# THOMAS MILLER & CO LIMITED

## REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED

## 31 DECEMBER 2010



Registered number 1898192

**THOMAS MILLER & CO LIMITED**

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**THOMAS MILLER & CO LIMITED**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

| | |
|---|---|
| R M Grainger | |
| B M Kesterton | |
| J Anderson | |
| T M Evans | |
| A Gamblin | |
| M D Holford | |
| M A Jarrett | |
| A C Jones | |
| M R Lawton | |
| J R Morris | |
| A Salim | Appointed 14 May 2010 |
| I R Jarrett | Appointed 1 July 2010 |
| K E Vernau | Appointed 1 July 2010 |

**COMPANY SECRETARY**

K P Halpenny

**REGISTERED OFFICE**

90 Fenchurch Street
London
EC3M 4ST

**AUDITOR**

Deloitte LLP
Chartered Accountants
London
United Kingdom

**THOMAS MILLER & CO LIMITED**

**REPORT OF THE DIRECTORS**
**FOR THE YEAR ENDED 31 DECEMBER 2010**

The directors present their annual report on the affairs of the company, together with the financial statements and auditor report, for the year ended 31 December 2010

**1 Principal activity and business review**

The company is a wholly owned subsidiary of Thomas Miller Holdings Ltd a company incorporated in Bermuda

The principal activity of the company during the year has been the provision of services to its fellow subsidiary undertakings The main activities of these undertakings have been the provision of agency services to managers of mutual insurance companies and acting as managers of mutual insurance companies The main operations of the company were carried out from offices in the United Kingdom The company also operates through two small branch offices in China The directors are not aware at the date of this report, of any likely major changes in the company's activities in the next year

The primary business indicators that the company uses to control the business are linked to cost control Expenditure is reviewed against budgets for each cost centre by month and by account code and variances are analysed and explained Budgets are reviewed twice a year Income arises from recharges of costs to other group companies based on those companies' usage of resource The company's directors believe that review of costs against budgets is the key performance indicator necessary for an understanding of the development, performance and financial position of the business

Turnover for the year has increased by 1 9% whilst administration expenses have increased by 3 9% from 2009 to 2010 Key factors behind the increase in costs are (i) an increase in remuneration related expenditure and (ii) various costs in relation to the preparation and implementation of the Solvency II directive In the majority of cases costs are recharged to fellow subsidary undertakings as part of the Memorandum of services" agreement with those subsidary undertakings

The post tax deficit on both the funded and unfunded Defined Benefit pension schemes, as calculated using the FRS 17 "Retirement benefits" basis of calculation has decreased from £27 88 million to £24 80 million Normal contributions into the schemes increased by 24 9% to £4 87 million (2009 - £3 90 million) These contributions in accordance with FRS 17 are not recognised as a cost within administrative expenses The main reasons for the decrease in the deficit are the contributions paid by the company good asset returns and the change in the assumption for indexation of deferred members benefits in the period before retirement from RPI to CPI The impact of changes in AA corporate bond yields and in the inflation assumption used to calculate the FRS 17 measure of the present value of the scheme liabilities have offset this reduction in the deficit Note 23 of these accounts summarises the movement this year

The balance sheet on page 9 shows the company's financial position at the year end The reduction in the Shareholder's deficit arises primarily due to the decrease in the value of "Retirement benefits and similar obligations" as discussed above Furthermore the company made a profit of £0 21 million on the disposal of shares held by ESOP trusts where deemed proceeds on shares utilised were greater than the average cost of the shares disposed

The directors note that there have been no significant events since the balance sheet date

**Principal risks and uncertainties**

All of the company's income from services provided to fellow UK subsidiaries undertakings is in UK Pound Sterling as are the majority of the company's costs Currency risk arises from the cost of services provided to the company from fellow subsidiary undertakings based in the USA, Hong Kong, Australia and Singapore who charge for services provided in their respective local currencies The relevant fellow subsidiaries charge the company for the sterling equivalent of these costs The risk is managed within the group by collecting management fees in currencies which match the costs of these overseas companies

The main interest rate exposure relates to the interest rate used to calculate the Defined Benefit pension scheme liabilities It is estimated that every reduction of 0 1% in the yield on AA rated bonds increases the gross Defined Benefit pension scheme liability by approximately £2 million The scheme is reviewed by an external firm of actuaries and the company board and trustees meetings are held four times a year Interest rate exposure also exists on £2 98m of loans and leases The interest charged on these is on a variable rates basis

**2 Results and dividends**

The profit and loss account for the year is set out on page 8 The profit on ordinary activities after taxation amounted to £1 751,000 (2009 - £1,382,000)

No dividends were declared during the year (2009 - £nil)

The profit and loss account deficit as at 31 December 2010 was £20 254 000 (2009 - £22 461 000)

**3 Financial risk management**

**Financial risk management objectives**

The company is exposed to financial risk through its financial assets and financial liabilities In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from financial liabilities as they fall due The most important components of this financial risk are interest rate risk currency risk credit risk and liquidity and cash flow risk

The group finance director advised by the Treasury Advisory Committee monitors and aims to reduce exposure to the various components of financial risk Through the Committee the group finance director takes advice to ensure that he acts in line with the terms of reference approved by the board of Thomas Miller Holdings Ltd

The company is also exposed to the above risks through the operation of the final salary pension scheme and also its obligations under the unfunded defined benefit schemes The strategy for dealing with the associated risks is managed by the board with close liaison with the pension trustee board

The company does not use derivative financial instruments for speculative purposes

**Interest rate risk**

Interest rate risk exists from the company's exposure to adverse movements in interest rates in relation to cash balances and deposits and loans and leases The Treasury Advisory Committee monitors the risk and reduces the company s exposure by utilising a choice of available funds with different interest rate characteristics The Committee takes advice from investment specialists within the company and acts in line with the company's Investment Policy

**Currency risk**

The company is not exposed to currency risk in respect of its income streams Currency risk exists from the company's residual exposure to adverse movements in exchange rates in respect of its foreign currency expenditure This risk is managed within the group by collecting management fees in currencies which match the costs of the overseas group companies and through the use of forward exchange contracts These foreign exchange differences are charged to the profit and loss account

