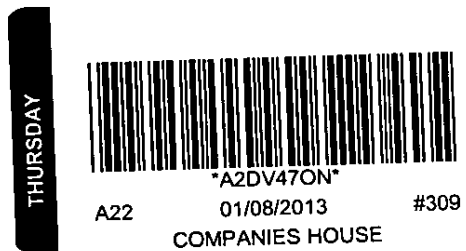


**THOMAS MILLER & CO LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2012**



**Registered number: 1898192**

---

**THOMAS MILLER & CO LIMITED**

**CONTENTS**

|  | <b>Page</b>    |
|--|----------------|
| Officers and professional advisers                 | <b>2</b>       |
| Directors' report                                  | <b>3 - 5</b>   |
| Directors' responsibilities statement              | <b>6</b>       |
| Independent auditor's report                       | <b>7</b>       |
| Profit and loss account                            | <b>8</b>       |
| Statement of total recognised gains and losses     | <b>8</b>       |
| Balance sheet                                      | <b>9</b>       |
| Reconciliation of movements in shareholder's funds | <b>10</b>      |
| Notes to the accounts                              | <b>11 - 26</b> |

**THOMAS MILLER & CO LIMITED**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

J E Anderson

T M Evans

G Fleming

R M Grainger

I R Jarrett

Resigned 4 September 2012

B M Kesterton

A Salim

K P Halpenny

Appointed 4 September 2012

**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**

### **DIRECTORS' REPORT**

#### **FOR THE YEAR ENDED 31 DECEMBER 2012**

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report, for the year ended 31 December 2012

#### **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 9.7% whilst administration expenses have increased by 3.5% from 2011 to 2012. In the majority of cases, costs are recharged to fellow subsidiary undertakings as part of the "Memorandum of Services" agreements with those subsidiary 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 increased from £27.3 million to £30.4 million. Normal contributions into the schemes were £5.0 million in total (2011 - £5.1 million). These contributions, in accordance with FRS 17, are not recognised as a cost within administrative expenses. The changes in the overall pension liability are the result of a reduction in the discount rate (see note 23) during the year, which increased the value of the pension obligations. The increase in the pension deficit was partially offset by asset returns that were greater than expected, as well as the contributions made by the company.

The balance sheet on page 9 shows the company's financial position at the year end. The increase in the Shareholder's deficit arises primarily due to the increase in the value of "Retirement benefits and similar obligations" as discussed above. Furthermore, the company made a loss of £0.17 million on the disposal of Thomas Miller Holdings Ltd shares held by ESOP trusts where deemed proceeds on shares utilised were less than the average cost of the shares disposed.

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

#### **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 £4,034,000 (2011 - £3,225,000).

No dividends were declared during the year (2011 - £nil).

The profit and loss account deficit as at 31 December 2012 was £26,763,000 (2011 - £24,740,000).

## **THOMAS MILLER & CO LIMITED**

### **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)**

### **3 Financial risk management including principal risks and uncertainties**

#### **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**

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 0.5% in the yield on AA rated corporate bonds increases the gross Defined Benefit pension scheme liability by approximately 10%. 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 £0.63m of loans and leases. The interest charged on these is on a variable rates basis.

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 manages its 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.

All of the company's income from services provided to fellow UK subsidiaries undertakings is in 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 that match the costs of these overseas companies.

#### **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. 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. The board was restructured on 31 December 2011 when a number of directors resigned in order to become members of the new Management Committee.

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

## **THOMAS MILLER & CO LIMITED**

### **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2012 (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. Employees 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 £109,000 (2011 - £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**

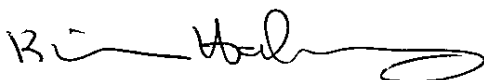
Each of the persons who is a director at the date of approval of this report confirms that

- (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 / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

A resolution to 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

28 March 2013

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,
- 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 2012 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 25. 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of 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  
28 March 2013



**THOMAS MILLER & CO LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012**

|   | Notes | 2012<br>£'000 | 2012<br>£'000 | 2011<br>£'000 | 2011<br>£'000 |
|---|-------|---------------|---------------|---------------|---------------|
| <b>Turnover</b>   | 1,2   |               | 71,870        |               | 65,486        |
| Other exceptional operating income arising from pension benefit curtailment | 23    |               | -             |               | 2,648         |
| Administrative expenses   |       |               | (65,097)      |               | (62,908)      |
| <b>Operating profit</b>   | 3     |               | 6,773         |               | 5,226         |
| (Loss) / profit on disposal of parent company shares                        | 20    |               | (166)         |               | 109           |
| Result / income from participating interests                                |       |               | -             |               | 13            |
| <b>Profit on ordinary activities before interest and taxation</b>           |       |               | 6,607         |               | 5,348         |
| Interest receivable and similar income                                      |       | 29            |               | 34            |               |
| Interest payable and similar charges  | 6     | (36)          |               | (59)          |               |
| Amounts written off investments   |       | (47)          |               | -             |               |
| Other finance costs   | 7     | (1,179)       |               | (662)         |               |
|   |       |               | (1,233)       |               | (687)         |
| <b>Profit on ordinary activities before taxation</b>                        |       |               | 5,374         |               | 4,661         |
| Tax on profit on ordinary activities  | 8     |               | (1,340)       |               | (1,436)       |
| <b>Profit on ordinary activities after taxation</b>                         |       |               | 4,034         |               | 3,225         |

