

INK UNDERWRITING AGENCIES LIMITED

Report and Financial Statements

Year ended 31 August 2008

FRIDAY



PFXR4A28

PC1

22/05/2009

61

COMPANIES HOUSE

INK UNDERWRITING AGENCIES LIMITED

CONTENTS

	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	5
Independent auditors' report	6
Profit and loss account	8
Statement of total recognised gains and losses	9
Balance sheet	10
Notes to the financial statements	11

INK UNDERWRITING AGENCIES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C M Giles
P D Matson

SECRETARY

A G Hessett

REGISTERED OFFICE

Floor 2
Holland House
4 Bury Street
London
EC3A 5AW

BANKERS

Bank of Scotland plc
Bishopsgate Exchange
155 Bishopsgate
London
EC2M 3YB

SOLICITORS

Dickson Minto
Royal London House
22 – 25 Finsbury Square
London
EC2A 1DX

INDEPENDENT AUDITORS

Deloitte LLP

INK UNDERWRITING AGENCIES LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the company for the year ended 31 August 2008.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of insurance brokering.

On 3 March 2008 the entire share capital of the ultimate holding company of the group was acquired by DMWSL 588 Limited. The ultimate holding company at the end of the year is DMWSL 585 Limited into which the results of the company are consolidated.

RESULTS

The trading results for the year and the company's financial position at the end of the year are shown in the profit and loss account and balance sheet on pages 8 and 10 respectively.

The profit after tax for the year was £966,000 (10 month period to 31 August 2007: £526,000 restated).

In the view of the directors the main key performance indicator for the business is the level of turnover and operating profit. Turnover was £2,683,000 for the year ended 31 August 2008 (10 month period to 31 August 2007: £1,991,000). Operating profit for the year amounted to £851,000 (10 month period to 31 August 2007: £696,000 restated).

PRINCIPAL RISKS AND UNCERTAINTIES

Market Risk

The company is affected by the insurance market cycle. The current assessment is of soft market conditions with the company tackling this risk by both new business initiatives and ongoing supplier negotiations. A further market risk factor is the strength of the supply base. The company ensures the supply base is appropriate by regular monitoring and assessment of insurer credit ratings.

Regulatory Risk

The regulatory environment is set by the Financial Services Authority ("FSA"). The company operates a fully resourced compliance department reporting direct to the Operations Director. This compliance department monitors all regulatory developments with a particular focus on regular updates and meetings with the FSA.

Credit Risk

Credit risk is minimised by the company ensuring that it receives cash in respect of premiums from clients before paying these premiums to insurers.

Liquidity Risk

The group's main financing liabilities are a bank overdraft facility, term loans which accrue interest at variable rates and loan notes which accrue interest at a fixed rate. The directors manage and monitor the financing of the companies on a group basis to mitigate the liquidity risks. To manage the risk of interest rate movements relating to the group's variable rate borrowings, the group has entered into an interest rate swap arrangement. Further details are provided in the consolidated financial statements of the group.

INK UNDERWRITING AGENCIES LIMITED

DIRECTORS' REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Going Concern

The company and the group's business activities, together with the factors likely to affect the future development, performance and position are set out in the business review above. This includes commentary on regulatory and market risk management objectives and exposure to credit risk and liquidity risk.

In common with other companies in the sector, the company and the group are operating under difficult market conditions. However, the company and the group have access to considerable financial resources through bank funding available to be drawn down. In addition, as part of the group's banking facility, there are cross guarantees in place between this company and its fellow subsidiaries to provide each other with financial support should it be required. As a consequence, the directors believe the group is well placed to manage its business risks successfully despite the current economic outlook.

The company and group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company and group should have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS

The directors who served the company during the period and subsequently are as follows:

C M Giles	
P D Matson	(appointed 28 July 2008)
D G Gardner	(resigned 29 February 2008)

EMPLOYEE INVOLVEMENT

It is the company policy that there should be effective communication with employees at all levels on matters which affect their current jobs or future prospects.