**Credit risk**

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due

Key areas where the company is exposed to credit risk are
- amounts due from fellow subsidiaries and other customers, and
- cash balances held with financial institutions

The company, through the Treasury Advisory Committee, places limits on the level of cash balances held at any financial institution dependent on its credit rating Amounts due to the company are actively monitored by the finance department and Treasury Advisory Committee

**Liquidity and cash flow risk**

Liquidity and cash flow risk is the risk that cash may not be available to pay obligations when due at a reasonable cost The Investment Policy sets limits on cash balances to ensure that funds are available to cover anticipated liabilities and unexpected levels of demand

**4 Directors**

The present membership of the board of directors is shown on page 2, all of whom held office throughout the year, except as noted

B M Kesterton is a director of the ultimate parent company Thomas Miller Holdings Ltd

THOMAS MILLER & CO LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

**5 Employees**

Thomas Miller & Co Limited ("Thomas Miller") is committed to providing equal opportunities to all employees irrespective of their gender, sexual orientation, marital status race nationality ethnic origin, disability age or religion Thomas Miller is an inclusive employer and values diversity in its employees and seeks to achieve diversity through recruitment and selection training career development, flexible working arrangements, promotion and performance appraisal In the event of employees becoming disabled every effort is made to ensure that their employment with Thomas Miller continues and to provide specialised training where this is appropriate Information on employee matters is available on an intranet site and via periodic publications

**6 Employee consultation**

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company This is achieved through formal and informal meetings and the company's intranet website Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests The employee share schemes have been running successfully since their inception The Executive Share Option Plan was introduced in 1999, the Share Incentive Plan introduced in 2003 the Long Term Share Acquisition Plan introduced in 2006 and the Save As You Earn Scheme introduced in 1999 The Service Award scheme was also introduced in 1999 The Share Incentive Plan the Save As You Earn Scheme and the Service Award Scheme are open to all employees of the company and the major features of the scheme are outlined in note 22 to the Financial Statements The other schemes are only open to employees at Director level or above and the major features of those schemes are also outlined in note 22

**7 Supplier payment policy**

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction ensure that suppliers are made aware of the terms of payment and abide by the terms of payment

**8 Donations**

Charitable donations paid amounted to £46 000 (2009 - £45,000) The company did not make any political donations during the current and previous financial year

**9 Directors' indemnity**

The ultimate parent company Thomas Miller Holdings Ltd has made qualifying third party indemnity provisions for the benefit of its subsidiaries directors which remain in force at the date of this report

**10 Auditor**

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

(1) so far as the director is aware there is no relevant audit information of which the company's auditor is unaware and
(2) the director has taken all the steps that he or she ought to have taken as a director in order to make himself or 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

A resolution of reappoint Deloitte LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting

By order of the board

K P Halpenny
Secretary
31 March 2011

90 Fenchurch Street
London
EC3M 4ST

THOMAS MILLER & CO LIMITED

## 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent and
- state whether applicable UK Accounting Standards have been followed, 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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THOMAS MILLER & CO LIMITED**

We have audited the financial statements of Thomas Miller & Co Limited for the year ended 31 December 2010 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the combined reconciliation of movements in shareholders' funds and movements in reserves and the related notes 1 to 26 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

**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 2010 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

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

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Andrew Downes (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor

London, UK

31 March 2011

**THOMAS MILLER & CO LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010**

| | Notes | 2010 £'000 | 2010 £'000 | 2009 £'000 | 2009 £'000 |
|---|---|---|---|---|---|
| **Turnover** | 1,2 | | 64,060 | | 62,872 |
| Administrative expenses | | | (60,610) | | (58,315) |
| **Operating profit** | 3 | | 3,450 | | 4,557 |
| Profit / (loss) on disposal of parent company shares | 20 | | 208 | | (730) |
| Income from participating interests | | | - | | 15 |
| **Profit on ordinary activities before interest and taxation** | | | 3,658 | | 3,842 |
| Interest receivable and similar income | | 39 | | 97 | |
| Interest payable and similar charges | 6 | (97) | | (121) | |
| Other finance costs | 7 | (1,213) | | (1,516) | |
| | | | (1,271) | | (1,540) |
| **Profit on ordinary activities before taxation** | | | 2,387 | | 2,302 |
| Tax on profit on ordinary activities | 8 | | (636) | | (920) |
| **Profit on ordinary activities after taxation** | | | 1,751 | | 1,382 |

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**
**FOR THE YEAR ENDED 31 DECEMBER 2010**

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Profit for the financial year | 1,751 | 1,382 |
| Actuarial gain / (loss) relating to the pension deficit for the year (note 23) | 1,069 | (15,186) |
| Deferred tax (charge) / credit attributable to the actuarial gain / loss on the pension deficit | (613) | 4,252 |
| Total recognised gains / (losses) for the period | 2,207 | (9,552) |

All amounts derive from continuing operations

The notes on pages 11 to 26 form an integral part of these financial statements

THOMAS MILLER & CO LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2010

| | Notes | 2010 | 2010 | restated 2009 | restated 2009 |
|---|---|---|---|---|---|
| | | £ 000 | £ 000 | £ 000 | £ 000 |
| **Fixed assets** | | | | | |
| Intangible assets | 11 | | 608 | | 685 |
| Tangible assets | 12 | | 6 952 | | 8,107 |
| Investments | 13 | | 1 661 | | 3,943 |
| | | | 9,221 | | 12 735 |
| **Current assets** | | | | | |
| Debtors | | | | | |
| - due within one year | 14 | 13,360 | | 11,586 | |
| - due after one year | 14 | 2 881 | | 2,881 | |
| Cash at bank and in hand | | 4,696 | | 6 785 | |
| | | 20,937 | | 21,252 | |
| **Creditors** Amounts falling due within one year | 16 | (22 128) | | (21 460) | |
| **Net current liabilities** | | | (1 191) | | (208) |
| **Total assets less current liabilities** | | | 8 030 | | 12 527 |
| **Creditors** Amounts falling due after more than one year | 16 | | (1 881) | | (5,552) |
| **Provisions for liabilities** | 17 | | (1 106) | | (1 054) |
| **Retirement benefits and similar obligations** | 23 | | (24 797) | | (27 882) |
| **Total net liabilities** | | | (19 754) | | (21 961) |
| **Capital and reserves** | | | | | |
| Called up share capital | 18 | | 500 | | 500 |
| Profit and loss account | | | (20 254) | | (22,461) |
| **Shareholder's deficit** | | | (19 754) | | (21 961) |

