



# TYSERS

International Insurance & Reinsurance Brokers  
[www.tysers.com](http://www.tysers.com)

## Tyser & Co Ltd

### Report & Financial Statements

For the year ended 31 December 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)
	C J Elliott	
	K A Breathing	(appointed 6 <sup>th</sup> September 2013)
	I Witt	(appointed 4 <sup>th</sup> July 2013)
	P C Haynes	(Non-Executive)
	T P Newbery	(Non-Executive)
	G J Andrews	(resigned 22 <sup>nd</sup> May 2013)
	H C G Butcher	(resigned 22 <sup>nd</sup> May 2013)
	Q J Heaney	(resigned 27 <sup>th</sup> August 2013)
	J J Macey	(resigned 22 <sup>nd</sup> May 2013)
	R E Marsh	(resigned 22 <sup>nd</sup> May 2013)
	D S Randle	(resigned 22 <sup>nd</sup> May 2013)
	C Sydenham	(resigned 22 <sup>nd</sup> May 2013)
	A V Wilson	(resigned 22 <sup>nd</sup> May 2013)
Secretary	M James	(appointed 17 <sup>th</sup> May 2013)
	J R Perry	(resigned 16 <sup>th</sup> May 2013)
Registered Office	Beaufort House	
	15 St Botolph Street	
	LONDON	
	EC3A 7EE	
Statutory Auditor	Deloitte LLP	

## Chairman's Statement

When considering claims trends over the last three years, particularly those relating to natural catastrophes, we need to heed the disclaimer inscribed in the small print accompanying many investment products – "past performance is not necessarily indicative of future results". Considering first the cost of natural catastrophe losses to the (Re)insurance industry in 2011, which were around US \$30bn, and then the comparative figure for 2012 of around US \$80bn and with 2013 now weighing in at under US \$45bn, we might well ask ourselves when this gravity-defying extrapolation will end. This trend, notwithstanding a soft or at best flat primary market persisting across most major classes of insurance, has allowed (Re)insurers to announce increased profits alongside strengthening balance sheets. And then there are other menacing influences in play, encouraged by this benign loss environment, fuelling the already intense competition for business, notably the manner in which alternative reinsurance capital has jostled its way into the mainstream and encroached onto traditional reinsurers territory. The traditional market is also having to learn how to manage the erosion of its business with big brokers, with big data and big facilities, taking bites out of an already competitive global specialty portfolio. All is not doom and gloom, however, since the industry as a whole can take credit in its overall performance in these challenging times and there are still wonderful opportunities out there which can be developed by the energetic and agile players. Take for example 2013 where natural catastrophes caused US \$32bn of economic losses which converted into US \$19bn of insured losses, and compare that with Asia where the comparative figures for 2013 were, respectively, US \$62bn and US \$6bn.

When we went through our annual budgeting process for 2013 back in October 2012, the writing was on the wall in terms of the pricing pressures the market was having to face up to and the effect that would imply on our earnings for 2013. Consequently that budget was not encouraging but we believed it to be realistic, so the good news now is that we significantly out-performed that budget. However, our financial performance for 2013 compared to 2012 is relatively flat. Overall revenue came in at £38.7m compared with £37.6m for 2012, representing an increase of 3%. Our EBITDA profit, as represented on page 6 of the Strategic Report, is £6.8m which is marginally down from the £7m we reported last year and the EBITDA margin achieved has shaded from 19% to 18%. This is almost entirely due to expenses incurred throughout 2013 in respect of investment and recruitment, the benefits of which we expect to become evident during 2014 and beyond, notwithstanding the realities of life and the market mentioned earlier in this statement.

Our Balance Sheet remains strong with net assets of around £10.9m (2012: £11.8m) after declaring and paying £5.75m (2012: £3.75m) of inter-company dividends to our parent company, Hawkes Bay Holdings Ltd. The Balance Sheet remains debt free and at the end of 2013 we had over £2.1m of free cash (2012: £1.2m) in excess of the £30.4m (2012: £26.2m) of fiduciary cash held in our Non-statutory Trust Accounts.

