

**Manchester Marine Underwriters
Limited**

Report and Financial Statements

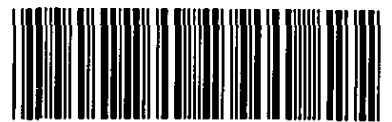
Year Ended

31 December 2006



BDO Stoy Hayward
Chartered Accountants

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Manchester Marine Underwriters Limited

Annual report and financial statements for the year ended 31 December 2006

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Directors

J H Cahill
P J Cahill
M G Brook

Secretary and registered office

M G Brook, Lower Ground Floor, London Underwriting Centre, 3 Minster Court, London,
EC3R 7DD

Company number

4132536

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL

Manchester Marine Underwriters Limited

Report of the directors for the year ended 31 December 2006

The directors present their report together with the audited financial statements for the year ended 31 December 2006

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year

The directors paid a dividend for the year of £140,000 (2005 - £60,000) leaving £635 (2005 - £5,398) to be transferred to reserves

Principal activities, trading review and future developments

The principal activities of the company are those of an underwriting agent

Both the level of business and the year end financial position were satisfactory, the directors' expect that the present level of activity will be sustained for the foreseeable future

Manchester Marine Underwriters continued to enjoy a profitable underwriting environment despite a very difficult market and growing competition. It aims to continue growing its book of business on the basis of prudent underwriting and by taking advantage of its association with Kiln, following John Cahill & Company Limited (the ultimate parent company) selling 33% of its investment in International Marine (Underwriting Agency) Limited to R J Kiln & Co Limited in 2005

Directors

The directors of the company during the year were

| | Ordinary shares of £1 each | |
|------------|---------------------------------------|-------------|
| | 2006 | 2005 |
| J H Cahill | - | - |
| P J Cahill | - | - |
| M G Brook | 67 | 67 |

Manchester Marine Underwriters Limited

Report of the directors for the year ended 31 December 2006 (*Continued*)

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable 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 which disclose with reasonable accuracy at any time the financial position of the company and to 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.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

RSM Robson Rhodes LLP resigned as auditors of the company during the year and BDO Stoy Hayward LLP were appointed as auditors of the company by the directors. BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting.

This report of the directors has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the Board



M G Brook

Secretary

05 September 2007

Manchester Marine Underwriters Limited

Report of the independent auditors

To the shareholders of Manchester Marine Underwriters Limited

We have audited the financial statements of Manchester Marine Underwriters Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with those financial statements, if 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Manchester Marine Underwriters Limited

Report of the independent auditors (*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 the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors
London*

5 September 2007

Manchester Marine Underwriters Limited**Profit and loss account for the year ended 31 December 2006**

| | Note | 2006 £ | 2005 £ |
|--|-------|-----------|-----------|
| Turnover | 2 | 293,597 | 233,313 |
| Net operating expenses | | (229,297) | (211,573) |
| Operating profit | 4 | 64,300 | 21,740 |
| Dividends received | 6 | 90,000 | 45,000 |
| Interest receivable and similar income | 7 | 6,250 | 5,402 |
| Profit on ordinary activities before taxation | | 160,550 | 72,142 |
| Taxation charge on profit on ordinary activities | 8 | (19,915) | (6,744) |
| Profit on ordinary activities after taxation | 16,17 | 140,635 | 65,398 |