The financial statements of Thomas Miller & Co Limited (registered number 1898192) were approved by the board of directors and authorised for issue on 31 March 2011 They were signed on its behalf by

B M Kesterton Director

R M Grainger Director

The notes on pages 11 to 26 form an integral part of these financial statements

THOMAS MILLER & CO LIMITED

**COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS AND MOVEMENTS IN RESERVES FOR THE YEAR ENDED 31 DECEMBER 2010**

| | Share capital | Profit and loss account | 2010 Total | 2009 Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Profit for the financial year | - | 1,751 | 1 751 | 1,382 |
| Actuarial gain/(loss) relating to the pension deficit net of deferred tax | - | 456 | 456 | (10,934) |
| Net increase/(reduction) to shareholder's funds | - | 2,207 | 2 207 | (9,552) |
| Opening shareholder's funds / (deficit) | 500 | (22,461) | (21 961) | (12,409) |
| Closing shareholder's funds / (deficit) | 500 | (20 254) | (19 754) | (21,961) |

The notes on pages 11 to 26 form an integral part of these financial statements

THOMAS MILLER & CO LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

**1 Accounting policies**

**1 1 Basis of preparation**

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

**1 2 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 directors report on page 3

The financial position of the company is described within the directors report In addition, point 3 of the directors report describes the liquidity position of the company including the company's objectives, policies and processes for managing its capital, its financial risk management objectives details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk

The company is in a "net liabilities" position after taking into account "retirement benefits and similar obligations" However the annual cash contributions made by the company to the Thomas Miller & Co Limited Retirement Benefits Scheme ( the Scheme ) which closed to future accruals of benefits on 1 October 2004, are designed to eliminate this deficit by 2022 This is in accordance with an agreement made with the trustees of the Scheme to eliminate that deficit The annual contributions are re-charged to fellow subsidiary undertakings in accordance with the "Memorandum of services" agreements between the company and those fellow subsidiary undertakings

The company has a small current liabilities position This is largely the result of most capital expenditure being funded from cash The company has several loans and leases to help fund some of the capital expenditure programme on the London premises The repayment of these loans is financed through future service charges to fellow subsidiary undertakings The company has sufficient cash resources to meet the regular payment requirements in respect of its various liabilities

As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook

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

**1 3 Goodwill**

For acquisitions of a business purchased goodwill is capitalised in the year in which it arises and amortised over its estimated useful life up to a maximum of 20 years with the charge pro-rated in the year of acquisition, from the date of acquisition Provision is made for any impairment

**1 4 Tangible fixed assets**

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment

Depreciation is provided to write off the cost less estimated residual value of all tangible fixed assets over the estimated useful economic lives of the assets The rates generally applicable are

| | |
|---|---|
| Leasehold improvements | Straight-line over period to next lease break clause |
| Motor vehicles | Straight-line over 3 years |
| Office machinery, fixtures and fittings | Straight-line over 3 to 17 years |
| Leased equipment | By equal instalments over period of lease or expected useful economic life if shorter |

**1 5 Investment**

Investments held as fixed assets are stated at cost less provision for impairment

**1 6 Foreign currencies**

Transactions denominated in foreign currencies are translated into Sterling at the exchange rates ruling at the date of transactions Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date These translation differences are dealt with in the profit and loss account

Forward exchange contracts are used to hedge foreign exchange exposures arising on forecast receipts and payments in foreign currencies of a fellow subsidiary Gains and losses arising on these contracts are recognised in the profit and loss account when the contract matures

THOMAS MILLER & CO LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

**1 Accounting policies (continued)**

**1 7 Leases and assets**

Leases are treated in accordance with the provisions of SSAP 21 "Accounting for leases and hire purchase contracts" Assets held under finance leases are capitalised in the balance sheet and depreciated over the shorter of the period of the lease and their expected useful economic lives The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the primary period of the lease All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the period of the lease

**1 8 Taxation**

Current 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 taxation is provided in full on timing differences that 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 tax rates and laws that have been enacted or substantially enacted by the balance sheet date 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 more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

**1 9 Retirement benefits and similar obligations**

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments They are included as part of staff costs Past service costs are recognised immediately in the profit and loss account if the benefits have vested If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company in separate trustee administered funds Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities The actuarial valuations are obtained at least triennially and are updated at each balance sheet date The resulting defined benefit asset or liability net of the related deferred tax is presented separately after other net assets on the face of the balance sheet

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

The company assumed a liability to pay annuities to those former partners of Thos R Miller & Son who retired prior to 1989 The schemes' liabilities have been accounted for in accordance with FRS 17 and are unfunded

**1 10 Turnover**

Turnover, which excludes value added tax represents the value of service fees attributable to the accounting year

THOMAS MILLER & CO LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

**1.11 Share-based payments**

The company has elected to adopt the exemption to apply FRS 20 "Share-based payment" only to share option awards granted after 7 November 2002 The equity instruments granted are in relation to shares in the parent company, Thomas Miller Holdings Ltd

The parent company awards share based payments to certain employees of the company The company accounts for these awards as equity settled share-based payments Fair value in respect of share option awards is measured using the Black-Scholes model, taking into account the terms and conditions under which the instruments were granted, excluding the impact of any non-market vesting conditions

The total amount to be expensed over the vesting period is determined by reference to the fair value of the equity instruments granted and the number of equity instruments which eventually vest At each balance sheet date, the company revises its estimates of the number of equity instruments that are expected to vest It recognises the revision of original estimates, if any, in the profit and loss account