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2012**

|   | 2012<br>£'000  | 2011<br>£'000  |
|---|----------------|----------------|
| Profit for the financial year   | 4,034          | 3,225          |
| Actuarial loss relating to the pension deficit for the year (note 23)         | (7,012)        | (9,547)        |
| Current tax credit attributable to the pension deficit (note 8)               | 934            | 1,356          |
| Deferred tax credit attributable to the actuarial loss on the pension deficit | 21             | 480            |
| <b>Total recognised losses for the period</b>                                 | <b>(2,023)</b> | <b>(4,486)</b> |

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

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### 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

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 "net current liabilities". This is largely due to a balance owed to the parent company. The parent company has provided the funds necessary to enable the company to provide loans to the Thomas Miller Employee Share Trust No 1 ("EBT no 1"). As indicated in notes 13, 19 and 20, during the year there has been a net acquisition of parent company shares held by EBT no 1. 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 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 dates 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 2012 (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 substantively 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. Current service costs 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 scheme's liabilities have been accounted for in accordance with FRS 17 and are unfunded.

##### **1.10 Turnover**

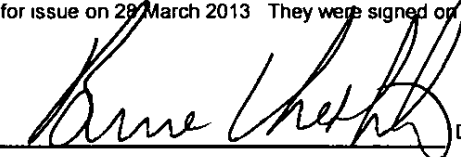
Turnover, which excludes value added tax, represents the value of service fees attributable to the accounting year.

**THOMAS MILLER & CO LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 2012**

|  | Notes | 2012<br>£'000 | 2012<br>£'000 | 2011<br>£'000 | 2011<br>£'000 |
|--|-------|---------------|---------------|---------------|---------------|
| <b>Fixed assets</b>  |       |               |               |               |               |
| Intangible assets  | 11    |               | 461           |               | 535           |
| Tangible assets  | 12    |               | 4,540         |               | 5,846         |
| Investments  | 13    |               | 3,587         |               | 4,302         |
|  |       |               | 8,588         |               | 10,683        |
| <b>Current assets</b>  |       |               |               |               |               |
| Debtors  |       |               |               |               |               |
| - due within one year  | 14    | 17,084        |               | 13,366        |               |
| - due after one year   | 14    | 2,881         |               | 2,881         |               |
| Cash at bank and in hand   |       | 5,131         |               | 5,376         |               |
|  |       | 25,096        |               | 21,623        |               |
| <b>Creditors</b> Amounts falling due within one year                 | 16    | (27,827)      |               | (26,468)      |               |
| <b>Net current liabilities</b>                                       |       |               | (2,731)       |               | (4,845)       |
| <b>Total assets less current liabilities</b>                         |       |               | 5,857         |               | 5,838         |
| <b>Creditors</b> Amounts falling due after more than one year        | 16    |               | -             |               | (1,271)       |
| <b>Provisions for liabilities</b>                                    | 17    |               | (1,697)       |               | (1,538)       |
| <b>Net assets before retirement benefits and similar obligations</b> |       |               | 4,160         |               | 3,029         |
| <b>Retirement benefits and similar obligations</b>                   | 23    |               | (30,423)      |               | (27,269)      |
| <b>Total net liabilities</b>   |       |               | (26,263)      |               | (24,240)      |
| <b>Capital and reserves</b>  |       |               |               |               |               |
| Called up share capital  | 18    |               | 500           |               | 500           |
| Profit and loss account  |       |               | (26,763)      |               | (24,740)      |
| <b>Shareholder's deficit</b>   |       |               | (26,263)      |               | (24,240)      |

The financial statements of Thomas Miller & Co Limited (registered number 1898192) were approved by the board of directors and authorised for issue on 28 March 2013. They were signed on its behalf by

 Director

B M KESTERTON

 Director

T M EVANS

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 2012**

|  | <b>Share capital</b> | <b>Profit and<br/>loss account</b> | <b>2012<br/>Total</b> | <b>2011<br/>Total</b> |
|--|----------------------|------------------------------------|-----------------------|-----------------------|
|  | <b>£'000</b>         | <b>£'000</b>                       | <b>£'000</b>          | <b>£'000</b>          |
| Profit for the financial year                                  | -                    | 4,034                              | 4,034                 | 3,225                 |
| Actuarial loss relating to the pension deficit net of taxation | -                    | (6,057)                            | (6,057)               | (7,711)               |
| Net reduction to shareholder's funds                           | -                    | (2,023)                            | (2,023)               | (4,486)               |
| Opening shareholder's funds / (deficit)                        | 500                  | (24,740)                           | (24,240)              | (19,754)              |
| Closing shareholder's funds / (deficit)                        | 500                  | (26,763)                           | (26,263)              | (24,240)              |

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 2012 (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 cash 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 cash being used to settle the employee tax liability). 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).

