THOMAS MILLER & CO. LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2013

Registered number: 1898192

THOMAS MILLER & CO. LIMITED

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THOMAS MILLER & CO. LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013.

1. Results and dividends

The profit and loss account for the year is set out on page 9. The profit on ordinary activities after taxation amounted to £8,547,000 (2012 - £4,034,000).

No dividends were declared during the year (2012 - £nil).

The profit and loss account deficit as at 31 December 2013 was £15,957,000 (2012 - £26,763,000).

2. Directors

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

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

3. 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.

4. 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.

5. 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.

6. Donations

Charitable donations paid amounted to £114,000 (2012 - £109,000). The company did not make any political donations during the current and previous financial year.

7. 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.

8. 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
21 March 2014

90 Fenchurch Street
London
EC3M 4ST

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

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. Monthly variance analyses and quarterly group management accounts indicate that direct business costs were below budget, while shared service costs were above budget. However, the variances against budget were not outside the range of what management would expect or be unable to manage.

Turnover for the year has increased by 13.2% whilst administration expenses have increased by 8.7% from 2012 to 2013. In the majority of cases, costs are recharged to fellow subsidary undertakings as part of the "Memorandum of Services" agreements with those subsidary undertakings.

The post tax deficit on the funded and unfunded Defined Benefit pension schemes, as calculated using the FRS 17 "Retirement benefits" basis of calculation, has decreased from £30.4 million to £24.6 million. Normal contributions into the schemes were £5.1 million in total (2012 - £5.0 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 an increase in the discount rate (see note 23) during the year, which decreased the value of the pension obligations. The decrease in the pension deficit was also caused by asset returns that were greater than expected, as well as the contributions made by the company.

The balance sheet on page 10 shows the company's financial position at the year end. The reduction in the Shareholder's deficit arises primarily due to the reduction in the value of "Retirement benefits and similar obligations" as discussed above. Furthermore, the company made a profit of £0.78 million on the disposal of Thomas Miller Holdings Ltd shares held by ESOP trusts where deemed proceeds on shares utilised for awards greater than the average cost of the shares disposed.

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

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 risk exists from the company's exposure to adverse movements in interest rates in relation to cash balances and deposits. 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.

Financial risk management including principal risks and uncertainties (continued)

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 balancing the levels of currency assets and liabilities which may involve the use of forward exchange contracts. 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.

By order of the board

K P Halpenny
Secretary
21 March 2014

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 concem 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 2013 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the combined reconciliation of movements in shareholder's 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of 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 and Strategic 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.

Colin Rawlings (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor

London, UK
25 March 2014

THOMAS MILLER & CO. LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2013

	Notes	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Fixed assets					
Intangible assets	11		387		461
Tangible assets	12		3,524		4,540
Investments	13		1,552		3,587
			5,463		8,588
Current assets					
Debtors					
- due within one year	14	19,263		17,084	
- due after one year	14	2,881		2,881	
Cash at bank and in hand		8,154		5,131	
		30,298		25,096	
Creditors: Amounts falling due within one year	16	(24,984)		(27,827)	
Net current assets/(liabilities)			5,314		(2,731)
Total assets less current liabilities			10,777		5,857
Provisions for liabilities	17		(1,641)		(1,697)
Net assets before retirement benefits and similar obligations			9,136		4,160
Retirement benefits and similar obligations	23		(24,593)		(30,423)
Total net liabilities			(15,457)		(26,263)
Capital and reserves					
Called up share capital	18		500		500
Profit and loss account			(15,957)		(26,763)
Shareholder's deficit			(15,457)		(26,263)

The financial statements of Thomas Miller & Co. Limited (registered number 1898192) were approved by the board of directors and authorised for issue on 21 March 2014. They were signed on its behalf by:

Director B. M. KESTERTON

Director R. M. GRAINGER

The notes on pages 12 to 27 form an integral part of these financial statements.

