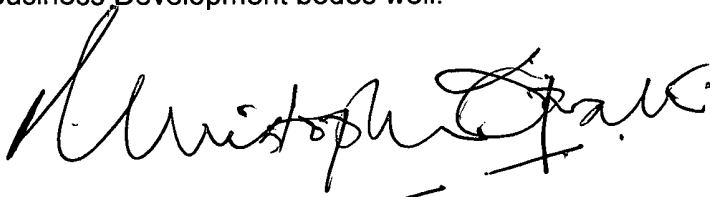


TYSERS

Reputation, professionalism and experience | **International Insurance and Reinsurance Brokers**

It is always appropriate to leave space in my report for Regulation, and here I can report that General Data Protection Regulation, The Enterprise Act, and the recently announced Market Conduct Study are now all on our radar. We continue to invest in our Risk & Compliance Department both in the form of staff and systems. We have acquired an automated risk management system, Xactium, which should be fully operation by early June 2017.

So, all in all, a good performance and encouraging prospects lie ahead and I would like to thank the Tysers Board and our committed, loyal and skilled staff for their contribution to the success of 2016. Also, on behalf of us all at Tysers, I would like to thank Chris Elliott for his heroic leadership of Tysers since our MBO in 2006. What he has achieved over that 11 year period as CEO is remarkable – that Chris should be continuing his career at Tysers on the Board with particular responsibilities for Business Development bodes well.



Christopher Spratt
Chairman

24 May 2017



TYSERS

Reputation, professionalism and experience | International Insurance and Reinsurance Brokers

Strategic Report

The Strategic report ("the report") has been prepared in accordance with section 414c of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. It has been prepared solely to provide additional information to facilitate an assessment of how the Directors have performed their duty to promote success of the Company.

Principal Activity

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

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 31. The profit for the year of £370,000 (2015 profit: £5,521,000) has been taken to reserves. Final dividends were settled during the year of £2,000,000 (2015: £5,500,000). The directors do not recommend a further final dividend to be paid for the year (2015: £nil).

Development and Financial Performance during the Year

During the year to 31 December 2016 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.



Strategic Report (*continued*)

Development and Financial Performance during the Year (*continued*)

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.

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	2016 £'000	2015 £'000	2014 £'000
Turnover	3	52,751	46,785	41,260
Profit on ordinary activities before taxation		564	7,073	5,835
<i>Add back:</i>				
Goodwill amortisation	9	380	398	398
Impairment of goodwill	9	-	177	-
Interest expense	4	3	4	1
Losses on financial instruments	15	9,620	1,698	1,963
EBITDA		10,567	9,350	8,197
<i>EBITDA/Turnover %</i>		20%	20%	20%

The significant volatility in the FX rates has given rise to a loss in 2016 of £9.6m, being the movement in the valuation of our outstanding hedging contracts in the year. As these contracts have unwound, the valuation has improved from £9.6m at the end of 2016 to £5.2m as at the end of April 2017.



TYSERS

Reputation, professionalism and experience | International Insurance and Reinsurance Brokers

Strategic Report (*continued*)

Development and Financial Performance during the Year (*continued*)

Other key performance indicators used and reported on by the directors are:

- Brokerage per Head;
- Operating Margins;
- Client Retention;
- New Business Wins; and
- Staff Turnover & Surveys.

Principal Financial Risks and Uncertainties

The financial risks and uncertainties facing the business are described below under “Financial Risk Management”. In addition to these risks, the company is further exposed to legal and regulatory risk in which non-compliance could result in fines or restrictions limiting or impairing our ability to do business.

An internal framework of Board sub-committees exist to support the Board in its management of these risks, providing assurance that risks are being properly identified, monitored and mitigated where possible. Internal Audit also ensures an independent assessment of these risks is regularly being carried out.

Other key risks faced by the company include the retention of staff in an increasingly competitive market and business continuity risks through the failure of the IT infrastructure. These risks are regularly reviewed and are managed through the provision of appropriately documented plans and procedures and an internal culture which supports and motivates its staff.

