

**London Market Insurance Brokers
Limited**

Report and Financial Statements

Year Ended

31 December 2006

IBDO

BDO Stoy Hayward
Chartered Accountants

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London Market Insurance Brokers Limited

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

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Directors

J H Cahill
P J Cahill
D J Lott
J A Smith
A P Welfare

Secretary and registered office

D J Lott, Lower Ground Floor, London Underwriting Centre, 3 Minster Court, London,
EC3R 7DD

Company number

04318122

Auditors

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

London Market Insurance Brokers 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 loss for the year

The directors do not recommend the payment of a dividend

Principal activities, trading review and future developments

The principal activity of the company is that of a Lloyd's broker

Although the volume of business handled by the Company increased, turnover, because of adverse exchange rate movements, is lower than that reported in the previous year

After allowing for the effects of exchange rate movements, the reported loss after tax of £32,562 (2005 - £24,118 profit) was in line with our forecast. The directors consider that both the level of business and the year end financial position were satisfactory

In 2005 John Cahill & Company Limited, the Company's parent undertaking sold 33% of its investment in its underwriting agency companies to R J Kiln & Co Limited. This provided opportunities to develop the group's business and has benefited London Market Insurance Brokers Limited

Directors

The directors of the company during the year were

J H Cahill
P J Cahill
D J Lott
J A Smith
A P Welfare

None of the directors who served during the year have any interests in the share capital of the company

Messrs J H Cahill and P J Cahill are both directors of the parent company, John Cahill & Company Limited, and their interests in that company are disclosed in its financial statements. None of the other directors who served during the year have any interests in the share capital of the Group

London Market Insurance Brokers 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

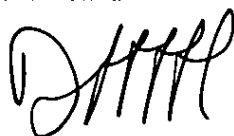
All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant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

By order of the Board

D J Lott



Secretary

5 September 2007

London Market Insurance Brokers Limited

Report of the independent auditors

To the shareholders of London Market Insurance Brokers Limited

We have audited the financial statements of London Market Insurance Brokers 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.

London Market Insurance Brokers 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 loss 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

London Market Insurance Brokers Limited**Profit and loss account for the year ended 31 December 2006**

	Note	2006 £	2005 £
Turnover	2	1,046,292	1,311,747
Net operating expenses		(1,105,228)	(1,264,909)
Operating profit/(loss)	5	(58,936)	46,838
Interest receivable and similar income	6	19,305	8,122
Profit/(loss) on ordinary activities before taxation		(39,631)	54,960
Tax paid/credit on profit/loss on ordinary activities	7	7,069	(30,842)
Profit/(loss) for the financial year	12,13	(32,562)	24,118

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 11 form part of these financial statements

London Market Insurance Brokers Limited

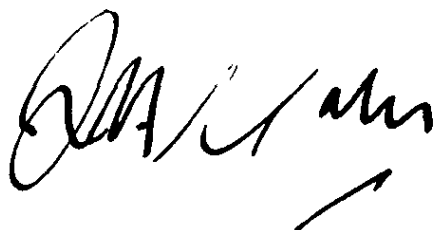
Balance sheet at 31 December 2006

	Note	2006 £	2005 £
Current assets			
Debtors	8	1,321,704	1,226,015
Cash at bank and in hand	9	1,479,520	3,129,662
		<u>2,801,224</u>	<u>4,355,677</u>
Creditors: amounts falling due within one year	10	2,420,333	3,942,224
		<u>2,420,333</u>	<u>3,942,224</u>
Total assets less current liabilities		<u>380,891</u>	<u>413,453</u>
Capital and reserves			
Called up share capital	11	400,000	400,000
Profit and loss account	12	(19,109)	13,453
		<u>380,891</u>	<u>413,453</u>
Shareholders' funds - equity	13	<u>380,891</u>	<u>413,453</u>

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



The notes on pages 7 to 11 form part of these financial statements

London Market Insurance Brokers 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

Cash flow statement

The company qualifies as a small company under the terms of Section 247 of the Companies Act 1985. As a consequence it is exempt from the requirement to publish a cash flow statement

Turnover

Turnover consists of brokerage income due to the company for the period. Credit is taken for brokerage when the debit notes are issued and adjustments to brokerage arising from return or additional premiums, unless material, are taken into account when they occur

Insurance broking debtors and creditors

The company acts as agent in broking the insurable risks of its clients and is not liable for premiums due to underwriters. Notwithstanding the legal relationship with clients and underwriters, the company has followed generally accepted accounting practice by showing cash, debtors and creditors relating to insurance business as assets and liabilities of the company itself

The legal status of settling accounts on a net basis is uncertain and in the event of an insolvency is generally abandoned. FRS5 requires that offset of assets and liabilities should be recognised in financial statements where the offset would solve the insolvency of the other party. Accordingly, only such offsets have been recognised in stating insurance broking debtors and creditors