DISABLED EMPLOYEES

The policy of the company with regard to disabled persons is to give full and fair consideration to all applicants for employment and to all employees in relation to promotion. Wherever possible, employees who become disabled during their employment are offered suitable alternative employment.

INK UNDERWRITING AGENCIES LIMITED

DIRECTORS' REPORT (CONTINUED)

AUDITORS

The directors at the date of approval of this report confirm that:

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed by order of the Board



A G Hissett
Company Secretary

7 May 2009

INK UNDERWRITING AGENCIES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. 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 AUDITORS' REPORT TO THE MEMBERS OF INK UNDERWRITING AGENCIES LIMITED

We have audited the financial statements of INK Underwriting Agencies Limited for the year ended 31 August 2008 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INK
UNDERWRITING AGENCIES LIMITED (CONTINUED)**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of company's affairs as at 31 August 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
Glasgow
United Kingdom

7 May 2009

INK UNDERWRITING AGENCIES LIMITED

PROFIT AND LOSS ACCOUNT **Year ended 31 August 2008**

	Note	Year ended 31 August 2008 £'000	10 month period to 31 August 2007 £'000 Restated (Note 18)
TURNOVER	2	2,683	1,991
Administrative expenses		(1,832)	(1,295)
OPERATING PROFIT	3	851	696
Interest receivable		28	62
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		879	758
Tax credit / (charge) on profit on ordinary activities	5	87	(232)
PROFIT FOR THE FINANCIAL YEAR / PERIOD		966	526

All of the activities of the company are classed as continuing.

INK UNDERWRITING AGENCIES LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES **Year ended 31 August 2008**

		Year ended 31 August 2008 £'000	10 month period to 31 August 2007 £'000 Restated (Note 18)
	Note		
PROFIT FOR THE FINANCIAL YEAR / PERIOD		966	526
Prior year adjustment	18	(26)	
TOTAL GAINS SINCE LAST ANNUAL REPORT		940	

INK UNDERWRITING AGENCIES LIMITED

BALANCE SHEET At 31 August 2008

		2008		2007	
	Note	£'000	£'000	Restated (Note 18) £'000	£'000
FIXED ASSETS					
Tangible assets	6		31		91
			<u>31</u>		<u>91</u>
CURRENT ASSETS					
Debtors	7	5,126		3,962	
Cash at bank and in hand	8	1,104		1,944	
		<u>6,230</u>		<u>5,906</u>	
CREDITORS: amounts falling due within one year	9	<u>(2,229)</u>		<u>(2,931)</u>	
NET CURRENT ASSETS			<u>4,001</u>		<u>2,975</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>4,032</u>		<u>3,066</u>
NET ASSETS			<u><u>4,032</u></u>		<u><u>3,066</u></u>
CAPITAL AND RESERVES					
Called up share capital	10		-		-
Profit and loss account	11		<u>4,032</u>		<u>3,066</u>
SHAREHOLDERS' FUNDS	12		<u><u>4,032</u></u>		<u><u>3,066</u></u>

These financial statements were approved by the Board of Directors on 7 May 2009.

Signed on behalf of the Board of Directors



P D Matson
Finance Director

INK UNDERWRITING AGENCIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 August 2008

1. ACCOUNTING POLICIES

Basis of preparation

The accounts are prepared on a going concern basis as the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors consider the principal risks, uncertainties and their response to these as disclosed in the directors' report.

Change of accounting policy

There has been a change in accounting policy in the year as referred to in note 18.

Basis of accounting

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

Going concern

The financial statements have been prepared under the going concern concept as discussed in the directors' report.

Turnover

Turnover represents brokerage and fees earned for placing and servicing risks on behalf of clients. The company recognises this income when earned. Brokerage is recognised at policy inception date with a proportion of income deferred over the period of the underlying contracts to recognise the ongoing contractual obligations of maintaining and servicing the contracts over that period.

Tangible fixed assets

Tangible fixed assets are recorded at cost less accumulated depreciation.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated so as to write off the cost or valuation less estimated residual value, over its estimated useful life as follows:

Office furniture and equipment - 3 years straight line

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the schemes are held separately from those of the group. The annual contributions payable are charged to the profit and loss account.