THOMAS MILLER & CO. LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Turnover	1,2		81,356		71,870
Administrative expenses			(70,747)		(65,097)
Operating profit	3		10,609		6,773
Profit / (loss) on disposal of parent company shares	20		783		(166)
Income from participating interests			20		-
Profit on ordinary activities before interest and taxation			11,412		6,607
Interest receivable and similar income		20		29	
Interest payable and similar charges	6	(14)		(36)	
Amounts written off investments	13	-		(47)	
Other finance costs	7	(634)		(1,179)	
			(628)		(1,233)
Profit on ordinary activities before taxation			10,784		5,374
Tax on profit on ordinary activities	8		(2,237)		(1,340)
Profit on ordinary activities after taxation			8,547		4,034

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 £'000	2012 £'000
Profit for the financial year	8,547	4,034
Actuarial profit / (loss) relating to the pension deficit for the year (note 23)	4,285	(7,012)
Current tax result / credit attributable to the pension deficit (note 8)	-	934
Deferred tax (debit) / credit attributable to the actuarial profit / loss on the pension deficit	(2,026)	21
Total recognised gains / (losses) for the period	10,806	(2,023)

All amounts derive from continuing operations.

The notes on pages 12 to 27 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 2013

	Share capital	Profit and loss account	2013 Total	2012 Total
	£'000	£'000	£'000	£'000
Profit for the financial year	-	8,547	8,547	4,034
Actuarial gain / (loss) relating to the pension deficit net of taxation	-	2,259	2,259	(6,057)
Net increase / (reduction) to shareholder's funds	-	10,806	10,806	(2,023)
Opening shareholder's funds / (deficit)	500	(26,763)	(26,263)	(24,240)
Closing shareholder's funds / (deficit)	500	(15,957)	(15,457)	(26,263)

The notes on pages 12 to 27 form an integral part of these financial statements.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 strategic report.

The financial position of the company is described within the directors' report and strategic report. In addition, the strategic 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.

As a consequence, the directors believe that the company is well placed to manage its business risks successfully in the current economic climate.

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.

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.

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 ("Healthcare 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 Healthcare 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 Healthcare 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 Healthcare 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:

	2013	2012
	£'000	£'000
United Kingdom and Europe	81,356	71,870

All turnover derives from the principal activities of the company.

3. Operating profit

	2013	2012
	£'000	£'000
This is stated after charging:		
Depreciation		
- owned assets	1,073	1,074
- leased / financed assets	274	418
- leasehold improvements	62	63
- amortisation of goodwill	74	74
Exchange losses	582	8
Loss on disposal of fixed assets	1	1
Rentals under operating leases	3,009	1,783

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:

	2013	2012
	£'000	£'000
Fees payable to the company's auditor for the audit of the company's annual accounts	43	61
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	60	97
Total audit fees	103	158
- Tax services	80	68
- Information technology services	278	2
- Other services	218	28
Total non-audit fees	576	98

The company bore auditor's remuneration on behalf of a number of fellow UK subsidiaries of Thomas Miller Holdings Ltd. in 2013 and 2012.

The fees for other services include a review of the groups' transfer pricing methodology as well as a review of the management and operating model of the TT Club. Information technology services include a review of the groups' overall IT strategy.

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 £2,030,000 (2012 - £2,065,000) 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 £171,000 (2012 - £165,000).

The number of directors who:

	2013	2012
	Number	Number
Are members of defined benefit schemes	5	5
Are members of defined contribution schemes	6	6
Exercised options over shares in the parent company, Thomas Miller Holdings Ltd.	2	6
Had awards receivable in the form of shares under a long term incentive scheme	7	7

5. Employee information (including directors)

The average number of persons employed by the company during the year was 402 (2012 - 391).

Geographical area	2013	2012
	Number	Number
Europe	394	384
Asia	8	7
	402	391

5. Employee information (including directors) (continued)

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

	2013 £'000	2012 £'000
Wages and salaries (including bonuses)	33,151	29,998
Redundancy costs	72	801
Social security costs	3,778	3,563
Other pension costs - defined contribution schemes	3,951	3,855
	40,952	38,217

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

6. Interest payable and similar charges

	2013 £'000	2012 £'000
Bank interest	1	4
Interest on finance leases	5	26
Other interest	8	6
	14	36

7. Other finance costs

	2013 £'000	2012 £'000
Net finance costs on retirement benefit schemes (note 23)	634	1,179

8. Tax on profit on ordinary activities

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

	2013 £'000	2012 £'000
Current tax:		
Current tax charge charge for the year	1,449	1,214
Adjustments in respect of prior years	(16)	(45)
	1,433	1,169
Overseas tax suffered	9	2
	1,442	1,171
Deferred taxation - current year	879	179
Deferred taxation - effect of change in tax rate in year	(88)	26
Deferred taxation - prior year	4	(36)
Tax on profit on ordinary activities	2,237	1,340

In 2012 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 24% to 23% from 1 April 2013. A further reduction to 20% from 1 April 2015 was also included in the Finance Act 2013 and has been taken into account in calculating the deferred tax assets as at 31 December 2013.