Financial Risk Management

Key exposures to the company of Financial Risk include interest rate risk, foreign currency risk, liquidity risk and credit risk. These 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; and
- ❖ Managing a spread of banking relationships in order to minimise credit and liquidity risks.

The liquidity position of the company 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.

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.



Strategic Report (*continued*)

Financial Risk Management (*continued*)

The company'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 company has various other financial assets and liabilities such as trade receivables and trade payables arising directly from its operations. In accordance with the 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 company is exposed to interest rate risk on bank deposits, bank overdrafts and bank loans.

Foreign currency risk

The company's principal foreign currency exposures arise from revenues denominated in overseas currencies, in particular in US dollars. Treasury 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 Treasury Committee. 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.

Errors & Omissions Risk

The Company purchases E&O insurance through The Griffin Insurance Association, a mutual Insurance Association which exists solely for the benefit of its Member insureds. All notified risks are tracked by the compliance function from the point of notification until a resolution has been agreed.

This report was approved by the Board on 24th May 2017.


C M Spratt
 Director


K A Cross
 Director

Beaufort House
 15 St Botolph Street
 London, EC3A 7EE



TYSERS

Reputation, professionalism and experience | International Insurance and Reinsurance Brokers

Directors' Report

The Directors present their annual report and audited financial statements for the year ended 31 December 2016. This is the second year that the company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

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 to 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/she ought to have taken as a Director in order to make himself/herself 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 at the date of this report.

Going Concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out within the "Development and Financial Performance During the Year" section of the Strategic Report. This section also refers to the financial position of the company including its cash flows, liquidity position and borrowing facilities. The "Financial Risk Management" section of the Strategic Report also refers 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 15 to the financial statements 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 three years from the reporting date of 31 December 2016 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 financial statements.

Approval of reduced disclosures

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12. The Company's shareholder/s have been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received. The Company also intend to take advantage of these exemptions in the financial statements to be issued in the following year.

Directors

The directors are listed on page 2 of these financial statements and have held office during the whole year from 1 January 2016 to the date of this report unless otherwise noted.



TYSERS

Reputation, professionalism and experience | International Insurance and Reinsurance Brokers

Directors' Report (*continued*)

Auditor

The company has dispensed with the need to hold an Annual General Meeting and hence the need to reappoint its auditor annually. Therefore, Deloitte LLP are deemed to continue in office. This report was approved by the Board on 24th May 2017.

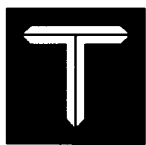


C M Spratt
Director



K A Cross
Director

Beaufort House
15 St Botolph Street
London
EC3A 7EE



TYSERS

Reputation, professionalism and experience | **International Insurance and Reinsurance Brokers**

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 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its 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.



TYSERS

Reputation, professionalism and experience | International Insurance and Reinsurance Brokers

Independent Auditor's Report to the members of Tyser & Co Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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.



Mark McIlquham (Senior statutory auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

24th May 2017



TYSERS

Reputation, professionalism and experience | **International Insurance and Reinsurance Brokers**

Profit and Loss Account

For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Turnover	3	52,751	46,785
Administrative expenses:			
Goodwill amortisation	9	(380)	(398)
Other		(42,299)	(37,718)
Total administrative expenses		(42,679)	(38,116)
Operating profit		10,072	8,669
Finance Costs (net)	4	112	102
Loss on financial instruments	15	(9,620)	(1,698)
Profit on ordinary activities before taxation		564	7,073
Tax on profit on ordinary activities	6	(194)	(1,552)
Profit for the Financial Year		370	5,521

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 comprehensive income has been presented.

The accompanying notes form an integral part of the financial statements.