All amounts relate to continuing activities

All recognised gains and losses are included in the profit and loss account

The notes on pages 7 to 15 form part of these financial statements

Manchester Marine Underwriters Limited**Balance sheet at 31 December 2006**

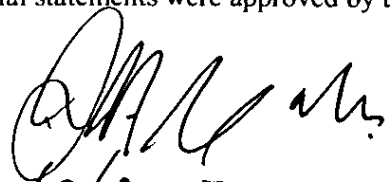
| | Note | 2006 £ | 2006 £ | 2005 £ | 2005 £ |
|---|------|-----------|-----------|-----------|-----------|
| Fixed assets | | | | | |
| Tangible assets | 10 | | 16,538 | | 6,893 |
| Fixed asset investments | 11 | | 900 | | 900 |
| | | | <hr/> | | <hr/> |
| | | | 17,438 | | 7,793 |
| Current assets | | | | | |
| Debtors | 12 | 824,809 | | 502,412 | |
| Cash at bank and in hand | | 409,177 | | 154,821 | |
| | | <hr/> | | <hr/> | |
| | | 1,233,986 | | 657,233 | |
| Creditors, amounts falling due within one year | 13 | 1,196,281 | | 611,270 | |
| | | <hr/> | | <hr/> | |
| Net current assets | | | 37,605 | | 45,963 |
| | | | <hr/> | | <hr/> |
| Total assets less current liabilities | | | 55,043 | | 53,756 |
| Provisions for liabilities | 14 | | (962) | | (310) |
| | | | <hr/> | | <hr/> |
| | | | 54,081 | | 53,446 |
| | | | <hr/> | | <hr/> |
| Capital and reserves | | | | | |
| Called up share capital | 15 | | 1,000 | | 1,000 |
| Profit and loss account | 16 | | 53,081 | | 52,446 |
| | | | <hr/> | | <hr/> |
| Shareholders' funds - equity | 17 | | 54,081 | | 53,446 |
| | | | <hr/> | | <hr/> |

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

The financial statements were approved by the Board of Directors and authorised for issue on 5 September 2007

J H Cahill
Director

Date


5/9/2007

The notes on pages 7 to 15 form part of these financial statements

Manchester Marine Underwriters Limited

Notes forming part of the financial statements for the year ended 31 December 2006

1 Accounting policies

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

The following principal accounting policies have been applied

Consolidated financial statements and cash flow statement

The company and its subsidiaries qualify as a small size group under Section 248(1) of the Companies Act 1985. As a consequence it is exempt from the requirement to prepare consolidated financial statements and cash flow statements

Turnover

Turnover consists of commission income due to the company for the year

Fixed asset investments

Fixed asset investments represent investments in subsidiary undertakings and are valued at cost less any provision for impairment

Fixed assets and depreciation

Depreciation is provided evenly on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. It is calculated at the following rate

Computer equipment - 25% per annum

All rates are applied on a straight-line basis

Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by Financial Reporting Standard 19. Deferred taxation balances are not discounted

Leased assets

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the terms of the leases

Foreign currencies

Transactions denominated in foreign currencies are translated into Sterling at the average rates of exchange for the year. Assets and liabilities denominated in foreign currencies are translated into Sterling at the rate of exchange prevailing at the end of the financial year. All foreign exchange differences are taken to the profit and loss in the year in which they arise

Manchester Marine Underwriters Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

2 Turnover

Turnover consists entirely of sales made in the United Kingdom and arises from carrying out the company's principal activity as operating as an underwriting agent

3 Directors

The directors' aggregate emoluments for the director employed by the company were £70,912 (2005 - £71,428)

The other two directors are directors of John Cahill & Company Limited, the ultimate parent undertaking, and their remuneration is disclosed in the financial statements of that company. It has not been possible to attribute the share of the directors' remuneration to individual operating companies.

The company does not fund pension scheme arrangements on behalf of the directors

4 Operating profit

| | 2006 £ | 2005 £ |
|---|-------------------|-------------------|
| This has been arrived at after charging | | |
| Depreciation | 3,144 | 2,721 |
| Auditors' remuneration | 5,000 | 5,400 |
| Operating lease - land and buildings | 21,247 | 21,185 |
| | <u> </u> | <u> </u> |

5 Employees

| | 2006 £ | 2005 £ |
|---|-------------------|-------------------|
| Employee costs (including directors) | | |
| Wages and salaries | 121,275 | 114,000 |
| Social security costs | 13,702 | 12,980 |
| | <u> </u> | <u> </u> |
| Total costs | 134,977 | 126,980 |
| | <u> </u> | <u> </u> |
| | Number | Number |
| The average number of employees including directors was | 3 | 3 |
| | <u> </u> | <u> </u> |

