# Finnex Holdings Limited

Directors' Report and Financial Statements
Registered Number: 05085925
*31 May 2006*



**Rees Pollock**
**Chartered Accountants**

**CONTENTS**

## OFFICERS AND PROFESSIONAL ADVISERS

| | |
|---|---|
| **The Board of Directors** | N Birnie<br>M J Landers<br>M M Sinko<br>N J Steer<br>R G Ward |
| **Company Secretary** | Compre Administrators Limited |
| **Registered Office** | 7th Floor<br>110 Fenchurch Street<br>London<br>EC3M 5JT |
| **Auditor** | KPMG Audit Plc<br>7th Floor<br>One Canada Square<br>London<br>E14 5AG |

The directors present their directors' report and financial statements of the company for the year ended 31 May 2006.

**Principal Activity and Business Review**

The company's principal activity is to act as a holding company for investments in European insurance subsidiaries.

The company's shareholders meet all funding requirements and the company has no external debt.

There has been no significant change in the company's principal activity compared to the previous year and no changes are expected in the coming year.

At 31 May 2006, the company held investments in two wholly-owned Finnish re-insurance companies who are in runoff.

The company had a successful year and recorded a profit of € 10.8m (2005: € 5.3m), mostly as a result of dividends received from its subsidiary undertakings of € 11.8m (2005: € 6.3m).

Thanks to the strong financial performance of its subsidiaries, the company has paid a dividend of € 5.3m to its members for the first time this year.

On 1 June 2006, the company purchased two further re-insurance companies in runoff - Bothnia International registered in Finland and Moorgate registered in the UK.

The principal uncertainties facing the company in the coming year include the unpredictable nature of claims arising from the insurance risks underwritten by its subsidiaries and their effect on the overall returns of the company; and non-euro FX exposures in the company's subsidiaries which are mitigated by regular monitoring and execution of FX trades by the subsidiaries' management.

**Dividends**

The directors do not recommend the payment of a dividend (2005: €nil).

**Directors and Directors' Interests**

The directors who served the company during the year were as follows:

N Birnie
M J Landers
M M Sinko
N J Steer
R G Ward

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

None of the directors benefited from qualifying third party indemnity provisions in place during the financial year at the date of this report.

**Employees**

The company has no employees.

**Suppliers**

The company's expenses are all paid and recharged by other members of the Cargill Holdings group, therefore no policy on payment of suppliers is included in these financial statements.

**Disclosure of Information to Auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

**Auditors**

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

BY ORDER OF THE BOARD

R Ward

R G Ward
Director

27 February 2007

**Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FINNEX HOLDINGS LIMITED

We have audited the financial statements of Finnex Holdings Limited for the year ended 31 May 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 May 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
*Chartered Accountants*
*Registered Auditor*
London
27 February 2007

PROFIT AND LOSS ACCOUNT
for the year ended 31 May 2006

| | Note | 2006 € | Period from 26 Mar 04 to 31 May 05 € |
|---|---|---|---|
| **INTEREST PAYABLE** | **2** | (533,649) | (1,340,708) |
| Administrative expenses | | (22,135) | (210) |
| **OPERATING LOSS** | **3** | (555,784) | (1,340,918) |
| Income from shares in group undertakings | **6** | 11,860,000 | 6,350,000 |
| **PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION** | | 11,304,216 | 5,009,082 |
| Tax on profit on ordinary activities | **8** | (474,537) | 317,044 |
| **PROFIT FOR THE FINANCIAL YEAR** | | 10,829,679 | 5,326,126 |

The above income and expenditure has been derived from continuing activities.

There were no recognised gains and losses other than the profit for the financial year. Consequently, no statement of total recognised gains and losses has been prepared.

The notes on pages 9 to 14 form an integral part of these financial statements.

# BALANCE SHEET
at 31 May 2006

| | Note | 2006 € | 2005 € |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Investments | **9** | 20,554,306 | 20,554,306 |
| **CURRENT ASSETS** | | | |
| Debtors | **10** | 314,319 | 317,044 |
| Cash at bank | | 1,175,972 | 185,382 |
| | | 1,490,291 | 502,426 |
| **CREDITORS: amounts falling due within one year** | **11** | (474,537) | – |
| **NET CURRENT ASSETS** | | 1,015,754 | 502,426 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 21,570,060 | 21,056,732 |
| **CREDITORS: amounts falling due after more than one year** | **12** | – | (5,030,606) |
| | | 21,570,060 | 16,026,126 |
| **CAPITAL AND RESERVES** | | | |
| Called-up equity share capital | **13** | 10,700,000 | 10,700,000 |
| Profit and loss account | **14** | 10,870,060 | 5,326,126 |
| **SHAREHOLDERS' FUNDS** | **15** | 21,570,060 | 16,026,126 |

The notes on pages 9 to 14 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and signed on its behalf on 27 February 2007.