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, without discounting, 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

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the average rates of exchange for the year. Amounts receivable and payable in foreign currencies at the balance sheet date are translated at the rates of exchange prevailing at the end of the financial year. All exchange differences are dealt with in the profit and loss account

2 Turnover

Turnover consists entirely of brokerage commission made in the United Kingdom

London Market Insurance Brokers Limited**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)****3 Employees**

	2006 £	2005 £
Staff costs, including directors, consist of		
Wages and salaries	710,422	918,263
Social security costs	82,029	107,982
	<u>792,451</u>	<u>1,026,245</u>
The average number of employees, including directors was	Number	Number
Production	8	10
Administration	9	7
	<u> </u>	<u> </u>

Other than as disclosed below, no directors received remuneration from the company in either the current or preceding period

4 Directors

	2006 £	2005 £
Emoluments of the company's directors		
Aggregate emoluments	<u>86,175</u>	<u>309,605</u>
Emoluments to highest paid director	<u>86,175</u>	<u>99,490</u>

Certain of the directors provide services to other companies within the John Cahill & Company Limited Group. The directors' aggregate emoluments disclosed above includes only the amounts that have been charged to this company in respect of the services provided to it.

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

5 Operating profit/(loss)

	2006 £	2005 £
This has been arrived at after charging		
Auditors' remuneration	<u>10,000</u>	<u>11,000</u>

London Market Insurance Brokers Limited

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

6 Interest receivable and similar income

	2006 £	2005 £
Bank interest	19,305	8,122

7 Taxation on profit on ordinary activities

	2006 £	2005 £
<i>Current tax</i>		
UK corporation tax on profits of the year	-	238
Amounts payable/(receivable) in respect of group relief	-	31,062
Prior year adjustment	-	(458)
Total current tax charge	-	30,842
Movement in deferred tax	(7,069)	-
Taxation on losses/(profits) on ordinary activities	(7,069)	30,842

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

	2006 £	2005 £
Profit/(loss) on ordinary activities before tax	(39,631)	54,960
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 30% (2005 - 30%)	(11,889)	16,488
Effects of		
Expenditure which is not tax deductible	4,820	14,950
Benefits of smaller companies rate of tax	-	(11,527)
Prior year adjustment	-	(458)
Group relief	-	11,389
Deferred tax	7,069	-
Current tax (credit)/charge for year	-	30,842

London Market Insurance Brokers Limited

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

8 Debtors

	2006 £	2005 £
Trade debtors	1,123,796	994,942
Amounts owed by parent company	52,818	97,643
Amounts owed by group undertakings	53,101	54,068
Other debtors	3,272	-
Prepayments and accrued income	81,648	79,362
Deferred tax asset - Unrelieved tax losses carried forward	7,069	-
	<u>1,321,704</u>	<u>1,226,015</u>

9 Cash at bank and in hand

Included within cash in bank and in hand is £1,395,515 (2005 - £3,006,966), which is held in bank accounts designated as non-statutory trust accounts

10 Creditors: amounts falling due within one year

	2006 £	2005 £
Trade creditors	2,022,269	3,385,800
Amounts owed to group undertakings	363,706	462,413
Group relief	-	50,947
Other taxation and social security	23,878	26,740
Accruals	10,480	16,324
	<u>2,420,333</u>	<u>3,942,224</u>

11 Share capital

	2006 Number	Authorised 2005 Number	2006 £	2005 £
Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
	Allotted, called up and fully paid			
	2006 Number	2005 Number	2006 £	2005 £
Ordinary shares of £1 each	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>

London Market Insurance Brokers Limited

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

12 Profit and loss account

	2006 £	2005 £
At 1 January 2006	13,453	(10,665)
Profit/(loss) for the financial year	(32,562)	24,118
	<hr/>	<hr/>
At 31 December 2006	(19,109)	13,453
	<hr/>	<hr/>

13 Reconciliation of movements in equity shareholders' funds

	2006 £	2005 £
Opening shareholders' funds	413,453	389,335
Profit/(loss) for the financial year	(32,562)	24,118
	<hr/>	<hr/>
Closing shareholders' funds	380,891	413,453
	<hr/>	<hr/>

14 Related party transactions

As a 100% owned subsidiary, the company has taken advantage of the provision within Financial Reporting Standard 8 and decided not to disclose details of related party transactions

15 Ultimate Parent undertaking

The directors regard John Cahill & Company Limited as the ultimate parent undertaking. At 31 December 2006, John Cahill & Company Limited had a 100% (2005 - 100%) interest in the ordinary share capital of the company. The results of this company are consolidated into those of the ultimate parent undertaking.

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