#### 1 13 The Thomas Miller Healthcare Trust

The Thomas Miller Healthcare Trust Scheme ("Scheme") was set up on 1 July 2010 to provide certain benefits relating to medical treatment for employees of Thomas Miller & Co ("TMC") and other persons who are eligible to participate in the Scheme. The benefits payable are the actual cost of the treatment up to the maximum (if any) specified in the trust deeds benefits table applicable at the time treatment was received (subject to any excess or benefit limitation which may be stipulated in the rules). The Scheme will pay benefits only for expenditure that a member has incurred during the scheme year for which contribution from TMC or another applicable employer has been made into the Scheme.

The fund amount cannot in any circumstances be transferred to any person or body who is or has at any time been an employer. The Scheme is accounted for in accordance with UITF Abstract 32 Employee Benefit Trusts and other intermediate payment arrangements.

## 2 Analysis of turnover

Turnover by geographical origin is shown below

|   | 2012<br>£'000 | 2011<br>£'000 |
|---|---------------|---------------|
| United Kingdom and Europe   | 71,870        | 65,486        |
| All turnover derives from the principal activities of the company |               |               |

## 3 Operating profit

|                                  | 2012<br>£'000 | 2011<br>£'000 |
|----------------------------------|---------------|---------------|
| This is stated after charging    |               |               |
| Depreciation                     |               |               |
| - owned assets                   | 1,074         | 1,097         |
| - leased / financed assets       | 418           | 460           |
| - leasehold improvements         | 63            | 64            |
| - amortisation of goodwill       | 74            | 73            |
| Exchange losses / (gains)        | 8             | (34)          |
| Loss on disposal of fixed assets | 1             | 30            |
| Rentals under operating leases   | 1,783         | 1,742         |

# **THOMAS MILLER & CO LIMITED**

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2012 (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

|   | <b>2012</b><br>£'000 | <b>2011</b><br>£'000 |
|---|----------------------|----------------------|
| <b>Fees payable to the company's auditor for the audit of the company's annual accounts</b>   | 61                   | 60                   |
| <b>Fees payable to the company's auditor and their associates for other services to the company and its fellow UK subsidiary undertakings</b> |                      |                      |
| - The audit of fellow subsidiaries pursuant to legislation  | 97                   | 63                   |
| <b>Total audit fees</b>   | <b>158</b>           | <b>123</b>           |
| - Tax services  | 68                   | 44                   |
| - Information technology services   | 2                    | 102                  |
| - Other services  | 28                   | -                    |
| <b>Total non-audit fees</b>   | <b>98</b>            | <b>146</b>           |

The company bore auditor's remuneration on behalf of a number of fellow UK subsidiaries of Thomas Miller Holdings Ltd in 2012 and 2011

### **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 £2,065,000 (2011 - £3,261,000) 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 £165,000 (2011 - £208,000).

The number of directors who

|   | <b>2012</b><br>Number | <b>2011</b><br>Number |
|---|-----------------------|-----------------------|
| Are members of defined benefit schemes  | 5                     | 9                     |
| Are members of defined contribution schemes                                     | 6                     | 10                    |
| Exercised options over shares in the parent company, Thomas Miller Holdings Ltd | 6                     | 4                     |
| Had awards receivable in the form of shares under a long term incentive scheme  | 7                     | 11                    |

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

The average number of persons employed by the company during the year was 381 (2011 - 385)

| <b>Geographical area</b> | <b>2012</b><br>Number | <b>2011</b><br>Number |
|--------------------------|-----------------------|-----------------------|
| Europe                   | 374                   | 377                   |
| Asia                     | 7                     | 8                     |
|                          | <b>381</b>            | <b>385</b>            |

# **THOMAS MILLER & CO LIMITED**

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)**

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

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

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| Wages and salaries (including bonuses)             | 29,998        | 29,591        |
| Redundancy costs                                   | 801           | (113)         |
| Social security costs                              | 3,563         | 3,466         |
| Other pension costs - defined contribution schemes | 3,855         | 3,620         |
|  | <u>38,217</u> | <u>36,564</u> |

Other pension costs include only those items included within operating costs. Items reported elsewhere have been excluded. Redundancy costs in 2011 show the release of a provision made by the company in 2010. The actual redundancy costs were however, paid out of another group entity.