Current taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at the balance sheet date that will result in an obligation to pay more, or a right to pay less tax, in the future. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

INK UNDERWRITING AGENCIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 August 2008

1. ACCOUNTING POLICIES (CONTINUED)

Deferred taxation (continued)

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Insurance broking debtors and creditors

Insurance brokers normally act as agents in placing the insurable risks of their clients with insurers and, as such, generally are not liable as principals for amounts arising from such transactions. Notwithstanding such legal relationships, debtors and creditors arising from insurance broking transactions are shown as assets and liabilities in recognition of the fact that the insurance broker is entitled to retain investment income on any cash flows arising from such transactions and accordingly such investment income is included in operating profits. Such cash is held in a client account separate from the general funds of the company. The company has applied Financial Reporting Standard 5 'Reporting the Substance of Transactions' and offsets debtors and creditors from insurance transactions only when it is legally enforceable.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard ("FRS") 1 "Cash Flow Statements (Revised 1996)" from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its ultimate parent company's financial statements includes a consolidated cash flow statement.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

The company derived its entire turnover from operations in the United Kingdom.

3. OPERATING PROFIT

	Year ended 31 August 2008 £'000	10 month period to 31 August 2007 £'000
Operating profit is stated after charging:		
Operating lease rentals on land and buildings	39	-
Depreciation of owned assets	60	39

The total remuneration payable, excluding VAT, to its auditors, Deloitte LLP, in respect of the audit of these accounts is £15,000 (2007: £5,000) and in respect of the preparation of the tax computation is £5,000 (2007: £5,000). These costs have been borne and paid for by Giles Insurance Brokers Limited, a fellow subsidiary undertaking.

INK UNDERWRITING AGENCIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 August 2008

4. DIRECTORS AND EMPLOYEES

	Year ended 31 August 2008 £'000	10 month period to 31 August 2007 £'000
Staff costs including directors' emoluments		
Wages and salaries	1,089	955
Social security costs	139	77
Other pension costs	6	-
	<u>1,234</u>	<u>1,032</u>

	Year ended 31 August 2008 Number	10 month period to 31 August 2007 Number
The average number of persons employed during the year, pro-rated for the previous period, including executive directors was:		
Insurance broking and administration	<u>41</u>	<u>23</u>

	Year ended 31 August 2008 £'000	10 month period to 31 August 2007 £'000
Directors		
Total directors' emoluments	<u>-</u>	<u>293</u>

The directors are remunerated by Giles Insurance Brokers Limited, a fellow subsidiary undertaking. Details of their emoluments are given in the financial statements of Giles Insurance Brokers Limited. The directors no longer consider it practical to allocate the percentage of their remuneration to INK Underwriting Agencies Limited.

INK UNDERWRITING AGENCIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 August 2008

5. TAXATION

(a) Analysis of tax (credit) / charge in the year

The tax (credit) / charge on the profit on ordinary activities for the year was as follows:

	Year ended 31 August 2008 £'000	10 month period to 31 August 2007 £'000
Current tax:		
UK Corporation tax based on the results for the year at 28% (2007 – 30%)	-	232
Adjustment in respect of prior years	(87)	-
Total current tax	(87)	232
Deferred tax:		
Origination and reversal of timing differences	-	-
Tax on profit on ordinary activities	(87)	232

(b) Factors affecting tax charge

The tax assessed on the profit before taxation for the year differs from the rate of corporation tax applicable to the group of 29%. The difference is explained below:

	Year ended 31 August 2008 £'000	10 month period to 31 August 2007 £'000 As restated (Note 18)
Profit on ordinary activities before tax	879	758
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 29 % (2007 – 30%)	258	227
Effects of:		
Capital allowances in excess of depreciation	13	-
Expenses not deductible for tax purposes	(6)	1
Provisions disallowed	8	-
Group relief (claimed)	(273)	(76)
Adjustment in respect of previous periods	(87)	80
Current tax charge	(87)	232