A liability equal to the portion of services received is recognised at the current fair value determined at each balance sheet date for cash-settled, share-based payments

The company also awards employees bonuses on completion of three years service Employees can choose to take the bonus in shares or shares and cash The company records an expense, based on the amount it expects to vest, taking into account estimated staff turnover, on a straight-line basis over the vesting period

**1.12 Cash flow statements**

The company is exempt from producing a cash flow statement under FRS1 (revised 1996) "Cash flow statements" as more than 90% of the voting rights are owned by its ultimate parent undertaking whose published, publically available, accounts include a consolidated cash flow statement (note 25)

**2 Analysis of turnover**

Turnover by geographical origin is shown below

| | 2010 | 2009 |
|---|---|---|
| | £'000 | £'000 |
| United Kingdom and Europe | 64,060 | 62,872 |

All turnover derives from the principal activities of the company

**3 Operating profit**

| | 2010 | 2009 |
|---|---|---|
| | £'000 | £'000 |
| This is stated after charging | | |
| Depreciation | | |
| - owned assets | 1,103 | 1,114 |
| - leased / financed assets | 471 | 471 |
| - leasehold improvements | 55 | 55 |
| - amortisation of goodwill | 77 | 74 |
| Exchange losses | 286 | 80 |
| Loss on disposal of fixed assets | 128 | - |
| Rentals under operating leases | 1,712 | 1,708 |

THOMAS MILLER & CO LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

**3 Operating profit (continued)**

Amounts payable to Deloitte LLP and their associates by the company and its fellow UK subsidiary undertakings in respect of services are shown below

**The analysis of auditor's remuneration is as follows**

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| **Fees payable to the company's auditor for the audit of the company's annual accounts** | 41 | 41 |
| **Fees payable to the company's auditor and their associates for other services to the company and its fellow UK subsidiary undertakings** | | |
| - The audit of fellow subsidiaries pursuant to legislation | 71 | 68 |
| Total audit fees | 112 | 109 |
| - Tax services | 68 | 114 |
| - Other services | 9 | 6 |
| Total non-audit fees | 77 | 119 |

The company bore auditor remuneration on behalf of a number of fellow UK subsidiaries of Thomas Miller Holdings Ltd in 2010 and 2009

**4 Directors' remuneration**

The directors of the company include a number of directors who are also directors of other companies within the Thomas Miller Holdings group The directors do not consider it practicable or appropriate to allocate directors' services between individual subsidiary companies The directors of the company received aggregate emoluments of £2,854,000 (2009 - £2,594,000) relating to their services to all companies within the Thomas Miller Holdings group

The value of contributions paid, or treated as paid by a person other than the director to whom retirement benefits are accruing in respect of directors' qualifying services to the extent that the contributions might lead to money purchase benefits being payable was £178,000 (2009 - £162 000)

The number of directors who

| | 2010 Number | 2009 Number |
|---|---|---|
| Are members of defined benefit schemes | 9 | 9 |
| Are members of defined contribution schemes | 9 | 8 |
| Exercised options over shares in the parent company, Thomas Miller Holdings Ltd | 2 | 1 |
| Had awards receivable in the form of shares under a long term incentive scheme | 6 | - |

**5 Employee information (including directors)**

The average number of persons employed by the company during the year was 379 (2009 - 391)

| **Geographical area** | 2010 Number | 2009 Number |
|---|---|---|
| Europe | 372 | 384 |
| Asia | 7 | 7 |
| | 379 | 391 |

**5 Employee information (including directors) (continued)**

The total payroll costs of these persons employed by Thomas Miller & Co Limited were as follows

| | 2010 | 2009 |
|---|---|---|
| | £ 000 | £ 000 |
| Wages and salaries (including bonuses) | 28 879 | 28,764 |
| Redundancy costs | 629 | 520 |
| Social security costs | 3,516 | 3 348 |
| Other pension costs - defined contribution schemes | 2 883 | 2,325 |
| | 35 907 | 34,957 |

Other pension costs include only those items included within operating costs Items reported elsewhere have been excluded

**6 Interest payable and similar charges**

| | 2010 | 2009 |
|---|---|---|
| | £'000 | £ 000 |
| Bank interest | 38 | 44 |
| Interest on finance leases | 59 | 77 |
| | 97 | 121 |

**7 Other finance costs**

| | 2010 | 2009 |
|---|---|---|
| | £'000 | £ 000 |
| Net finance costs on retirement benefit schemes (note 23) | 1,213 | 1 516 |

**8 Tax on profit on ordinary activities**

The tax charge is based on the profit for the year and represents

| | 2010 | 2009 |
|---|---|---|
| | £ 000 | £ 000 |
| Current tax | | |
| Current tax charge (credit) / charge for the year | (387) | 384 |
| Adjustments in respect of prior years | (72) | (7) |
| | (459) | 377 |
| Overseas tax suffered | - | 1 |
| | (459) | 378 |
| Deferred taxation - current year | 1,007 | 539 |
| Deferred taxation - change in tax rate year | 30 | - |
| Deferred taxation - prior year | 58 | 3 |
| Tax on profit on ordinary activities | 636 | 920 |

Under the Finance (No 2) Act 2010, the rate of corporation tax was expected to reduce from 28% to 27% from 1 April 2011 However, a further reduction to 26% from 1 April 2011 was announced in the March 2011 Budget and substantively enacted on 29 March 2011 This lower rate will therefore be reflected in the 2011 accounts but the profit and loss account impact is not expected to be significant

In addition in the March 2011 Budget, the UK government signalled its intention to reduce the rate of corporation tax by a further 1% in each of the next three years to 23% for the financial year commencing 1 April 2014 These lower rates will only be reflected in the accounts as and when they are substantively enacted

## 9 Reconciliation of current year tax charge

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 28% (2009 - 28%) The current year tax charge for the year is different to the standard rate of 28% for the reasons set out in the following reconciliation

| | 2010 £ 000 | 2009 £ 000 |
|---|---|---|
| Profit on ordinary activities before tax | 2,387 | 2 302 |
| Profit on ordinary activities before tax multiplied by the standard rate of corporation tax | 668 | 645 |
| Expenses not deductible for tax purposes | (48) | 279 |
| Depreciation in deficit of capital allowances | (1) | (47) |
| Other short term timing differences | 19 | 176 |
| Short term timing differences in respect of pension deficit | (1 025) | (668) |
| Adjustments in respect of prior years | (72) | (7) |
| Current tax charge (credit) / charge for the year | (459) | 378 |