R G Ward
Director

# CASH FLOW STATEMENT
for the year ended 31 May 2006

| | Note | 2006<br>€ | Period from 26 Mar 04 to 31 May 05<br>€ |
|---|---|---|---|
| **NET CASH OUTFLOW FROM OPERATING ACTIVITIES** | **16** | (19,410) | (210) |
| **RETURNS ON INVESTMENTS AND SERVICING OF FINANCE** | | | |
| Income from group undertakings | | 11,860,000 | 6,350,000 |
| Interest paid | | (634,400) | (1,239,957) |
| **NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE** | | 11,225,600 | 5,110,043 |
| **ACQUISITIONS AND DISPOSALS** | | | |
| Acquisition of shares in group undertakings | | – | (20,554,306) |
| **NET CASH OUTFLOW FROM ACQUISITIONS AND DISPOSALS** | | – | (20,554,306) |
| **EQUITY DIVIDENDS PAID** | | (5,285,745) | – |
| **CASH INFLOW/(OUTFLOW) BEFORE FINANCING** | | 5,920,445 | (15,444,473) |
| **FINANCING** | | | |
| Issue of equity share capital | | – | 10,700,000 |
| Issue of long-term debt to group undertakings | | – | 15,700,000 |
| Repayment of long-term debt to group undertakings | | (4,929,855) | (10,770,145) |
| **NET CASH (OUTFLOW)/INFLOW FROM FINANCING** | | (4,929,855) | 15,629,855 |
| **INCREASE IN CASH** | **17** | 990,590 | 185,382 |

The notes on pages 9 to 14 form part of these accounts.

## 1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date';
- the presentation requirements of FRS 25 'Financial instruments: presentation and disclosure'; and
- FRS 28 'Corresponding amounts'.

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

The corresponding amounts in these financial statements are restated in accordance with the new policies.

### a) Basis of preparation:

i) The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

ii) Turnover, cost of sales and gross profit (as prescribed in the Companies Act 1985) do not have any meaningful equivalents in an investment business and are therefore not included.

iii) The company has taken advantage of the exemption granted under Section 228 of the Companies Act 1985, which permits the company not to prepare group accounts, as the company is a subsidiary of Cargill Holdings, a UK company which produces consolidated financial statements.

iv) The directors consider that the functional currency of the company is the Euro. The financial statements have therefore been prepared in that currency.

### b) Fixed asset investments:

Investments in subsidiary undertakings are carried at cost less impairment for any permanent diminution in value.

### c) Taxation:

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

## 1. ACCOUNTING POLICIES *(continued)*

### d) Foreign currencies:

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

## 2. INTEREST PAYABLE

| | Year ended 31 May 06 | Period from 26 Mar 04 to 31 May 05 |
|---|---|---|
| | € | € |
| Interest payable and similar charges | (533,649) | (1,340,708) |
| | (533,649) | (1,340,708) |

€448,674 of the interest payable and similar charges is payable to group undertakings.

## 3. OPERATING LOSS

Operating loss is stated after charging:

| | Year ended 31 May 06 | Period from 26 Mar 04 to 31 May 05 |
|---|---|---|
| | € | € |
| Auditor's remuneration | 7,500 | 7,500 |
| Foreign exchange (gains)/losses | 8,426 | – |

## 4. STAFF COSTS

No salaries or wages have been paid to employees, including the directors, during the year.

## 5. DIRECTORS' EMOLUMENTS

No emoluments were paid to the directors of the company.

## 6. INCOME FROM SHARES IN GROUP UNDERTAKINGS

| | Year ended 31 May 06 | Period from 26 Mar 04 to 31 May 05 |
|---|---|---|
| | € | € |
| Dividends received from group undertakings | 11,860,000 | 6,350,000 |

## 7. SEGMENTAL ANALYSIS

No segmental analysis is provided as the company has only one distinguishable class of business and operates in the European market.

**8. TAXATION ON ORDINARY ACTIVITIES**

(a) Analysis of charge in the year

| | Year ended 31 May 06 € | Period from 26 Mar 04 to 31 May 05 € |
|---|---|---|
| **Current tax** | | |
| UK Corporation tax based on the results for the year at 30% (2005 – 30%) | 474,537 | (317,044) |
| Total current tax | 474,537 | (317,044) |

(b) Factors affecting current tax charge

The tax assessed for the year is lower (2005: lower) than the standard rate of corporation tax in the UK of 30% (2005: 30%). The differences are explained below.

| | Year ended 31 May 06 € | Period from 26 Mar 04 to 31 May 05 € |
|---|---|---|
| Profit on ordinary activities before taxation | 11,304,216 | 5,009,082 |
| Profit on ordinary activities multiplied by rate of tax | 3,391,265 | 1,502,725 |
| Dividend income received net of overseas taxation | 1,250,026 | 779,990 |
| Double taxation relief | (4,166,754) | (2,599,759) |
| Total current tax (note 8(a)) | 474,537 | (317,044) |

**9. FIXED ASSET INVESTMENTS**

| | € |
|---|---|
| Cost | |
| At 1 June 2005 and 31 May 2006 | 20,554,306 |
| Net book value | |
| At 31 May 2006 | 20,554,306 |
| At 31 May 2005 | 20,554,306 |

The company owns 100% of the issued share capital of the companies listed below, both of which are companies registered in Finland and operate in the reinsurance market.