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 23.25% (2012 - 24.5%). The current year tax charge for the year is different to the standard rate for the reasons set out in the following reconciliation.

	2013 £'000	2012 £'000
Profit on ordinary activities before tax	10,784	5,374
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax:	2,507	1,317
Expenses not deductible for tax purposes	13	35
(Profit) / Loss on disposal of shares held in the EBT	(192)	41
Depreciation in excess of capital allowances	25	46
Other short term timing differences	123	(225)
Overseas tax suffered	9	2
Short term timing differences in respect of pension deficit	(1,027)	-
Adjustments in respect of prior years	(16)	(45)
Current tax charge for the year	1,442	1,171

10. Dividends

No interim or final dividend has been proposed by the directors (2012 - £nil).

11. Intangible fixed assets

	Goodwill £'000
Cost	
At 1 January 2013	759
Additions	-
At 31 December 2013	759
Accumulated depreciation	
At 1 January 2013	298
Provided in the year	74
At 31 December 2013	372
Net book value	
At 31 December 2013	387
At 31 December 2012	461

12. Tangible fixed assets

	Leasehold improvements	Office machinery fixtures & fittings Leased	Office machinery fixtures & fittings Owned	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2013	957	5,433	8,419	14,809
Additions	25	-	369	394
Disposals	-	(3,368)	(145)	(3,513)
At 31 December 2013	982	2,065	8,643	11,690
Accumulated depreciation				
At 1 January 2013	260	5,159	4,850	10,269
Provided in the year	62	274	1,073	1,409
Disposals	-	(3,368)	(144)	(3,512)
At 31 December 2013	322	2,065	5,779	8,166
Net book value				
At 31 December 2013	660	-	2,864	3,524
At 31 December 2012	697	274	3,569	4,540

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

13. Investments held as fixed assets

	Investment in parent company shares
	£'000
At 1 January 2013	3,587
Net disposal of parent company shares by Thomas Miller Employee Share Trust No. 1	(1,469)
Cost of shares transferred to employees under the various share schemes operated within the group	(566)
At 31 December 2013	1,552

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. In 2012 the company fully provided against its investment in China Marine 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.

14. Debtors

	2013 £'000	2012 £'000
Due within one year		
Amounts owed by fellow subsidiary undertakings	15,021	13,148
Trade debtors	650	338
Other debtors	992	1,028
Corporation tax recoverable	-	438
Deferred tax (note 15)	613	563
Prepayments	1,936	1,529
Accrued income	43	31
Accrued interest	8	9
	19,263	17,084

	2013 £'000	2012 £'000
Due after one year		
Other debtors	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 2013, 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:

	2013 £'000	2012 £'000
Assets		
Depreciation in excess of capital allowances	351	379
Retirement benefit obligations	5,799	8,670
Other	262	184
Total	6,412	9,233
Asset at start of year	9,233	9,381
Current period charge	(791)	(205)
Adjustment in respect of prior years	(4)	36
Credit to statement of total recognised gains and losses	(2,026)	21
Asset at end of year	6,412	9,233

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

	2013 £'000	2012 £'000
Deferred tax assets within debtors (note 14)	613	563
Deferred tax assets within provision for pension liabilities (note 23)	5,799	8,670
	6,412	9,233

16. Creditors

	2013	2012
	£'000	£'000
Amounts falling due within one year		
Trade creditors	150	205
Amounts owed to parent undertaking	1,950	6,423
Amounts owed to fellow subsidiary undertakings	12,949	11,769
Amounts due under finance leases and hire purchase agreements	-	307
Corporation tax	341	-
PAYE and social security	985	960
Bank loan	-	320
Other creditors	930	1,075
Accruals	7,679	6,768
	24,984	27,827

17. Provision for liabilities and charges

	Balance at 1 January 2013	Profit and loss account charge	Amounts paid	Balance at 31 December 2013
	£'000	£'000	£'000	£'000
Dilapidations provision	499	120	-	619
Onerous lease provision	1,198	(176)	-	1,022
	1,697	(56)	-	1,641

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 or unoccupied within 90 Fenchurch Street where the returns are less than the costs being incurred for that space.