TYSERS

Reputation, professionalism and experience | International Insurance and Reinsurance Brokers

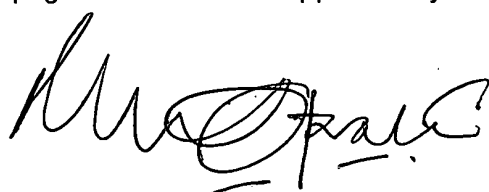
Balance Sheet

As at 31 December 2016

Registered number: 04256470

	Notes	2016 £'000	2015 £'000
Fixed assets			
Goodwill	9	4,178	4,557
Investments	10	14	14
		<u>4,192</u>	<u>4,571</u>
Current assets			
Debtors: due within one year	11	23,200	17,661
Investments – Derivative instruments	15	-	257
Cash at bank and in hand	12	65,598	40,013
		<u>88,798</u>	<u>57,931</u>
Creditors: amounts falling due within one year	13		
Other current liabilities		(81,072)	(48,954)
Net current assets		<u>7,726</u>	<u>8,977</u>
Net assets		<u>11,918</u>	<u>13,548</u>
Share capital and reserves			
Called-up share capital	17	102	102
Share premium account		588	588
Capital reserves		4,465	4,845
Profit and loss account		6,763	8,013
Shareholders' funds		<u>11,918</u>	<u>13,548</u>

The accompanying notes form an integral part of the financial statements. The financial statements on pages 13 to 31 were approved by the Board on 24th May 2017.



C M Spratt
Director



K A Cross
Director



TYSERS

Reputation, professionalism and experience | International Insurance and Reinsurance Brokers

Statement of Changes in Equity

For the year ended 31 December 2016

	Called-up share capital £'000	Share premium account £'000	Capital reserve account £'000	Profit and loss account £'000	Total £'000
At 1 January 2015	102	588	5,243	7,594	13,527
Profit for the financial year	-	-	-	5,521	5,521
Amortisation of goodwill	-	-	(398)	398	-
Total comprehensive income					
Dividends paid on equity shares	-	-	-	(5,500)	(5,500)
At 31 December 2015 and 1 January 2016	102	588	4,845	8,013	13,548
Profit for the financial year	-	-	-	370	(7)
Amortisation of goodwill	-	-	(380)	380	-
Total comprehensive income					
Dividends paid on equity shares	-	-	-	(2,000)	(2,000)
At 31 December 2016	102	588	4,465	6,763	11,918



TYSERS

Reputation, professionalism and experience | International Insurance and Reinsurance Brokers

Notes to the financial statements

For the year ended 31 December 2016

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, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates. The consolidated financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements of its parent, Hawkes Bay Holdings Ltd. Exemptions have been taken in these separate Company financial statements in relation to presentation of a cashflow, remuneration of key management personnel and related party transactions.

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) Financial Instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.



Notes to the financial statements (continued)

For the year ended 31 December 2016

1. Accounting policies (continued)

(c) Financial Instruments (continued)

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.



Notes to the financial statements (*continued*)

For the year ended 31 December 2016

1. Accounting policies (*continued*)

(c) Financial Instruments (*continued*)

- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment. With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss. Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Investments

In the company balance sheet, investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

(iii) Equity instruments

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.



Notes to the financial statements (continued)

For the year ended 31 December 2016

1. Accounting policies (continued)**(c) Financial Instruments (continued)***(iv) Derivative financial instruments*

The company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(v) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

(d) Impairment of Assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units (CGU) of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.



Notes to the financial statements (*continued*)

For the year ended 31 December 2016

1. Accounting policies (*continued*)

(d) Impairment of Assets (*continued*)

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

(e) 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.

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



Notes to the financial statements *(continued)*

For the year ended 31 December 2016

1. Accounting policies *(continued)*

(e) Taxation *(continued)*

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: (a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and (b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(f) Turnover

Turnover represents profit commissions and net commission receivable on continuing activities. Net commission 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. Net commission is credited on an accruals basis. Profit commissions are credited to the profit and loss account on the earlier of the final calculation being provided or the funds being received. Brokerage is deferred to recognise contractual post placement activities.