In my statement last year I referred briefly to the performance of our broking divisions during 2012 and at this point I need to explain that our broking units, of which there were eight in total, have been restructured into two main divisions, namely Non-Marine on one hand and Marine and Specialty on the other. These units are led by Gary Andrews and Jonathan Macey respectively, both of whom are relishing the opportunity to achieve back office savings flowing from the integration of some of the relatively small and unprofitable units and also to growing revenue through cross-selling and collaborative opportunities, which may have been somewhat elusive hitherto.

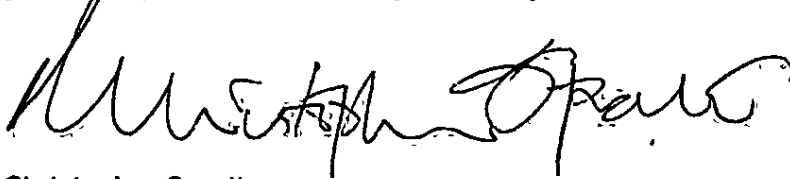
## Chairman's Statement (continued)

Our support departments continue to contribute to our overall business performance as expected. Our "shop window" or "Cinderella" Claims Departments do an excellent job and provide our clients with an important reference point in terms of the quality of our service and professionalism. IBA Accounts and Finance Departments also support the business admirably under the leadership of Katherine Breeding and we continue to invest in the improvement of our financial management. IT will always be a challenge, particularly when it comes to achieving budget both in respect of time and cost. That said, and following the successful delivery and subsequent upgrading of our Claims Management System last year, I can report satisfactory progress on the upgrading of our Broking System but have to concede that this project is behind schedule. Nevertheless, this progress has allowed us to start running down our IT Project Team and reinforce our IT Operations Team.

My brief reference to Katherine Breeding above prompts me to tell you that Quintin Heaney, who joined us as CFO/COO in 2007 left the Group last summer and he has been succeeded by Katherine Breeding. Katherine has been with Tysers since 2002, worked closely with Quintin Heaney over the last six years and is eminently qualified to take over from Mr Heaney as the Group's Finance Director. The Board has decided that it is not appropriate for CFO/COO responsibilities to be assumed by one individual and we are in the process of searching for a suitable COO who can, amongst other things, promote the delivery of services from our Support Departments to our broking business in line with our business plan and the Board's requirements.

Regulation – a year ago I expressed the wish for Tysers to be able to carry forward the good working relationship we had established with the FSA and to develop a strong and positive relationship with the FCA and to date I can only say that ambition holds good. What I am confident and proud of is our fundamental business and regulatory culture, which underpins the compliant practice of business and which the Board and Management continue to promote through strong governance. More specifically, Financial Crime and Sanctions continue to be big issues and areas where the risk and risk environment remains in a constant state of evolution. Alongside this we have to ready ourselves for the arrival of CASS5 (the ongoing review of the Client Money Regime for Insurance Intermediaries) and everything that flows from that. Meanwhile, the Board justifiably believes that Tysers' commitment to working constructively with the FCA implies an equal and opposite commitment on the part of our Regulator in terms of regulating necessarily and appropriately to conducting a thorough and business sensitive process of consultation before introducing new rules.

In summary, 2013 has been an encouraging year. We always knew it would be demanding but the Board deserves to be satisfied with the company's financial performance, the restructuring of our broking units and the other good work that has been done in preparation for carrying us forward to our next stage of developing a stronger and better balanced business. So once again, and without hesitation, I am delighted to thank the Board and our staff for their continuing commitment to a great business. I would also like to take this opportunity to thank those members of staff who interrupt their day jobs to help and support the development of our IT systems – it is in their interest to get the system they want in order to improve business efficiency, however, the effort and patience required to get a new system up and running is not insignificant.



Christopher Spratt  
**Chairman**

23 May 2014

## 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. The report has been prepared for the Company specifically and therefore provides greater emphasis to the matters which are significant to the Company. 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 13 to 25. The profit for the year of £4,829,000 (2012 £4,902,000) has been taken to reserves. Final dividends were settled during the year of £5,750,000 (2012 £3,750,000). The directors recommend a further final dividend to be paid for the year of £1,000,000 (2012: £1,250,000).