18. Called up share capital

	2013	2012
	£'000	£'000
Called up, allotted and fully paid:		
Equity interests: 500,000 ordinary shares of £1	500	500

The company is incorporated in Great Britain with limited liability and registered in 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 2013	Market value 2013 £'000	Average cost 2013 £'000	Number of shares 2012	Market value 2012 £'000	Average cost 2012 £'000
Thomas Miller Employee Share Trust No.1	244,344	1,588	1,552	815,253	4,076	3,587

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 2013 £'000	Parent company shares 2012 £'000
Balance at the beginning of the year	3,587	4,256
Proceeds received on exercise of options by employees	(558)	(550)
Loss on ESOP shares acquired by employees	(82)	(263)
Purchase of shares in the market	1,720	2,429
Proceeds on sale of shares in the market	(3,122)	(213)
Value of shares awarded to employees under share schemes	(791)	(2,102)
Profit on shares awarded to employees under share schemes	865	97
Other (disposals)/additions	(67)	(67)
Balance at the end of the year	1,552	3,587

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 2013, the cost of the shares held by the EBT exceed the anticipated proceeds from the exercise of outstanding options and other share awards by £868,000 (2012 - £208,000).

At 31 December 2013 the EBT had cash at bank amounting to £12,000 (2012 - £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

264,656 parent company shares were purchased by Thomas Miller Employee Share Trust No.1 during the year.

Number of shares purchased	Price per share	Cost £'000
264,656 shares purchased in December 2013	£6.50	1,720

The price of £6.50 was 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:

	Motor vehicles 2013 £'000	Land and buildings 2013 £'000	Motor vehicles 2012 £'000	Land and buildings 2012 £'000
Leases which expire:				
Within one year	-	14	-	41
Between two and five years	15	45	15	-
After five years	-	3,156	-	3,156
	15	3,215	15	3,197

Finance leases and hire purchase agreements

	Finance leases 2013 £'000	Finance leases 2012 £'000
Capital payments due:		
Within one year	-	307
Between two and five years	-	-
	-	307

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:

	The Thomas Miller Executive Share Option Scheme		The Thomas Miller UK Savings Related Share Option Scheme		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 2013						
Outstanding at beginning of period	427,668	3.54	275,630	3.27	703,298	3.44
Granted during the period	120,000	0.00	17,076	5.00	137,076	0.62
Forfeited during the period	(9,858)	3.73	(9,588)	4.04	(19,446)	3.89
Exercised during the period	(161,414)	3.48	(11,217)	4.17	(172,631)	3.52
Outstanding at the end of the period	376,396	2.44	271,901	3.31	648,297	2.80
Exercisable at the end of the period	169,538	3.38	-	-	169,538	3.38
Year ended 31 December 2012						
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

The weighted average share price for share options exercised during the period was £5.72. The options outstanding at 31 December 2013 had a weighted average exercise price of £2.80, and a weighted average remaining contractual life of 3.12 years. The aggregate of the estimated fair value of the options granted on 5 March 2013 and 1 April 2013 is £451,821 (2012 - £76,957).

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

	2013	2012
Weighted average share price	£5.00	£4.48
Weighted average exercise price	£0.62	£4.48
Expected volatility	30%	30%
Expected life (years)	5.71	3.90
Risk-free rate	1.71%	1.84%
Expected dividends	30.00p	28.38p
Dividend yield	6.00%	6.33%

22. Share-based payments (continued)

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

	2013 £'000	2012 £'000
Share option schemes	174	26
Shares awarded under bonus schemes (including LTSAP)	599	1,424
Cash settled share option schemes	30	182
Charges in respect of service award scheme	25	34
	828	1,666

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 Long Term Share Acquisition Plan ("LTSAP")

The group 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 awarded to employees under this scheme cannot be sold for a minimum of five years.