Notes to the financial statements (*continued*)

For the year ended 31 December 2016

1. Accounting policies (*continued*)

(g) Foreign currencies

Profit and loss account transactions in foreign currencies are translated into 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.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical accounting judgements and sources of estimation uncertainty are detailed below:

Revenue recognition

In making its judgement as to the point of revenue recognition for service transactions, management considered the conditions as set out in note 1(f) for the recognition of revenue from the provision of services.

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.



Notes to the financial statements (continued)

For the year ended 31 December 2016

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

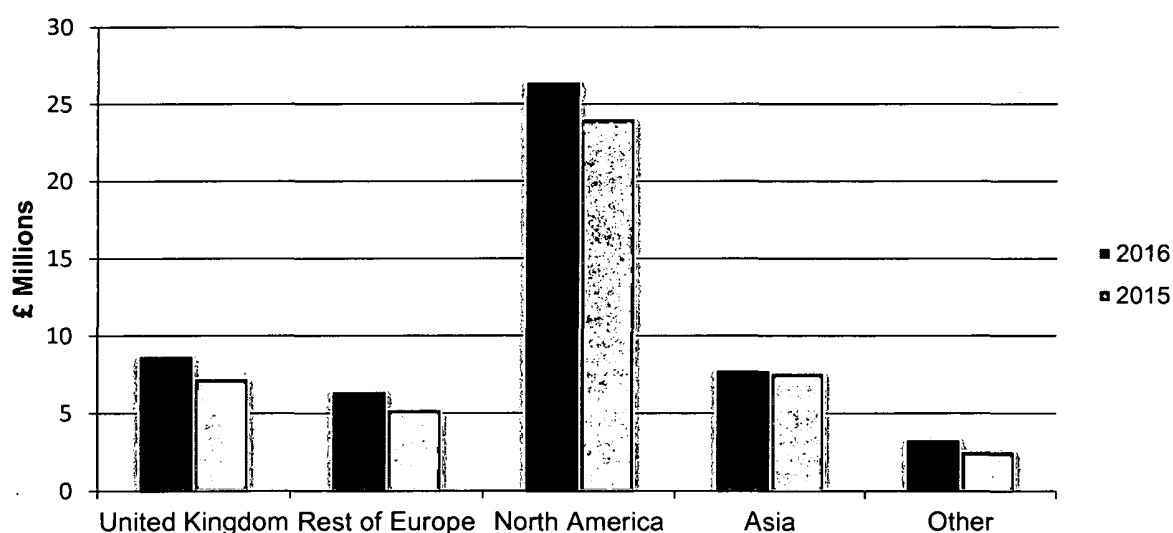
Post-intermediation services

The company provides for those costs it expects to incur in relation to those policies placed prior to the period end date, for which the delegated authority agreement in place with those insurers for whom the company is a coverholder requires the company to provide claims handling services.

The calculation of the expected cost is based on claims projections, which include judgements on the future profile of claims that will arise on income recognised in the period and utilising historical claims experience to set the underlying trend. Future costs to the company to handle claims is based on existing directly attributable expenses plus an apportionment of overheads.

3. Turnover

	2016 £'000	2015 £'000
United Kingdom	8,706	7,265
Rest of Europe	6,441	5,261
North America	26,474	24,068
Asia	7,813	7,616
Other	3,317	2,575
	<u>52,751</u>	<u>46,785</u>



The whole of the turnover relates to insurance broking activities.



TYSERS

Reputation, professionalism and experience | International Insurance and Reinsurance Brokers

Notes to the financial statements (continued)

For the year ended 31 December 2016

4. Finance costs (net)

	2016 £'000	2015 £'000
Interest payable and similar charges	(3)	(4)
Less: Investment income	115	106
	<u>112</u>	<u>102</u>
Investment income		
Other interest receivable and similar income	115	106
	<u>115</u>	<u>106</u>
Interest payable and similar charges		
Bank loans and overdrafts	3	4
	<u>3</u>	<u>4</u>

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2016 £'000	2015 £'000
Amortisation of goodwill	380	398
Impairment of goodwill	-	177
Foreign exchange gain	2,773	(85)
Loss on financial instruments	7,511	1,698

The analysis of auditor's remuneration is as follows:

Fees payable to the company's auditor for the audit of the company's annual accounts	55	68
Fees payable to the company's auditor for other services to the group:		
- The audit of the company's subsidiaries	172	120
Total audit fees	<u>227</u>	<u>188</u>
- Tax compliance services	86	32
Total non-audit fees	<u>86</u>	<u>32</u>



TYSERS

Reputation, professionalism and experience | International Insurance and Reinsurance Brokers

Notes to the financial statements (continued)

For the year ended 31 December 2016

6. Taxation

	2016 £'000	2015 £'000
Current tax		
UK corporation tax on profits for the year	181	1,541
Total current year charge	181	1,541
Deferred tax		
Origination and reversal of timing differences	7	7
Effect of changes in tax rates	-	3
Adjustment in respect of previous periods	6	-
Total deferred tax	13	10
Total tax per profit and loss	194	1,552
Profit for the year - continuing operations	564	7,073
Tax on profit at standard UK tax rate of 20.00% (2015: 20.25%)	113	1,432
<i>Effects of:</i>		
Expenses not deductible	-	36
Tax rate changes	6	3
Amortisation of goodwill	75	81
Tax charge for the year	194	1,552
Deferred tax		
Deferred tax (assets) / liabilities:		
Provision at start of year	(63)	(74)
Deferred tax charge to profit and loss	13	10
Provision at end of year	(50)	(64)
Short term timing difference	(50)	(64)
Deferred tax (assets)		
Recoverable within 12 months	(6)	(57)
Recoverable after 12 months	(44)	(7)
	(50)	(64)



Notes to the financial statements (*continued*)

For the year ended 31 December 2016

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. Dividends on equity shares

	2016 £'000	2015 £'000
Amounts recognised as distributions to equity holders in the period:		
Total dividend declared in the year	2,000	5,500
	<u>2,000</u>	<u>5,500</u>

9. Intangible assets - goodwill

	2016 £'000	2015 £'000
<i>Insurance broking business</i>		
Cost		
At 1 January and 31 December	7,951	7,951
Amortisation		
At 1 January	3,394	2,819
Charged during the year	380	398
Impairment losses	-	177
31 December	<u>3,774</u>	<u>3,394</u>
Net book value		
31 December	<u>4,177</u>	<u>4,557</u>

10. Fixed asset investments

	2016 £'000	2015 £'000
Other investments	<u>14</u>	<u>14</u>



Notes to the financial statements (continued)

For the year ended 31 December 2016

11. Debtors

	2016 £'000	2015 £'000
Amounts falling due within one year		
Trade debtors	12,987	11,871
Other debtors	326	-
Prepayments and accrued income	3,148	2,098
Amounts owed by group undertakings	6,739	3,692
	<u>23,200</u>	<u>17,661</u>

12. Cash at bank and in hand

Included in cash at bank and in hand is £61,480,000 (2015: £37,901,000) which is held in non-statutory trust accounts, which operate in compliance with the requirements of the Financial Conduct Authority.

13. Creditors: Amounts falling due within one year

	2016 £'000	2015 £'000
Other current liabilities		
Trade creditors	63,726	42,890
Corporation tax	-	477
Amounts owed to group undertakings	4,913	2,609
Accruals and deferred income (note 14)	2,853	652
Investments – Derivative instruments (note 15)	9,580	2,325
	<u>81,072</u>	<u>48,953</u>

14. Accruals and deferred income

	2016 £'000	2015 £'000
Deferred brokerage	2,802	652
Sundry accruals	51	-
	<u>2,853</u>	<u>652</u>



TYSERS

Reputation, professionalism and experience | International Insurance and Reinsurance Brokers

Notes to the financial statements (continued)

For the year ended 31 December 2016

15. Financial instruments

The carrying values of the company's financial assets and liabilities are summarised by category below:

	2016 £'000	2015 £'000
Financial assets		
Measured at fair value through profit and loss		
• Derivative financial liabilities not designated as a hedge	-	257
Measured at undiscounted amount receivable		
• Trade and other debtors	15,859	13,970
Equity instruments measured at cost less impairment		
• Fixed asset investments in unlisted equity instruments	14	14
	<u>15,873</u>	<u>14,241</u>
Financial liabilities		
Measured at fair value through profit and loss		
• Derivative financial liabilities not designated as a hedge	9,580	2,325
Measured at undiscounted amount payable		
• Trade and other payables	66,191	43,542
	<u>75,771</u>	<u>45,867</u>

The company's income, expense, gains and losses in respect of financial instruments are summarised below:

	2016 £'000	2015 £'000
Fair value losses		
On derivative financial liabilities not designated in an effective hedging relationship	7,511	1,698
	<u>7,511</u>	<u>1,698</u>



Notes to the financial statements (continued)

For the year ended 31 December 2016

16. Derivative financial instruments

	Current	
	2016	2015
	£'000	£'000
Assets		
Forward foreign currency contract	-	257
Liabilities		
Forward foreign currency contract	(9,580)	(2,325)
	<u>(9,580)</u>	<u>(2,068)</u>

Forward foreign currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Forward foreign currency contracts

The following table details the forward foreign currency contracts outstanding as at the year end:

Outstanding contracts	Average contractual exchange rate		Notional value		Fair Value	
	2016	2015	2016	2015	2016	2015
					£'000	£'000
Sell CAD						
Less than 1 year	1.9949	1.9898	5,800	6,000	(566)	84
Less than 2 Years	2.0393	1.9400	3,885	500	(416)	14
Sell EUR						
Less than 1 year	1.3169	1.3045	2,100	3,100	(174)	124
Less than 2 Years	1.3158	1.3169	1,500	2,100	(155)	30
Less than 3 Years	-	1.3158	-	1,500	-	(1)
Sell USD						
Less than 1 year	1.5318	1.5520	38,500	46,400	(5,849)	(1,227)
Less than 2 Years	1.4986	1.5465	19,500	34,500	(2,419)	(859)
Less than 3 Years	-	1.5300	-	16,000	-	(233)
Valuation (out of the money) /in the money					<u>(9,580)</u>	<u>(2,068)</u>



TYSERS

Reputation, professionalism and experience | International Insurance and Reinsurance Brokers

Notes to the financial statements (continued)

For the year ended 31 December 2016

17. Called-up share capital

	2016 £'000	2015 £'000
Allotted, called-up and fully paid share capital: 101,772 ordinary shares of £1 each	102	102

18. Capital commitments and contingent liabilities

At 31 December 2016 the company had no capital commitments (2015: £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 102 Section 28. The deficit (net of related deferred tax) amounted to £4,815,000 at 31 December 2016 (2015: £4,812,000).

19. Post balance sheet events

As a result of favourable movements in foreign currency exchange rates, the Group has recorded a total gain in the Profit and Loss of £4,389,000 as at 31 April 2017 as hedging commitments continue to mature. This has reduced the liability from £9.6m at 31 December 2016 to £5.2m as at the end of April 2017.

In March 2017 the Company declared a dividend of £2m.



Detailed Company Profit and Loss Account

For the year ended 31 December 2016

Unaudited

	2016 £'000	2015 £'000
<u>Income</u>		
Brokerage & Commission	52,751	46,785
Interest receivable	115	106
Exchange (loss)/gain	(2,773)	85
Total Income	50,093	46,976
<u>Expenditure</u>		
Management fee	38,924	37,171
Amortisation of goodwill	380	398
Impairment of goodwill	-	177
Provision for handling future claims	139	319
Bad debt charge	249	13
Bank charges	213	123
Interest payable	3	4
Loss on financial instruments	9,620	1,698
Total Expenditure	49,528	39,903
Net profit before taxation	564	7,073
Tax charge	(194)	(1,552)
Net profit after taxation for year transferred to reserves	370	5,521

This statement does not form part of the audited financial statements and is for the information of the directors only.



TYSERS

Reputation, professionalism and experience | International Insurance and Reinsurance Brokers