Jalleenvakuutusosakeyhtio Patria
Vakuutusosakeyhtio ST International

**10. DEBTORS**

| | 2006 | 2005 |
|---|---|---|
| | € | € |
| Prepayments and accrued income | 314,319 | – |
| Amounts owed by group undertakings | – | 317,044 |
| | 314,319 | 317,044 |

**11. CREDITORS: amounts falling due within one year**

| | 2006 | 2005 |
|---|---|---|
| | € | € |
| Corporation tax | 474,537 | – |

**12. CREDITORS: amounts falling due after more than one year**

| | 2006 | 2005 |
|---|---|---|
| | € | € |
| Amounts owed to group undertakings | – | 5,030,606 |

**13. SHARE CAPITAL**

| | 2006 | 2005 |
|---|---|---|
| | € | € |
| ***Authorised*:** | | |
| Ordinary shares of €1 each | 15,000,000 | 15,000,000 |
| | 15,000,000 | 15,000,000 |
| ***Allotted, called up and fully paid*:** | | |
| Ordinary shares of €1 each | 10,700,000 | 10,700,000 |
| | 10,700,000 | 10,700,000 |
| Shares classified in shareholders' funds | 10,700,000 | 10,700,000 |
| | 10,700,000 | 10,700,000 |

**14. PROFIT AND LOSS ACCOUNT**

| | Year to 31 May 06 | Period from 26 Mar 04 to 31 May 05 |
|---|---|---|
| | € | € |
| Balance brought forward | 5,326,126 | – |
| Profit for the financial year | 10,829,679 | 5,326,126 |
| Equity dividends paid | (5,285,745) | – |
| Balance carried forward | 10,870,060 | 5,326,126 |

## 15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2006 | 2005 |
|---|---|---|
| | € | € |
| Profit for the financial year | 10,829,679 | 5,326,126 |
| New ordinary share capital subscribed | – | 10,700,000 |
| Equity dividends paid | (5,285,745) | – |
| Net addition to shareholders' funds | 5,543,934 | 16,026,126 |
| Opening shareholders' funds | 16,026,126 | – |
| Closing shareholders' funds | 21,570,060 | 16,026,126 |

## 16. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

| | Year to 31 May 06 | Period from 26 Mar 04 to 31 May 05 |
|---|---|---|
| | € | € |
| Operating loss | (555,784) | (1,340,918) |
| Interest | 533,649 | 1,340,708 |
| Operating loss before interest | (22,135) | (210) |
| Decrease in debtors | 2,725 | – |
| Net cash outflow from operating activities | (19,410) | (210) |

## 17. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

| | 2006 | 2005 |
|---|---|---|
| | € | € |
| Increase in cash in the period | 990,590 | 185,382 |
| Net cash inflow from long-term amounts owed to group undertakings | – | (15,700,000) |
| Net cash outflow from long-term amounts owed to group undertakings | 5,030,606 | 10,770,145 |
| Interest accrued on long-term loans | – | (100,751) |
| Change in net funds | 6,021,196 | (4,845,224) |
| Net debt at 1 June 2005 | (4,845,224) | – |
| Net funds at 31 May 2006 | 1,175,972 | (4,845,224) |

## 18. ANALYSIS OF CHANGES IN NET FUNDS

| | At 1 Jun 2005 | Cash flows | Other changes | At 31 May 2006 |
|---|---|---|---|---|
| | € | € | € | € |
| Net cash: | | | | |
| Cash in hand and at bank | 185,382 | 990,590 | – | 1,175,972 |
| Debt: | | | | |
| Debt due after 1 year | (5,030,606) | 4,929,855 | 100,751 | – |
| Net funds | (4,845,224) | 5,920,445 | 100,751 | 1,175,972 |

**19. RELATED PARTIES**

At the beginning of the year Cargill Investments, the immediate parent company, was owed €4,229,553. Interest on this loan is charged at a rate of 12%. During the year interest of €448,674 (p/e 31 May 2005: €841,273) arose on the loan. On 31 March 2006 the balance was repaid in full.

In the prior period Cargill Investments also loaned two further amounts of €2,780,150 and £1,482,411. Interest on these loans was €200,102 and £96,232 respectively. These amounts were repaid in full in the prior period.

At the beginning of the year Compre Limited, a company which has MM Sinko and NJ Steer as directors, was owed €801,053. Interest is charged on this loan at a rate of 12%. During the year interest of €84,975 (p/e 31 May 2005: €159,333) arose on this loan. On 31 March 2006 the balance was repaid in full.

**20. ULTIMATE PARENT COMPANY**

The company is a subsidiary of Cargill, Incorporated, a company incorporated in the USA. The largest group in which the results of the company are consolidated is that headed by Cargill, Incorporated whose consolidated financial statements are not available to the public. At 31 May 2006 the smallest group in which the results of the company are consolidated is that headed by Cargill Holdings registered in England and Wales, whose consolidated financial statements are available to the public and may be obtained from the Registrar of Companies, Crown Way, Cardiff.