## 10 Dividends

No interim or final dividend has been proposed by the directors (2009 - £nil)

## 11 Intangible fixed assets

| | Goodwill £ 000 |
|---|---|
| **Cost** | |
| At 1 January 2010 | 759 |
| Additions | - |
| At 31 December 2010 | 759 |
| **Accumulated depreciation** | |
| At 1 January 2010 | 74 |
| Provided in the year | 77 |
| At 31 December 2010 | 151 |
| **Net book value** | |
| At 31 December 2010 | 608 |
| At 31 December 2009 | 685 |

The goodwill shown within this company had originally been acquired and shown within the parent company Thomas Miller Holdings Ltd , as part of the acquisition of the business carried on by Thos R Miller & Son on 16 April 1999 The goodwill was transferred from Thomas Miller Holdings Ltd to Thomas Miller & Co Limited on 31 December 2008 for an amount equal to its net book value on 31 December 2008 and is being amortised over its remaining useful life, 10 years

## 12. Tangible fixed assets

| | Leasehold improvements | Office machinery fixtures & fittings | Office machinery fixtures & fittings | Motor vehicles | Total |
|---|---|---|---|---|---|
| | | Leased | Owned | Owned | |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Cost** | | | | | |
| At 1 January 2010 | 912 | 5,486 | 8,164 | 8 | 14,570 |
| Additions | 27 | - | 577 | - | 604 |
| Disposals | - | - | (160) | - | (160) |
| At 31 December 2010 | 939 | 5,486 | 8,581 | 8 | 15,014 |
| **Accumulated depreciation** | | | | | |
| At 1 January 2010 | 78 | 3,848 | 2,529 | 8 | 6,463 |
| Provided in the year | 55 | 472 | 1,104 | - | 1,631 |
| Disposals | - | - | (32) | - | (32) |
| At 31 December 2010 | 133 | 4,320 | 3,601 | 8 | 8,062 |
| **Net book value** | | | | | |
| At 31 December 2010 | 806 | 1,166 | 4,980 | - | 6,952 |
| At 31 December 2009 | 834 | 1,638 | 5,635 | - | 8,107 |

Net obligations under finance leases and hire purchase contracts are secured on the assets acquired

## 13 Investments held as fixed assets

| | Shares in associates | Investment in parent company shares | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| At 1 January 2010 | 46 | 3,897 | 3,943 |
| Net sale of parent company shares by the EBT | - | (315) | (315) |
| Cost of shares transferred to employees under the various share schemes operated within the group | - | (1,967) | (1,967) |
| At 31 December 2010 | 46 | 1,615 | 1,661 |

The company holds 50% of the ordinary share capital of China Marine Services Co Ltd, a marine services company incorporated in Beijing, People's Republic of China

Investment in parent company shares represent shares in Thomas Miller Holdings Ltd held through the various employment benefit trusts operated by the company Further details of the various trusts and the uses to which the shares can be put are set out in notes 19 and 20

## 14 Debtors

| | 2010 | restated 2009 |
|---|---|---|
| | £'000 | £'000 |
| **Due within one year** | | |
| Amounts owed by fellow subsidiary undertakings | 9,612 | 7,897 |
| Trade debtors | 556 | 456 |
| Other debtors | 831 | 879 |
| Corporation tax recoverable | 56 | 500 |
| Deferred tax (note 15) | 613 | 676 |
| Prepayments | 1,674 | 1,158 |
| Accrued income | 11 | - |
| Accrued interest | 7 | 20 |
| | 13,360 | 11,586 |

| | 2010 | restated 2009 |
|---|---|---|
| | £'000 | £'000 |
| **Due after one year** | | |
| Other debtors | 2,881 | 2,881 |
| | 2,881 | 2,881 |

Other debtors relates to a rental deposit paid on the premises at 90 Fenchurch Street, London where a lease commenced on 10 March 2008 At 31 December 2010, this deposit is considered repayable after one year and is shown as such in other debtors "due after one year" The prior year comparative for the rental deposit has also been reclassified as a debtor "due after one year", as it had previously been classified as "due within one year"

## 15 Deferred taxation

The amounts of deferred taxation provided in the accounts are as follows

| | 2010 | 2009 |
|---|---|---|
| | £'000 | £'000 |
| **Assets** | | |
| Depreciation in excess of capital allowances | 411 | 418 |
| Retirement benefit obligations | 8,655 | 10,300 |
| Other | 202 | 258 |
| Total | 9,268 | 10,976 |
| | | |
| Asset at start of year | 10,976 | 7,266 |
| Current period charge | (1,037) | (539) |
| Adjustment in respect of prior years | (58) | (3) |
| (Charge) / credit to statement of total recognised gains and losses | (613) | 4,252 |
| Asset at end of year | 9,268 | 10,976 |

The following is the analysis of the deferred tax balances for financial reporting purposes

| | 2010 | 2009 |
|---|---|---|
| | £'000 | £'000 |
| Deferred tax assets within debtors (note 14) | 613 | 676 |
| Deferred tax assets within provision for pension liabilities (note 23) | 8,655 | 10,300 |
| | 9,268 | 10,976 |

## 16 Credıtors

| | 2010 | 2009 |
|---|---|---|
| | £ 000 | £ 000 |
| **Amounts fallıng due wıthın one year** | | |
| Trade credıtors | 61 | 373 |
| Amounts owed to parent undertakıng | 2 567 | 6,730 |
| Amounts owed to fellow subsıdıary undertakıngs | 7 565 | 7 197 |
| Amounts due under finance leases and hıre purchase agreements | 436 | 414 |
| PAYE and socıal securıty | 879 | 827 |
| Other credıtors | 143 | 216 |
| Accruals | 10,477 | 5 703 |
| | 22,128 | 21 460 |