The current target (which has been applicable since 2010) is a total return over the period commencing 1 January 2003 of RPI + 5% pa. cumulative being delivered to shareholders. For this purpose total return shall be defined as the sum of all dividends declared on a single ordinary share since 1 January 2003 and ending with the final dividend payable in respect of the calendar year just ended, plus the share value at 31 December of the calendar year just ended less the share value on 1 January 2003, expressed as a percentage of the share price at that same 1 January 2003 date. This target has been met for the year ended 31 December 2013.

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 2013 by external actuaries. It showed that, on an FRS 17 "Retirement benefits" basis, the market value of the Scheme's assets was £122,226,000 and that the actuarial value of these assets represented 80.98% of the benefits that had accrued to members. Future service accrual under the Scheme ceased with effect from 1 October 2004. In addition, salary linkage was removed for active members who remained employees with effect from 30 June 2011.

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 4.60% (2012 - 4.50%).

23. Retirement benefits and similar obligations (continued)

The amounts recognised in the balance sheet are as follows:

	2013 £'000	2012 £'000
Present value of funded obligations	150,930	149,430
Fair value of assets	(122,226)	(112,274)
	28,704	37,156
Present value of unfunded obligations	1,688	1,937
Deficit	30,392	39,093
Related deferred tax asset	(5,799)	(8,670)
Net liability	24,593	30,423
Amounts in the balance sheet		
Liabilities	24,593	30,423
Retirement benefits and similar obligations	24,593	30,423

The amounts recognised in profit or loss are as follows:

	2013 £'000	2012 £'000
Interest on obligation	6,709	6,562
Expected return on assets	(6,075)	(5,383)
Total ("Other finance costs")	634	1,179
Actual return on scheme assets	9,510	8,322

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

	2013 £'000	2012 £'000
Opening defined benefit obligation	151,368	139,100
Interest cost	6,709	6,562
Actuarial losses	(850)	9,951
Benefits paid	(4,609)	(4,245)
Closing defined benefit obligation	152,618	151,368

Changes in the fair value of assets are as follows:

	2013 £'000	2012 £'000
Opening fair value of assets	112,274	103,207
Expected return	6,075	5,383
Actuarial gains	3,435	2,939
Contributions by employer	5,051	4,990
Benefits paid	(4,609)	(4,245)
Closing fair value of assets	122,226	112,274

The Employer, Thomas Miller & Co. Limited, expects to contribute £4.6 million in 2014.

23. Retirement benefits and similar obligations (continued)

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

	2013 £'000	2012 £'000
Equities	49,168	44,460
Bonds	27,442	28,217
Absolute return funds	42,248	34,547
Cash and other assets	3,368	5,050
	122,226	112,274

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

	2013 £'000	2012 £'000
Discount rate	4.60%	4.50%
Future inflation-linked pension increases	3.30%	2.90%
Inflation measured by RPI	3.40%	3.00%
Inflation measured by CPI	2.40%	2.50%
Expected return on plan assets	5.90%	5.40%

Mortality:

	2013	2012
	CMI 2011 Long term rate 1.0% p a	CMI 2011 Long term rate 1.0% p a
The assumed life expectations on retirement at age 65:		
Retiring today		
Males	23.6	23.5
Females	24.8	24.7
Retiring in 20 years		
Males	24.9	24.8
Females	26.4	26.3

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 4%
	Decrease by 0.5%	Decrease by 4%
Rate of mortality	Increase by 1 year	Increase by 2%

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

23. Retirement benefits and similar obligations (continued)

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

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Defined benefit obligation	(152,618)	(151,368)	(139,100)	(141,747)	(121,575)
Scheme assets	122,226	112,274	103,207	94,630	83,394
Deficit	(30,392)	(39,094)	(35,893)	(38,540)	(38,181)
Experience adjustments on scheme liabilities	751	657	1,898	(468)	(611)
Experience adjustments on scheme assets	3,435	2,939	1,663	4,530	1,418

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses since the adoption of FRS 17 was £33.3 million (2012 - £37.6 million).

24. Related party transactions

	Income during 2013 £'000	Debtor/ (creditor) at 2013 £'000	Income during 2012 £'000	Debtor/ (creditor) at 2012 £'000
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%.	1,035	(122)	763	(53)

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., 90 Fenchurch Street, London, EC3M 4ST.