## Development and Financial Performance during the Year

During the year to 31 December 2013 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	2013 £'000	2012 £'000	2011 £'000
<b>Turnover</b>	2	<u>38,700</u>	<u>37,585</u>	<u>36,066</u>
<b>Profit on ordinary activities before taxation</b>	Page 13	6,412	6,622	6,495
<i>Add back</i>				
Goodwill amortisation	8	397	398	397
Interest expense	5	<u>2</u>	<u>5</u>	<u>14</u>
<b>EBITDA</b>		<u>6,811</u>	<u>7,024</u>	<u>6,906</u>
<b>EBITDA/Revenue %</b>		<b>18%</b>	<b>19%</b>	<b>19%</b>

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

## **Strategic Report (*continued*)**

### **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.

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.



## Strategic Report *(continued)*

### Financial Risk Management *(continued)*

#### ***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.

#### ***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.

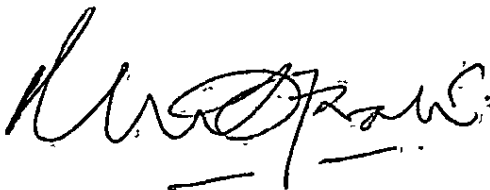
#### ***Credit risk***

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

This report was approved by the Board on 23 May 2014.



**C M Spratt**  
Director



**K A Breeding**  
Director

Beaufort House  
15 St Botolph Street  
London  
EC3A 7EE

## Directors' Report

The Directors present their report and financial statements for the year ended 31 December 2013.

### 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' 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.

## Directors' Report (*continued*)

### 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 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 2013 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

The directors are listed on page 2 of these financial statements and have held office during the whole year from 1 January 2013 to the date of this report unless otherwise noted. A number of changes were made to the company and related group structure in 2013 in order to create more effective reporting lines, which is reflected in the change in directors during the year.

### 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 23 May 2014.



**C M Spratt**  
Director



**K A Breeding**  
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 2013 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 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 2013 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*)

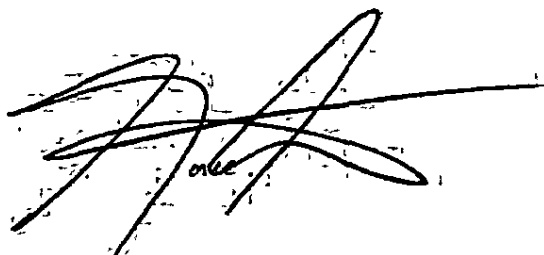
### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the 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*

23 May 2014

# **Profit and Loss Account**

For the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
<b>Turnover</b>	2	38,700	37,585
<b>Administrative expenses:</b>			
Goodwill amortisation	8	(397)	(398)
Other		(32,141)	(31,032)
<b>Total administrative expenses</b>		<u>(32,538)</u>	<u>(31,430)</u>
<b>Operating profit</b>		6,162	6,155
Interest receivable	4	252	472
Interest payable and similar charges	5	(2)	(5)
<b>Net interest</b>		<u>250</u>	<u>467</u>
<b>Profit on ordinary activities before taxation</b>		6,412	6,622
Tax charge on profit on ordinary activities	6	<u>(1,583)</u>	<u>(1,720)</u>
<b>Profit on ordinary activities after taxation for the financial year</b>		<u><u>4,829</u></u>	<u><u>4,902</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.