Manchester Marine Underwriters Limited**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)****6 Dividends received**

| | 2006 | 2005 |
|---|---------------|---------------|
| | £ | £ |
| Dividends received from Leeds Marine Underwriters Limited | 90,000 | 45,000 |

7 Interest receivable and similar income

| | 2006 | 2005 |
|--------------------------|--------------|--------------|
| | £ | £ |
| Bank interest receivable | 6,250 | 5,402 |

8 Taxation on profit on ordinary activities

| | 2006 | 2005 |
|---|---------------|--------------|
| | £ | £ |
| <i>Current tax</i> | | |
| UK corporation tax on profits of the year | 19,263 | 6,183 |
| Prior year adjustment | - | 469 |
| Total current tax | 19,263 | 6,652 |
| Movement in deferred tax (note 14) | 652 | 92 |
| Taxation on profit on ordinary activities | 19,915 | 6,744 |

The tax assessed for the year is different from the standard rate of corporation tax in the UK. The differences are explained below.

Manchester Marine Underwriters Limited**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)****8 Taxation on profit on ordinary activities (cont.)**

| | 2006 £ | 2005 £ |
|--|-----------|-----------|
| Profit on ordinary activities before tax | 160,550 | 72,142 |
| Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2005 - 30%) | 30,505 | 21,643 |
| Effects of | | |
| Other expenditure which is not tax deductible | 1,127 | 1,711 |
| Capital allowances in excess of depreciation | (653) | (482) |
| Benefits of rate for smaller companies | - | (3,189) |
| Prior year adjustments | - | 469 |
| Non taxable UK dividends | (17,100) | (13,500) |
| Group relief claimed | (9,299) | - |
| Payment made for group relief | 14,683 | - |
| Current tax charge for year | 19,263 | 6,652 |

9 Dividends

| | 2006 £ | 2005 £ |
|---|-----------|-----------|
| Final dividend at £140 per share (2005 - £60) per share | 140,000 | 60,000 |

Manchester Marine Underwriters Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

10 Tangible assets

| | Computer equipment £ |
|-----------------------|-------------------------------------|
| <i>Cost</i> | |
| At 1 January 2006 | 9,880 |
| Additions | 12,789 |
| | <hr/> |
| At 31 December 2006 | 22,669 |
| | <hr/> |
| <i>Depreciation</i> | |
| At 1 January 2006 | 2,987 |
| Charge for the year | 3,144 |
| | <hr/> |
| At 31 December 2006 | 6,131 |
| | <hr/> |
| <i>Net book value</i> | |
| At 31 December 2006 | 16,538 |
| | <hr/> <hr/> |
| At 31 December 2005 | 6,893 |
| | <hr/> <hr/> |

11 Fixed asset investments

| | Shares in subsidiary undertakings £ |
|---|--|
| <i>Cost</i> | |
| At 1 January 2006 and at 31 December 2006 | 900 |
| | <hr/> <hr/> |

Manchester Marine Underwriters Limited**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)****11 Fixed asset investments (Continued)****Subsidiary undertakings**

At 31 December 2006 the company owned 90% (2005 - 90%) of the issued share capital of Leeds Marine Underwriters Limited which is registered in England and Wales and acts as an underwriting agent

| | Capital and reserves £ | Profit for the financial period £ | Group interest in ordinary shares % |
|-----------------------------------|---------------------------------------|--|--|
| Leeds Marine Underwriters Limited | 47,096 | 6,004 | 90 |

12 Debtors

| | 2006 £ | 2005 £ |
|-----------------------------------|-------------------|-------------------|
| Trade debtors | 810,646 | 447,044 |
| Amounts owed from group companies | 5,775 | 49,466 |
| Prepayments and accrued income | 8,388 | 5,902 |
| | 824,809 | 502,412 |

Included in prepayments is a rent deposit of £2,686 (2005 - £2,384), which is recoverable in more than one year

13 Creditors: amounts falling due within one year

| | 2006 £ | 2005 £ |
|------------------------------------|-------------------|-------------------|
| Trade creditors | 1,145,607 | 592,997 |
| Amounts owed to group companies | 18,586 | - |
| Corporation tax | 4,580 | 6,652 |
| Group relief | 14,683 | - |
| Other taxation and social security | 6,605 | 6,463 |
| Accruals | 6,320 | 5,158 |
| | 1,196,381 | 611,270 |