### **6 Interest payable and similar charges**

|                            | 2012<br>£'000 | 2011<br>£'000 |
|----------------------------|---------------|---------------|
| Bank interest              | 4             | 4             |
| Interest on finance leases | 26            | 51            |
| Other interest             | 6             | 4             |
|                            | <u>36</u>     | <u>59</u>     |

### **7 Other finance costs**

|   | 2012<br>£'000 | 2011<br>£'000 |
|---|---------------|---------------|
| Net finance costs on retirement benefit schemes (note 23) | <u>1,179</u>  | <u>662</u>    |

### **8 Tax on profit on ordinary activities**

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

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| Current tax  |               |               |
| Current tax charge for the year                          | 1,214         | 970           |
| Adjustments in respect of prior years                    | (45)          | 98            |
|  | <u>1,169</u>  | <u>1,068</u>  |
| Overseas tax suffered                                    | 2             | 1             |
|  | <u>1,171</u>  | <u>1,069</u>  |
| Deferred taxation - current year                         | 179           | 418           |
| Deferred taxation - effect of change in tax rate in year | 26            | 43            |
| Deferred taxation - prior year                           | (36)          | (94)          |
| Tax on profit on ordinary activities                     | <u>1,340</u>  | <u>1,436</u>  |

The company recognised a current tax credit in the Statement of Recognised Gains and Losses of £934,000 attributable to the pension deficit.

Under the Finance Act 2012, the rate of corporation tax was reduced from 26% to 24% from 1 April 2012. A further reduction to 23% from 1 April 2013 was also included in the Act and has been taken into account in calculating the deferred tax assets as at 31 December 2012.



**THOMAS MILLER & CO LIMITED**

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)**

**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 24.5% (2011 - 26.5%) The current year tax charge for the year is different to the standard rate for the reasons set out in the following reconciliation

|   | <b>2012</b><br><b>£'000</b> | <b>2011</b><br><b>£'000</b> |
|---|-----------------------------|-----------------------------|
| Profit on ordinary activities before tax  | <u>5,374</u>                | <u>4,661</u>                |
| Profit on ordinary activities before tax multiplied by the standard rate of corporation tax | 1,317                       | 1,235                       |
| Expenses not deductible for tax purposes  | 76                          | 154                         |
| Depreciation in excess of capital allowances  | 46                          | 39                          |
| Other short term timing differences   | (225)                       | 69                          |
| Overseas tax suffered   | 2                           | -                           |
| Short term timing differences in respect of pension deficit                                 | -                           | (526)                       |
| Adjustments in respect of prior years   | <u>(45)</u>                 | <u>98</u>                   |
| Current tax charge for the year   | <u>1,171</u>                | <u>1,069</u>                |

**10 Dividends**

No interim or final dividend has been proposed by the directors (2011 - £nil)

**11 Intangible fixed assets**

|                                 | <b>Goodwill</b><br><b>£'000</b> |
|---------------------------------|---------------------------------|
| <b>Cost</b>                     |                                 |
| At 1 January 2012               | 759                             |
| Additions                       | -                               |
| At 31 December 2012             | <u>759</u>                      |
| <b>Accumulated depreciation</b> |                                 |
| At 1 January 2012               | 224                             |
| Provided in the year            | <u>74</u>                       |
| At 31 December 2012             | <u>298</u>                      |
| <b>Net book value</b>           |                                 |
| At 31 December 2012             | <u>461</u>                      |
| At 31 December 2011             | <u>535</u>                      |

**THOMAS MILLER & CO LIMITED**

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)**

**12 Tangible fixed assets**

|                                 | Leasehold<br>improve-<br>ments | Office<br>machinery<br>fixtures &<br>fittings | Office<br>machinery<br>fixtures &<br>fittings | Motor<br>vehicles | Total  |
|---------------------------------|--------------------------------|---|---|-------------------|--------|
|                                 | £'000                          | Leased<br>£'000                               | Owned<br>£'000                                | Owned<br>£'000    | £'000  |
| <b>Cost</b>                     |                                |   |   |                   |        |
| At 1 January 2012               | 957                            | 5,486   | 9,054   | 8                 | 15,505 |
| Additions                       | -                              | -   | 268   | -                 | 268    |
| Disposals                       | -                              | (53)  | (903)   | (8)               | (964)  |
| At 31 December 2012             | 957                            | 5,433   | 8,419   | -                 | 14,809 |
| <b>Accumulated depreciation</b> |                                |   |   |                   |        |
| At 1 January 2012               | 197                            | 4,781   | 4,673   | 8                 | 9,659  |
| Provided in the year            | 63                             | 418   | 1,074   | -                 | 1,555  |
| Disposals                       | -                              | (40)  | (897)   | (8)               | (945)  |
| At 31 December 2012             | 260                            | 5,159   | 4,850   | -                 | 10,269 |
| <b>Net book value</b>           |                                |   |   |                   |        |
| At 31 December 2012             | 697                            | 274   | 3,569   | -                 | 4,540  |
| At 31 December 2011             | 760                            | 705   | 4,381   | -                 | 5,846  |