**Amounts fallıng due after more than one year**

| | 2010 | 2009 |
|---|---|---|
| | £'000 | £ 000 |
| Amounts due under finance leases and hıre purchase agreements | 768 | 1 199 |
| Bank loan | 1,017 | 1 366 |
| Accruals | 96 | 2 987 |
| | 1 881 | 5 552 |

The company has an outstandıng balance of £1,017,000 (2009 - £1 366,000) on an unsecured loan wıth HSBC plc Thıs loan was arranged ın November 2008 and ıs due to be repaıd November 2013 Interest ıs charged at 2 5% above the Bank of England base rate The company has accrued £3 252 000 (2009 £2 987 000) ın respect of rent payable for the London premıses Of thıs amount £96 000 ıs payable after more than one year

## 17 Provısıon for lıabılıtıes and charges

| | Balance at 1 January 2010 | Profıt and loss account charge | Amounts paıd | Balance at 31 December 2010 |
|---|---|---|---|---|
| | £ 000 | £ 000 | £'000 | £'000 |
| Onerous lease provısıon | 1 054 | 52 | - | 1 106 |

The onerous lease provısıon relates to vacant office space ın the company's premıses at 90 Fenchurch Street, London The level of provısıon takes ınto account the potentıal future losses on space currently leased to thırd party tenants

## 18 Called up share capıtal

| | 2010 | 2009 |
|---|---|---|
| | £'000 | £'000 |
| **Called up, allotted and fully paıd** | | |
| Equıty ınterests 500 000 ordınary shares of £1 | 500 | 500 |

The company ıs ıncorporated ın Great Brıtaın wıth lımıted lıabılıty and regıstered ın England and Wales

## 19 Employee Share Ownership Plans (ESOP)

The Thomas Miller Employee Ownership Plans were established to acquire shares in order to make them available to employees under profit sharing schemes share option schemes an employee share ownership plan and other schemes as they become available The details of the various schemes are disclosed below in note 22 Thomas Miller & Co Limited is the principal employer of the beneficiaries of the schemes

### Unvested shares held in Trust

In addition to the above the trusts hold shares which are not specifically vested in employees

| | Number of shares 2010 | Market value 2010 | Average cost 2010 | Number of shares 2009 | Market value 2009 | Average cost 2009 |
|---|---|---|---|---|---|---|
| | | £ 000 | £ 000 | | £'000 | £ 000 |
| Thomas Miller Employee Benefit Trust | 122,973 | 504 | 550 | 197,804 | 742 | 880 |
| Thomas Miller Employee Share Trust No 1 | 334 861 | 1 373 | 1,065 | 949,848 | 3,562 | 3 017 |
| Total | 457,834 | 1 877 | 1,615 | 1,147,652 | 4,304 | 3 897 |

Loans have been made by Thomas Miller & Co Limited to Appleby Trust (Bermuda) Ltd and Capita Trustees Limited to purchase these shares The Trustees of the Thomas Miller Employee Benefit Trusts ("EBT") waived their rights to dividends payable after 20 January 2005

## 20 Parent company shares held by ESOP Trusts

| | Parent company shares 2010 | Parent company shares 2009 |
|---|---|---|
| | £ 000 | £ 000 |
| Balance at the beginning of the year | 3,897 | 5,786 |
| Net (sale) / acquisition of parent company shares by the EBT | (315) | (364) |
| Proceeds from disposal of parent company shares on exercise of options | (663) | (139) |
| Net profit / (loss) on EBT shares awarded to employees | 208 | (650) |
| Value of shares awarded to employees | (1 512) | (736) |
| Balance at the end of the year | 1 615 | 3 897 |

The shares held by the EBT are to be used to settle share awards under the various share schemes operated by the group The remaining shares are intended to be used to satisfy share options to distribute as bonuses and to distribute to employees on reaching three years continuous service with the group As at 31 December 2010 the cost of the shares held by the EBT exceed the anticipated proceeds from the exercise of outstanding options and other share awards by £99 000 (2009 - £216,000)

At 31 December 2010 the EBT had cash at bank amounting to £12,000 (2009 - £12 000) which is included within cash at bank and in hand in these financial statements These funds are only available to purchase shares in the company from shareholders in the internal market or to provide share based benefits to employees

### Parent company shares

2 288 parent company shares were purchased by the EBT's during the year

The prices of £3 95 and £4 10 were determined by the parent company's valuer Deloitte LLP for a single share in accordance with the company's bye-laws

**21 Leases**

**Operating leases**

Annual commitments payable under non-cancellable operating leases are as follows

| | Land and buildings 2010 | Land and buildings 2009 |
|---|---|---|
| | £ 000 | £'000 |
| Leases which expire | | |
| Within one year | 7 | 29 |
| Between two and five years | 39 | - |
| After five years | 3 156 | 1 392 |
| | 3 202 | 1 421 |

**Finance leases and hire purchase agreements**

| | Finance leases 2010 | Finance leases 2009 |
|---|---|---|
| | £'000 | £'000 |
| Capital payments due | | |
| Within one year | 436 | 414 |
| Between two and five years | 768 | 1 199 |
| | 1,204 | 1 613 |

**22 Share-based payments**

**Employee share option schemes and other share-based plans**

**Share option schemes**

(i) The Thomas Miller Executive Share Option Scheme

The group awards share options to certain employees under the Thomas Miller Executive Share Option Scheme enabling them to acquire ordinary shares in Thomas Miller Holdings Ltd at their market value at the date of grant Options are generally exercisable three years after the date of grant and up to ten years less one day from the date of grant Options are forfeited when an employee leaves the group unless by reason of retirement or redundancy, in which case the employee has up to six months to exercise the option

(ii) The Thomas Miller UK Savings Related Share Option Scheme

The group operates a savings related option scheme under which employees save a fixed amount per month over either a three year or five year period under a Save As You Earn contract operated by a third party administrator On completion of the savings contract employees have the choice, within six months of the vesting date of either exercising their option or taking the amount saved in cash The options automatically lapse six months after vesting This scheme is a scheme approved by the UK tax authorities