Manchester Marine Underwriters Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

14 Deferred tax

| | 2006 £ | 2005 £ |
|---|-----------|-----------|
| Deferred tax provided | 962 | 310 |
| The movement in the provision is as follows | | |
| Provision at start of year | 310 | 218 |
| Charged to profit and loss account | 652 | 92 |
| Creditor at end of year | 962 | 310 |

Deferred tax, in respect of accelerated capital allowances, has been provided at 19% (2005 - 30%) because of uncertainty as to the average rate of tax that will apply when the underlying timing differences will reverse

15 Share capital

| | 2006 Number | Authorised 2005 Number | 2006 £ | 2005 £ |
|------------------------------------|----------------|------------------------------|-----------|-----------|
| Ordinary shares of £1 each | 1,000 | 1,000 | 1,000 | 1,000 |
| Allotted, called up and fully paid | | | | |
| | 2006 Number | 2005 Number | 2006 £ | 2005 £ |
| Ordinary shares of £1 each | 1,000 | 1,000 | 1,000 | 1,000 |

16 Profit and loss account

| | 2006 £ | 2005 £ |
|-------------------------------|-----------|-----------|
| At 1 January 2006 | 52,446 | 47,048 |
| Dividends | (140,000) | (60,000) |
| Profit for the financial year | 140,635 | 65,398 |
| At 31 December 2006 | 53,081 | 52,446 |

Manchester Marine Underwriters Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

17 Reconciliation of movements in shareholders' funds

| | 2006 £ | 2005 £ |
|-------------------------------|-----------|-----------|
| Opening shareholders' funds | 53,446 | 48,048 |
| Dividends | (140,000) | (60,000) |
| Profit for the financial year | 140,635 | 65,398 |
| | <hr/> | <hr/> |
| Closing shareholders' funds | 54,081 | 53,446 |
| | <hr/> | <hr/> |

18 Commitments under operating leases

As at 31 December 2006, the company had annual commitments under non-cancellable operating leases as set out below

| | 2006 £ | 2005 £ |
|-------------------------------|-----------|-----------|
| Operating leases which expire | | |
| In less than one year | 8,790 | 21,096 |
| | <hr/> | <hr/> |

19 Related party transactions

During the year the company entered into the following transactions -

- (a) Commissions of £293,597 (2005 - £233,313) were earned in relation to insurance contracts which R J Kiln & Co Limited underwrites R J Kiln & Co Limited has influence over the company through its 33% shareholding in International Marine (Underwriting Agency) Limited

£58,069 (2005 - £Nil) is owed from R J Kiln & Co Limited at the year end and is included within trade debtors

£804,034 (2005 - £Nil) is owed to R J Kiln & Co Limited at the year end and is included within trade creditors

- (b) Commissions of £27,365 (2005 - £31,780) were earned in relation to business placed by LMIB, a group company, £48,404 (2005 - £44,446) is owed from LMIB and is included in year end debtors

£59,379 (2005 - £Nil) is owed to LMIB and is included in year end creditors

- (c) Commissions of £1,613 (2005 - £7,175) were received from Leeds Marine Underwriters Limited

£387 (2005 - £5,000) was outstanding at the year end and has been included in debtors

Manchester Marine Underwriters Limited

Notes forming part of the financial statements for the year ended 31 December 2006 *(Continued)*

19 Ultimate parent undertaking

The directors regard John Cahill & Company Limited to be the company's ultimate parent undertaking. At 31 December 2006, John Cahill & Company Limited had a 62.5% interest in the ordinary share capital of the entity.

The results of this company are consolidated into those of the ultimate parent company.

Mr J H Cahill, the chairman, is the ultimate controlling party by virtue of his controlling interest in the issued share capital of John Cahill & Company Limited.

Copies of the financial statements of John Cahill & Company Limited, and IMUA are available to the public on payment of the appropriate fee, from Companies House, Crown Way, Cardiff, CF4 3UZ.