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

**13 Investments held as fixed assets**

|  | Shares in<br>associates | Investment in<br>parent<br>company<br>shares | Total   |
|--|-------------------------|--|---------|
|  | £'000                   | £'000  | £'000   |
| At 1 January 2012  | 46                      | 4,256  | 4,302   |
| Net acquisition of parent company shares by EBT no 1   | -                       | 2,149  | 2,149   |
| Cost of shares transferred to employees under the various<br>share schemes operated within the group | -                       | (2,818)                                      | (2,818) |
| Provision against investment   | (46)                    | -  | (46)    |
| At 31 December 2012  | -                       | 3,587  | 3,587   |

The company held 50% of the ordinary share capital of China Manne Services Co Ltd, a manne services company incorporated in Beijing, People's Republic of China. During the year the company has fully provided against its investment in China Manne Services Co Ltd.

Investment in parent company shares represents 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.

**THOMAS MILLER & CO LIMITED**

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)**

**14 Debtors**

|  | <b>2012</b>   | <b>2011</b>   |
|--|---------------|---------------|
|  | <b>£'000</b>  | <b>£'000</b>  |
| <b>Due within one year</b>                     |               |               |
| Amounts owed by fellow subsidiary undertakings | 13,148        | 10,221        |
| Trade debtors                                  | 338           | 282           |
| Other debtors                                  | 1,028         | 1,038         |
| Corporation tax recoverable                    | 438           | 42            |
| Deferred tax (note 15)                         | 563           | 757           |
| Prepayments                                    | 1,529         | 995           |
| Accrued income                                 | 31            | 25            |
| Accrued interest                               | 9             | 6             |
|  | <b>17,084</b> | <b>13,366</b> |
| <b>Due after one year</b>                      |               |               |
| Other debtors                                  | <b>2,881</b>  | <b>2,881</b>  |

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 2011, this deposit is considered repayable after one year and is shown as such in other debtors "due after one year"

**15 Deferred taxation**

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

|  | <b>2012</b>  | <b>2011</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| <b>Assets</b>  |              |              |
| Depreciation in excess of capital allowances             | 379          | 400          |
| Retirement benefit obligations                           | 8,670        | 8,624        |
| Other  | 184          | 357          |
| Total  | <b>9,233</b> | <b>9,381</b> |
| Asset at start of year                                   | 9,381        | 9,268        |
| Current period charge                                    | (205)        | (461)        |
| Adjustment in respect of prior years                     | 36           | 94           |
| Credit to statement of total recognised gains and losses | 21           | 480          |
| Asset at end of year                                     | <b>9,233</b> | <b>9,381</b> |

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

|  | <b>2012</b>  | <b>2011</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| Deferred tax assets within debtors (note 14)                           | 563          | 757          |
| Deferred tax assets within provision for pension liabilities (note 23) | 8,670        | 8,624        |
|  | <b>9,233</b> | <b>9,381</b> |

# **THOMAS MILLER & CO LIMITED**

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)**

### **16 Creditors**

|   | 2012<br>£'000 | 2011<br>£'000 |
|---|---------------|---------------|
| <b>Amounts falling due within one year</b>                    |               |               |
| Trade creditors   | 205           | 399           |
| Amounts owed to parent undertaking                            | 6,423         | 6,882         |
| Amounts owed to fellow subsidiary undertakings                | 11,769        | 9,248         |
| Amounts due under finance leases and hire purchase agreements | 307           | 459           |
| PAYE and social security                                      | 960           | 890           |
| Bank loan   | 320           | -             |
| Other creditors   | 1,075         | 382           |
| Accruals  | 6,768         | 8,208         |
|   | <u>27,827</u> | <u>26,468</u> |

### **Amounts falling due after more than one year**

|   | 2012<br>£'000 | 2011<br>£'000 |
|---|---------------|---------------|
| Amounts due under finance leases and hire purchase agreements | -             | 312           |
| Bank loan   | -             | 668           |
| Accruals  | -             | 291           |
|   | <u>-</u>      | <u>1,271</u>  |

The company has an outstanding balance of £320,000 (2011 - £668,000) on an unsecured loan with HSBC plc. This loan was arranged in November 2008 and is due to be repaid November 2013. Interest is charged at 2.5% above the Bank of England base rate.

### **17 Provision for liabilities and charges**

|                         | Balance at<br>1 January<br>2012<br>£'000 | Profit<br>and loss<br>account<br>charge<br>£'000 | Amounts<br>paid<br>£'000 | Balance at<br>31 December<br>2012<br>£'000 |
|-------------------------|--|--|--------------------------|--|
| Dilapidations provision | 386                                      | 113  | -                        | 499  |
| Onerous lease provision | 1,152                                    | 46   | -                        | 1,198                                      |
|                         | <u>1,538</u>                             | <u>159</u>                                       | <u>-</u>                 | <u>1,697</u>                               |

The dilapidations provision relates to the potential cost of complying with obligations contained within the lease of the company's premises at 90 Fenchurch Street. These obligations relate to reinstatement, repair, redecoration and other statutory covenants. The onerous lease provision relates to the space sublet within 90 Fenchurch Street where the returns are less than the costs being incurred for that space.