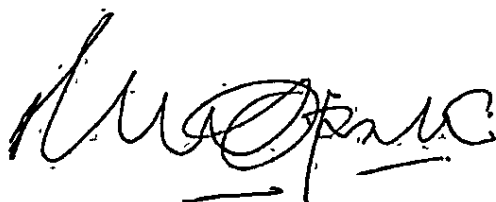
# Balance Sheet

As at 31 December 2013

Registered number: 04256470

	Notes	2013 £'000	2012 £'000
<b>Fixed assets</b>			
Intangible assets - goodwill	8	5,530	5,927
Investments	9	14	14
		<u>5,544</u>	<u>5,941</u>
<b>Current assets</b>			
Debtors	10	14,353	11,909
Cash at bank and in hand	11	32,508	27,376
		<u>46,861</u>	<u>39,285</u>
Creditors: amounts falling due within one year	12	(41,519)	(33,419)
<b>Net current assets</b>		<u>5,342</u>	<u>5,866</u>
<b>Net assets</b>		<u>10,886</u>	<u>11,807</u>
<b>Share capital and reserves</b>			
Ordinary share capital	14	102	102
Share premium account	15	588	588
Capital reserves	15	5,641	6,037
Profit and loss account	15	4,555	5,080
<b>Equity shareholders' funds</b>		<u>10,886</u>	<u>11,807</u>

The accompanying notes form an integral part of the financial statements. The financial statements on pages 13 to 25 were approved by the Board on 23 May 2014.



**C M Spratt**  
Director



**K A Breeding**  
Director

## Notes to the financial statements

For the year ended 31 December 2013

### 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 2013

### 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 2013

## 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.

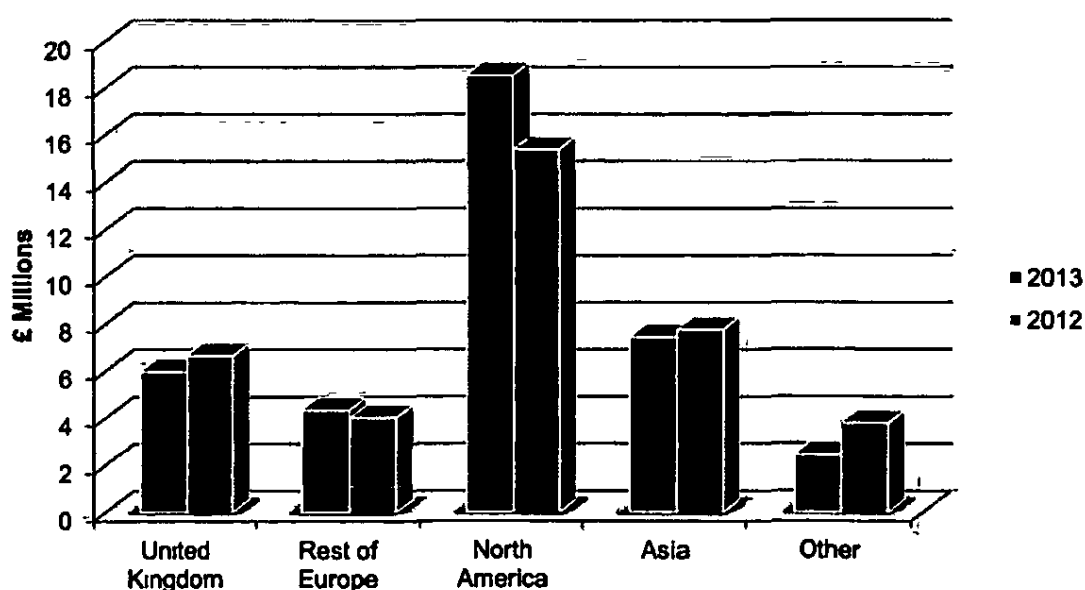
### (k) Exemption from preparing cash flow statement

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

	2013 £'000	2012 £'000
United Kingdom	5,956	6,634
Rest of Europe	4,339	4,017
North America	18,554	15,395
Asia	7,427	7,760
Other	2,424	3,779
	<u>38,700</u>	<u>37,585</u>

The whole of the turnover relates to insurance broking activities.