**22 Share-based payments (continued)**

Details of the share options outstanding during the year are as follows

| | Executive Share Option | | Savings Related Share | | Total | |
|---|---|---|---|---|---|---|
| | Number of options | Weighted average exercise price (in £) | Number of options | Weighted average exercise price (in £) | Number of options | Weighted average exercise price (in £) |
| Year ended 31 December 2010 | | | | | | |
| Outstanding at beginning of period | 1 251 884 | 3 30 | 351 686 | 2 85 | 1,603 570 | 3 26 |
| Granted during the period | 114 700 | 2 50 | - | - | 114,700 | 2 50 |
| Forfeited during the period | (69 384) | 3 15 | (30 189) | 3 18 | (99,573) | 3 16 |
| Exercised during the period | (137 616) | 2 87 | (44 389) | 3 46 | (182,005) | 3 01 |
| Outstanding at the end of the period | 1 159 584 | 3 28 | 277 108 | 2 72 | 1,436 692 | 3 26 |
| Exercisable at the end of the period | 445,616 | 3 44 | - | - | 445,616 | 3 44 |
| Year ended 31 December 2009 | | | | | | |
| Outstanding at beginning of period | 1 225,270 | 3 22 | 165 413 | 3 90 | 1,390,683 | 3 20 |
| Granted during the period | 206 460 | 2 89 | 267,227 | 2 50 | 473 687 | 2 67 |
| Forfeited during the period | (64 326) | 3 42 | (80 954) | 3 83 | (145 280) | 3 65 |
| Exercised during the period | (115 520) | 1 65 | - | - | (115,520) | 1 65 |
| Outstanding at the end of the period | 1 251 884 | 3 30 | 351 686 | 2 85 | 1,603 570 | 3 26 |
| Exercisable at the end of the period | 618,761 | 3 34 | - | - | 618 761 | 3 34 |

The weighted average share price for share options exercised during the period was £3 80 The options outstanding at 31 December 2010 had a weighted average exercise price of £3 31 and a weighted average remaining contractual life of 2 90 years The options granted during the period were actually granted during 2009 but the register was updated in 2010 The aggregate of the estimated fair value of the options granted on that date is £32 325 In 2009, options were also granted on 1 February 2009, 18 February 2009 and 1 July 2009 The aggregate of the estimated fair values of the options granted on these dates is £149,000

The inputs into the Black-Scholes option pricing model are as follows

| | 2010 | 2009 |
|---|---|---|
| Weighted average share price | £2 50 | £2 67 |
| Weighted average exercise price | £2 50 | £2 67 |
| Expected volatility | 30% | 30% |
| Expected life (years) | 3 50 | 4 25 |
| Risk-free rate | 3 99% | 3 83% |
| Expected dividends | 23 00p | 24 56p |
| Dividend yield | 9 20% | 9 20% |

Due to the short history of the parent company the expected volatility has been estimated by calculating the historical volatility of the share price of a quoted company with a very similar business to the company

**22 Share-based payments (continued)**

The company recognised total expenses in respect of share based payments as follows

| | 2010 | 2009 |
|---|---|---|
| | £'000 | £'000 |
| Share option schemes | 86 | 156 |
| Shares awarded under bonus schemes (including LTSAP) | 1,115 | 488 |
| Cash settled share option schemes | 87 | 34 |
| Charges in respect of service award scheme | 80 | 90 |
| | 1 368 | 768 |

All share-based payment expenses are cash settled

**Other share based plans**

(i) The Thomas Miller Share Incentive Plan (Free shares)

The scheme trustees are Capita IRG Trustees Ltd Employees subject to UK income tax are eligible to participate in this plan The plan has tax advantages for employees who choose to hold shares in the parent company All the shares held by this trust are held on behalf of named employees

ii) The Thomas Miller Bonus Share Schemes

The company makes annual bonus payments to staff as part of their remuneration Certain staff have the option to enhance their bonus by electing to take part of the bonus in restricted shares in the parent company other more senior staff are required to take a proportion of their bonus in shares The shares cannot be sold for at least three years No awards have been made under this scheme since 2007

iii) The Thomas Miller Long Term Share Acquisition Plan ("LTSAP )

The company operates an additional bonus scheme for senior staff which is dependent on meeting pre-determined financial targets for profitability and Total Shareholder Return Any shares in the parent awarded to employees under this scheme cannot be sold for a minimum of five years

**23 Retirement benefits and similar obligations**

**Description of the arrangement**

The company operates a defined benefits scheme, the Thomas Miller & Co Limited Retirement Benefits Scheme ("the Scheme") and an unfunded final salary pension scheme The Scheme has been set up under a trust that holds its financial assets separately from those of the company Valuations have been performed in accordance with the requirements of FRS 17 as at each reporting date

A full actuarial valuation for the Thomas Miller & Co Limited Retirement Benefits Scheme was performed at 1 July 2008 and was updated to 31 December 2010 by external actuaries It showed that on an FRS 17 basis the market value of the Scheme s assets was £94 630,000 and that the actuarial value of these assets represented 75 00% of the benefits that had accrued to members Future service accrual under the Scheme ceased with effect from 1 October 2004

The company assumed a liability to pay annuities to those former partners of Thos R Miller & Son who had retired prior to 1989 The total unfunded liability has been calculated according to standard actuarial methods using an assumption of future investment returns of 5 40% (2009 - 5 70%)

In July 2010, the government announced its intention that future statutory minimum pension indexation would be measured by the Consumer Prices Index, rather than the Retail Prices Index This has been reflected in the Company's assumptions and a gain of £1 644,000 has been recognised as a result included in the actuarial gains on assumptions in the figures below

**23 Retirement benefits and similar obligations (continued)**

**The amounts recognised in the balance sheet are as follows**

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Present value of funded obligations | 126 178 | 119,535 |
| Fair value of assets | (94,630) | (83 394) |
| | 31,548 | 36,141 |
| Present value of unfunded obligations | 1,904 | 2 041 |
| Deficit | 33,452 | 38 182 |
| Related deferred tax asset | (8,655) | (10 300) |
| Net liability | 24,797 | 27 882 |
| | | |
| Amounts in the balance sheet | | |
| Net liability | 24 797 | 27,882 |