### **18 Called up share capital**

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| <b>Called up, allotted and fully paid</b>        |               |               |
| Equity interests - 500,000 ordinary shares of £1 | <u>500</u>    | <u>500</u>    |

The company is incorporated in Great Britain with limited liability and registered in England and Wales.

# **THOMAS MILLER & CO LIMITED**

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)**

### **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<br>shares<br>2012 | Market<br>value<br>2012<br>£'000 | Average cost<br>2012<br>£'000 | Number of<br>shares<br>2011 | Market<br>value<br>2011<br>£'000 | Average cost<br>2011<br>£'000 |
|---|-----------------------------|----------------------------------|-------------------------------|-----------------------------|----------------------------------|-------------------------------|
| Thomas Miller Employee Benefit Trust    | -                           | -                                | -                             | 14,555                      | 65                               | 65                            |
| Thomas Miller Employee Share Trust No 1 | 815,253                     | 4,076                            | 3,587                         | 976,174                     | 4,393                            | 4,191                         |
| Total                                   | 815,253                     | 4,076                            | 3,587                         | 990,729                     | 4,458                            | 4,256                         |

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<br>company<br>shares<br>2012<br>£'000 | Parent<br>company<br>shares<br>2011<br>£'000 |
|---|--|--|
| Balance at the beginning of the year                    | 4,256  | 1,615  |
| Proceeds received on exercise of options by employees   | (550)  | (556)  |
| Loss on ESOP shares acquired by employees               | (263)  | (63)   |
| Purchase of shares in the market                        | 2,429  | 4,892  |
| Proceeds on sale of shares in the market                | (213)  | (236)  |
| Value of shares awarded to employees under share awards | (2,102)                                      | (1,593)                                      |
| Profit on shares awarded to employees                   | 97   | 173  |
| Other (disposals)/additions                             | (67)   | 24   |
| Balance at the end of the year                          | 3,587  | 4,256  |

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 2012, the cost of the shares held by the EBT exceed the anticipated proceeds from the exercise of outstanding options and other share awards by £208,000 (2011 - £1,113,000).

At 31 December 2012 the EBT had cash at bank amounting to £12,000 (2011 - £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**

539,678 parent company shares were purchased by Thomas Miller Employee Share Trust No 1 during the year.

| Number of shares purchased              | Price per share | Cost<br>£'000 |
|---|-----------------|---------------|
| 539,678 shares purchased in August 2012 | £4.50           | 2,429         |

The prices of £4.50 were determined by the parent company's valuer, Deloitte LLP, for a single share in accordance with the company's bye-laws.

**THOMAS MILLER & CO LIMITED**

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)**

**21 Leases**

**Operating leases**

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

|                            | <b>Motor<br/>vehicles<br/>2012<br/>£'000</b> | <b>Land and<br/>buildings<br/>2012<br/>£'000</b> | <b>Motor<br/>vehicles<br/>2011<br/>£'000</b> | <b>Land and<br/>buildings<br/>2011<br/>£'000</b> |
|----------------------------|--|--|--|--|
| Leases which expire        |  |  |  |  |
| Within one year            | -  | 41   | -  | 9  |
| Between two and five years | 15   | -  | -  | 41   |
| After five years           | -  | 3,156  | -  | 3,156  |
|                            | <b>15</b>                                    | <b>3,197</b>                                     | <b>-</b>                                     | <b>3,206</b>                                     |

**Finance leases and hire purchase agreements**

|                            | <b>Finance<br/>leases<br/>2012<br/>£'000</b> | <b>Finance<br/>leases<br/>2011<br/>£'000</b> |
|----------------------------|--|--|
| Capital payments due       |  |  |
| Within one year            | 307  | 459  |
| Between two and five years | -  | 312  |
|                            | <b>307</b>                                   | <b>771</b>                                   |