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

For the year ended 31 December 2013

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

The remuneration of the auditor 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:

	2013 £'000	2012 £'000
Audit fee	41	47
Tax services	28	34
	<hr/>	<hr/>
Paid by Tyser Group Services Limited on behalf of the company	69	81
	<hr/>	<hr/>

## **4. Interest receivable**

	2013 £'000	2012 £'000
Interest receivable from insurance broking and corporate funds	252	472
	<hr/>	<hr/>

## **5. Interest payable**

	2013 £'000	2012 £'000
Interest charged on bank loans and overdrafts	2	5
	<hr/>	<hr/>

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

For the year ended 31 December 2013

**6. Taxation**

	<b>2013 £'000</b>	<b>2012 £'000</b>
<b>a) Tax charge on profit on ordinary activities</b>		
UK corporation tax charge at 23.25% (2012: 24.5%)	1,583	1,720
UK corporation tax prior year adjustment	-	(150)
Total current year charge	1,583	1,570
Group relief payable prior year adjustment	-	150
Total current year charge	<u>1,583</u>	<u>1,720</u>
<b>b) Factors affecting tax charge for year</b>		
Profit on ordinary activities before tax	6,412	6,622
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	1,491	1,622
<i>Effects of:</i>		
Amortisation of goodwill	92	98
Current tax charge for the year (see 6 (a) above)	<u>1,583</u>	<u>1,720</u>

The UK corporation tax expense within these financial statements has been provided for at the rate of 23.25% (2012: 24%) the blended rate for the accounting period representing the reduction of the headline rate from 24% to 23% on 1 April 2013. The UK Government has enacted further changes that will reduce the corporation tax rate to 21% from 1 April 2014 and 20% from 1 April 2015. Deferred tax has therefore been recognised within these financial statements at 20% being the substantively enacted rate at the balance sheet date.

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

For the year ended 31 December 2013

## **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**

	2013 £'000	2012 £'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	2,024	1,626
Charged during the year	397	398
31 December	<u>2,421</u>	<u>2,024</u>
<b>Net book value</b>		
31 December	<u>5,530</u>	<u>5,927</u>

## **9. Investments**

	2013 £'000	2012 £'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 2013

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

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	12,885	8,554
Prepayments and accrued income	1,468	1,924
Amounts owed by group undertakings	-	1,431
	<u>14,353</u>	<u>11,909</u>

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

Included in cash at bank and in hand is £30,416,000 (2012: £26,150,000) 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>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	36,605	30,253
Corporation tax	728	1,023
Amounts owed to group undertakings	1,915	219
Accruals and deferred income (note 13)	2,271	1,924
	<u>41,519</u>	<u>33,419</u>

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

For the year ended 31 December 2013

**13. Accruals and deferred income**

	2013 £'000	2012 £'000
Deferred brokerage	1,958	1,924
Sundry accruals	313	=
	<u>2,271</u>	<u>1,924</u>

**14. Called up share capital**

	2013 £'000	2012 £'000
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 2013

**15. Share capital and reserves**

	Share capital	Share premium	Capital reserves	Profit and Loss account	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2013	102	588	6,037	5,080	11,807
Profit for the year transferred to reserves	-	-	-	4,829	4,829
Amortisation of goodwill	-	-	(397)	397	-
Dividends	-	-	-	(5,750)	(5,750)
Rounding differences	-	-	1	(1)	-
At 31 December 2013	<u>102</u>	<u>588</u>	<u>5,641</u>	<u>4,555</u>	<u>10,886</u>

**16. Capital commitments and contingent liabilities**

At 31 December 2013 the company had no capital commitments (2012: £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 £2,756,000 at 31 December 2013 (2012: £2,331,000).



# Notes to the financial statements (continued)

For the year ended 31 December 2013

## 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 2013, 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	Forward sale values in:		
	2014	2015	2016
USD	19,000,000	3,000,000	-
EUR	1,800,000	500,000	-
CAD	2,150,000	400,000	-

### Option agreements

These are 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	Maximum option value in:		
	2014	2015	2016
USD	13,000,000	11,000,000	-
EUR	1,000,000	1,400,000	-
CAD	1,600,000	1,500,000	-

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

	2013 £'000	2012 £'000
Forward sale agreements	(1,386)	(30)
Option agreements	(313)	(1,070)
	<u>(1,699)</u>	<u>(1,100)</u>

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

For the year ended 31 December 2013

**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.