INK UNDERWRITING AGENCIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **Year ended 31 August 2008**

6. TANGIBLE FIXED ASSETS

	Office furniture and equipment £'000
COST	
At 1 September 2007 and at 31 August 2008	309
DEPRECIATION	
At 1 September 2007	218
Charge for the year	60
At 31 August 2008	278
NET BOOK VALUE	
At 31 August 2008	31
At 31 August 2007	91

7. DEBTORS

	31 August 2008 £'000	31 August 2007 £'000
Trade debtors	419	1,244
Insurance debtors	1,900	1,350
Amounts owed by group undertakings	2,803	1,351
Other debtors	-	1
Prepayments and accrued income	4	16
	5,126	3,962

INK UNDERWRITING AGENCIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **Year ended 31 August 2008**

8. CASH AT BANK AND IN HAND

	31 August 2008 £'000	31 August 2007 £'000
Insurance bank accounts	386	1,377
Other cash at bank and in hand	718	567
	<u>1,104</u>	<u>1,944</u>

9. CREDITORS: Amounts falling due within one year

	31 August 2008 £'000	31 August 2007 £'000 As restated (Note 18)
Trade creditors	-	111
Insurance creditors	2,044	2,441
Corporation tax	87	247
Accruals and deferred income	52	26
Other taxes & social security	36	35
Other creditors	10	71
	<u>2,229</u>	<u>2,931</u>

10. CALLED UP SHARE CAPITAL

	31 August 2008		31 August 2007	
Authorised	No	£	No	£
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid				
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

INK UNDERWRITING AGENCIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 August 2008

11. PROFIT AND LOSS ACCOUNT

	31 August 2008 £'000	31 August 2007 £'000 As restated (Note 18)
Balance brought forward	3,066	2,540
Retained profit for the financial year	966	526
Balance carried forward	<u>4,032</u>	<u>3,066</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 August 2008 £'000	31 August 2007 £'000
Opening shareholders' equity funds, as previously reported	3,092	2,272
Prior year adjustment	(26)	268
Opening shareholders' equity funds	<u>3,066</u>	<u>2,540</u>
Profit for the financial year	966	552
Closing shareholders' equity funds	<u>4,032</u>	<u>3,092</u>

13. OPERATING LEASE COMMITMENTS

The following payments are committed to be paid within two to five years:

	2008 £'000	2007 £'000
Land and buildings expiring within two to five years	<u>39</u>	<u>-</u>

14. CONTINGENCIES AND COMMITMENTS

The Group has entered into a £320,000,000 Senior Credit Agreement ('the Debt Agreement'), dated 3 March 2008, with Bank of Scotland plc to fund the acquisition of the entire share capital of Quillco 226 Limited and its subsidiary companies.

The Company has entered into a deed of accession as a Guarantor to this Agreement and an intercreditor deed whereby the Company will agree certain ranking and priority arrangements relating to the Debt and a Debenture whereby the Company will create a first ranking fixed and floating charge over its assets, property and undertaking and assign by way of security all their rights, interest, title and benefit in their present and future assets to the Bank of Scotland plc.

INK UNDERWRITING AGENCIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 August 2008

15. PARENT COMPANY AND ULTIMATE HOLDING COMPANY

The company is a direct subsidiary of Quillco 227 Limited. The ultimate holding company is DMWSL 585 Limited. A copy of the consolidated financial statements is available from DMWSL 585 Limited, Holland House, 4 Bury Street, London, EC2A 1DX.

16. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions available to subsidiary undertakings in FRS 8 "Related Party Disclosures" not to report transactions with other group companies on the basis that consolidated financial statements are available for the ultimate parent undertaking.

17. POST BALANCE SHEET EVENTS

In the opinion of the directors there have been no significant post balance sheet events.

18. PRIOR YEAR ADJUSTMENT

During the year, the company implemented a change of accounting policy in accordance with FRS 5 relating to the accrual of future claims costs. The comparative figures have been restated to reflect the change in accounting policy. The effect of the adjustment is to reduce prior year profit by £26,000 and to increase accruals in the prior year by £26,000.