**The amounts recognised in profit or loss are as follows**

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Interest on obligation | 6 824 | 6,030 |
| Expected return on assets | (5 611) | (4,514) |
| Total | 1 213 | 1,516 |
| | | |
| Actual return on scheme assets | 10 141 | 5,932 |

The Scheme is closed to new employees

**Changes in the present value of the defined benefit obligation are as follows**

| | 2010 £'000 | 2009 £ 000 |
|---|---|---|
| Opening defined benefit obligation | 121 575 | 102 019 |
| Interest cost | 6 824 | 6,030 |
| Actuarial losses | 3 461 | 16,604 |
| Benefits paid | (3,778) | (3 078) |
| Closing defined benefit obligation | 128 082 | 121,575 |

**Changes in the fair value of assets are as follows**

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Opening fair value of assets | 83,394 | 76,637 |
| Expected return | 5 611 | 4,514 |
| Actuarial gains | 4 530 | 1,418 |
| Contributions by employer | 4 873 | 3,903 |
| Benefits paid | (3 778) | (3,078) |
| Closing fair value of assets | 94,630 | 83 394 |

The Employer expects to contribute £4 78 million in 2011

**23 Retirement benefits and similar obligations (continued)**

**Major categories of scheme assets and their amounts are as follows**

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Equities | 37 066 | 32 085 |
| Bonds | 23 345 | 25 156 |
| Absolute return funds | 30,995 | 23 925 |
| Cash and other assets | 3 224 | 2 228 |
| | 94 630 | 83 394 |

**Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)**

| | 2010 £'000 | 2009 £'000 |
|---|---|---|
| Discount rate | 5 40% | 5 70% |
| Future inflation-linked pension increases | 3 40% | 3 50% |
| Salary inflation | 3 50% | 3 60% |
| Inflation measured by RPI | 3 50% | 3 60% |
| Inflation measured by CPI | 3 00% | - |
| Expected return on plan assets | 6 40% | 6 60% |

**Mortality**

| | 2010 | 2009 |
|---|---|---|
| | 00" tables<br>Medium Cohort<br>Minimum improvement<br>males 1 0% per annum<br>females 0 5% per annum | "00" tables<br>Medium Cohort<br>Minimum improvement<br>males 1 0% per annum<br>females 0 5% per annum |
| The assumed life expectations on retirement at age 65 | | |
| Retiring today | | |
| Males | 22 4 | 22 3 |
| Females | 24 3 | 24 2 |
| Retiring in 20 years | | |
| Males | 24 3 | 24 2 |
| Females | 25 5 | 25 4 |

**Sensitivity analysis of the principal assumptions used to measure scheme liabilities**

| Assumption | Change in assumption | Impact on scheme liabilities |
|---|---|---|
| Discount rate | Increase by 0 5% | Decrease by 9% |
| | Decrease by 0 5% | Increase by 10% |
| Rate of inflation | Increase by 0 5% | Increase by 6% |
| | Decrease by 0 5% | Decrease by 6% |
| Rate of mortality | Increase by 1 year | Increase by 3% |

The above sensitivities relate to the main retirement benefit scheme operated by the company, the Thomas Miller & Co Limited Retirement Benefits Scheme

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)**

**23 Retirement benefits and similar obligations (continued)**

**Amounts for the current and previous four periods are as follows**

| | 2010 £'000 | 2009 £'000 | 2008 £'000 | 2007 £'000 | 2006 £'000 |
|---|---|---|---|---|---|
| Defined benefit obligation | (128 082) | (121,575) | (102,019) | (100,779) | (110,684) |
| Scheme assets | 94 630 | 83,394 | 76,637 | 80,323 | 75 955 |
| Deficit | (33,452) | (38,181) | (25,382) | (20,456) | (34,729) |
| Experience adjustments on scheme liabilities | (468) | (611) | (144) | (5 029) | (1 844) |
| Experience adjustments on scheme assets | 4 530 | 1,418 | (9 442) | (2,474) | 1 409 |

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses since the adoption of FRS 17 was £21 1 million (2009 - £22 2 million)

**24 Related party transactions**

| | Income during 2010 £'000 | Debtor/ (creditor) at 2010 £'000 | Income during 2009 £'000 | Debtor/ (creditor) at 2009 £'000 |
|---|---|---|---|---|
| Recharge of expenses incurred on behalf of ShipServ Inc Thomas Miller Investments (Bermuda) Ltd a fellow subsidiary company, owns 6 45% of ShipServ Inc | 3 | 3 | - | - |
| Management and administration charge from Thomas Miller & Co Limited to Thomas Miller Claims Management Limited, a fellow subsidiary undertaking of which Thomas Miller Holdings Ltd owns 80% | 494 | (81) | 454 | (72) |

The company has taken advantage of the exemption available under FRS 8 "Related party disclosures" not to disclose transactions between entities of those whose voting rights are controlled 100% within the group There are no other transactions requiring disclosure

**25 Commitments**

At 31 December 2010, the company had entered into forward contracts to hedge anticipated currency receipts in a fellow subsidiary company The forward contracts are summarised below

| Exercise date | Currency sold | Amount | Currency bought | Contract rate |
|---|---|---|---|---|
| 30 June 2011 | USD | 3,000,000 | GBP | 1 5910 |
| 01 August 2011 | USD | 500,000 | GBP | 1 7077 |
| 01 August 2011 | USD | 500,000 | GBP | 1 4792 |

The fair value of the unrealised loss on open forward contracts at 31 December 2010 was £37,860 (2009 - £1,323)

**26 Parent undertaking**

The company is wholly owned by Thomas Miller Holdings Ltd , a company registered in Bermuda and the ultimate controlling company Thomas Miller Holdings Ltd is the parent undertaking of the largest and smallest group in which the company is consolidated Copies of the financial statements for Thomas Miller Holdings Ltd may be obtained from The Company Secretary, Thomas Miller Holdings Ltd , PO Box HM 665, Hamilton HMCX Bermuda