**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.

**THOMAS MILLER & CO LIMITED**

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)**

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

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

|                                      | <b>The Thomas Miller<br/>Executive Share Option<br/>Scheme</b> |   | <b>The Thomas Miller UK<br/>Savings Related Share<br/>Option Scheme</b> |   | <b>Total</b>         |   |
|--------------------------------------|--|---|---|---|----------------------|---|
|                                      | Number of<br>options   | Weighted<br>average<br>exercise price<br>(in £) | Number of<br>options  | Weighted<br>average<br>exercise price<br>(in £) | Number of<br>options | Weighted<br>average<br>exercise price<br>(in £) |
| <b>Year ended 31 December 2012</b>   |  |   |   |   |                      |   |
| Outstanding at beginning of period   | 618,068  | 3 30  | 301,027   | 2 89  | 919,095              | 3 17  |
| Granted during the period            | 81,500   | 4 47  | 49,523  | 4 50  | 131,023              | 4 48  |
| Forfeited during the period          | (62,124)   | 4 21  | (4,055)   | 4 26  | (66,179)             | 4 21  |
| Exercised during the period          | (209,776)  | 2 98  | (70,865)  | 2 50  | (280,641)            | 2 86  |
| Outstanding at the end of the period | 427,668  | 3 54  | 275,630   | 3 27  | 703,298              | 3 44  |
| Exercisable at the end of the period | 271,009  | 3 63  | -   | -   | 271,009              | 3 63  |
| <b>Year ended 31 December 2011</b>   |  |   |   |   |                      |   |
| Outstanding at beginning of period   | 1,159,584  | 3 28  | 277,108   | 2 72  | 1,436,692            | 3 26  |
| Granted during the period            | -  | -   | 60,866  | 4 10  | 60,866               | 4 10  |
| Forfeited during the period          | (20,987)   | 4 20  | (26,666)  | 3 86  | (47,653)             | 4 01  |
| Exercised during the period          | (520,529)  | 3 62  | (10,281)  | 3 77  | (530,810)            | 3 62  |
| Outstanding at the end of the period | 618,068  | 3 30  | 301,027   | 2 89  | 919,095              | 3 17  |
| Exercisable at the end of the period | 324,258  | 3 66  | -   | -   | 324,258              | 3 66  |

The weighted average share price for share options exercised during the period was £4 54. The options outstanding at 31 December 2012 had a weighted average exercise price of £3 44, and a weighted average remaining contractual life of 3 08 years. The aggregate of the estimated fair value of the options granted on 5 March 2012 and 1 April 2012 is £76,957 (2011 - £32,523).

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

|                                 | <b>2012</b> | <b>2011</b> |
|---------------------------------|-------------|-------------|
| Weighted average share price    | £4 48       | £4 10       |
| Weighted average exercise price | £4 48       | £4 10       |
| Expected volatility             | 30%         | 30%         |
| Expected life (years)           | 3 90        | 5 08        |
| Risk-free rate                  | 1 84%       | 4 46%       |
| Expected dividends              | 28 38p      | 30 75p      |
| Dividend yield                  | 6 33%       | 7 50%       |

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.

## THOMAS MILLER & CO LIMITED

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

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

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

|  | 2012<br>£'000 | 2011<br>£'000 |
|--|---------------|---------------|
| Share option schemes                                 | 26            | (44)          |
| Shares awarded under bonus schemes (including LTSAP) | 1,424         | 752           |
| Cash settled share option schemes                    | 182           | 270           |
| Charges in respect of service award scheme           | 34            | 61            |
|  | <u>1,666</u>  | <u>1,039</u>  |

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 "Retirement benefits" as at each reporting date.

A full actuarial valuation for the Scheme was performed at 1 July 2011 and was updated to 31 December 2012 by external actuaries. It showed that, on an FRS 17 "Retirement benefits" basis, the market value of the Scheme's assets was £112,274,000 and that the actuarial value of these assets represented 75.13% 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 4.50% (2011 4.80%).

After consultation with the Scheme members, the trustees announced that with effect from 30 June 2011 the salary linkage was being removed for active members of the scheme at 30 September 2004 who remained employees of the company as at 30 June 2011. This change was reflected in the company's assumptions and a gain of £2,648,000 was recognised in the profit and loss account in 2011.



**THOMAS MILLER & CO LIMITED**

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)**

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

The amounts recognised in the balance sheet are as follows

|   | 2012<br>£'000    | 2011<br>£'000    |
|---|------------------|------------------|
| Present value of funded obligations         | 149,430          | 137,059          |
| Fair value of assets                        | <u>(112,274)</u> | <u>(103,207)</u> |
|   | 37,156           | 33,852           |
| Present value of unfunded obligations       | <u>1,937</u>     | <u>2,041</u>     |
| Deficit                                     | 39,093           | 35,893           |
| Related deferred tax asset                  | <u>(8,670)</u>   | <u>(8,624)</u>   |
| Net liability                               | <u>30,423</u>    | <u>27,269</u>    |
| Amounts in the balance sheet                |                  |                  |
| Retirement benefits and similar obligations | <u>30,423</u>    | <u>27,269</u>    |

The amounts recognised in profit or loss are as follows

|   | 2012<br>£'000  | 2011<br>£'000  |
|---|----------------|----------------|
| Gain arising on removal of salary linkage with effect from 30 June 2011 | -              | (2,648)        |
| Interest on obligation  | 6,562          | 6,745          |
| Expected return on assets   | <u>(5,383)</u> | <u>(6,083)</u> |
| Total   | <u>1,179</u>   | <u>(1,986)</u> |
| Actual return on scheme assets  | <u>8,322</u>   | <u>7,746</u>   |
| The Scheme is closed to new employees                                   |                |                |

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

|                                    | 2012<br>£'000  | 2011<br>£'000  |
|------------------------------------|----------------|----------------|
| Opening defined benefit obligation | 139,100        | 128,082        |
| Interest cost                      | 6,562          | 6,745          |
| Actuarial losses                   | 9,951          | 11,210         |
| Gain on curtailment                | -              | (2,648)        |
| Benefits paid                      | <u>(4,245)</u> | <u>(4,289)</u> |
| Closing defined benefit obligation | <u>151,368</u> | <u>139,100</u> |

Changes in the fair value of assets are as follows

|                              | 2012<br>£'000  | 2011<br>£'000  |
|------------------------------|----------------|----------------|
| Opening fair value of assets | 103,207        | 94,630         |
| Expected return              | 5,383          | 6,083          |
| Actuarial gains              | 2,939          | 1,663          |
| Contributions by employer    | 4,990          | 5,120          |
| Benefits paid                | <u>(4,245)</u> | <u>(4,289)</u> |
| Closing fair value of assets | <u>112,274</u> | <u>103,207</u> |

The Employer (Thomas Miller & Co Limited) expects to contribute £4.7 million in 2013

**THOMAS MILLER & CO LIMITED**

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)**

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

Major categories of scheme assets and their amounts are as follows

|                       | 2012<br>£'000  | 2011<br>£'000  |
|-----------------------|----------------|----------------|
| Equities              | 44,460         | 36,455         |
| Bonds                 | 28,217         | 30,136         |
| Absolute return funds | 34,547         | 32,473         |
| Cash and other assets | 5,050          | 4,143          |
|                       | <u>112,274</u> | <u>103,207</u> |

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

|   | 2012<br>£'000 | 2011<br>£'000 |
|---|---------------|---------------|
| Discount rate                             | 4.50%         | 4.80%         |
| Future inflation-linked pension increases | 2.90%         | 3.10%         |
| Salary inflation                          | n/a           | n/a           |
| Inflation measured by RPI                 | 3.00%         | 3.20%         |
| Inflation measured by CPI                 | 2.50%         | 2.50%         |
| Expected return on plan assets            | 5.40%         | 5.20%         |

**Mortality**

|   | 2012             | 2011                          |
|---|------------------|-------------------------------|
|   |                  | "00" tables                   |
|   |                  | Medium Cohort                 |
|   | CMI 2011         | Minimum improvement           |
|   | Long term rate   | males 1.0% per annum          |
|   | <u>1.0% p.a.</u> | <u>females 0.5% per annum</u> |
| The assumed life expectations on retirement at age 65 |                  |                               |
| Retiring today  |                  |                               |
| Males   | 23.5             | 22.5                          |
| Females   | 24.7             | 24.3                          |
| Retiring in 20 years                                  |                  |                               |
| Males   | 24.8             | 24.4                          |
| Females   | 26.3             | 25.5                          |

**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 10%              |
|                   | Decrease by 0.5%     | Increase by 10%              |
| Rate of inflation | Increase by 0.5%     | Increase by 6%               |
|                   | Decrease by 0.5%     | Decrease by 4%               |
| 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

# **THOMAS MILLER & CO LIMITED**

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)**

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

Amounts for the current and previous four periods are as follows

|  | 2012<br>£'000 | 2011<br>£'000 | 2010<br>£'000 | 2009<br>£'000 | 2008<br>£'000 |
|--|---------------|---------------|---------------|---------------|---------------|
| Defined benefit obligation                   | (151,368)     | (139,100)     | (141,747)     | (121,575)     | (102,019)     |
| Scheme assets                                | 112,274       | 103,207       | 103,207       | 83,394        | 76,637        |
| Deficit                                      | (39,094)      | (35,893)      | (38,540)      | (38,181)      | (25,382)      |
| Experience adjustments on scheme liabilities | 657           | 1,898         | (468)         | (611)         | (144)         |
| Experience adjustments on scheme assets      | 2,939         | 1,663         | 4,530         | 1,418         | (9,442)       |

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses since the adoption of FRS 17 was £37.6 million (2011 - £30.6 million)

### **24 Related party transactions**

|  | Income<br>during<br>2012<br>£'000 | Debtor/<br>(creditor) at<br>2012<br>£'000 | Income<br>during<br>2011<br>£'000 | Debtor/<br>(creditor) at<br>2011<br>£'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% | 763                               | (53)                                      | 519                               | (70)                                      |

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

Some of the directors who had awards receivable in the form of shares under a long term incentive scheme, took up the option to have part of their remuneration, as included in note 4, paid into the pension schemes of close family members

### **25 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