

Registered no: 1225875

MPW Insurance Brokers Limited
Annual report
for the year ended 31 December 1998



MPW Insurance Brokers Limited

Annual report for the year ended 31 December 1998

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Directors and advisers

Directors

A G Nicholson
D G A Applebey
D I Toms
S J Lockley
J R Cornacchia

Secretary and registered office

J R Cornacchia
Thames Bridge House
Henley Bridge
Henley-on-Thames
Oxon
RG9 2LN

Auditors

PricewaterhouseCoopers
Chartered Accountants
9 Greyfriars Road
Reading
RG1 1JG

Bankers

Arbuthnot Latham & Co., Limited
Royex House
Aldermanbury Square
London
EC2V 7HR

**Directors' report
for the year ended 31 December 1998**

The directors present their report and the audited financial statements of the company for the year ended 31 December 1998.

Principal activities

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

Review of Business

The profit and loss account for the year is set out on page 6.

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

Dividends

The directors have declared or now recommend the following dividends in respect of the year ended 31 December 1998.

	1998 £	1997 £
Interim paid	207,000	137,000
Final proposed	-	47,500
	<u>207,000</u>	<u>184,500</u>

Directors

The directors of the company in office during the year and their beneficial interests in the issued share capital of the company were as follows:

Name	Class of Capital	31.12.98	01.01.98
A G Nicholson	Ordinary £1	490	490
D G A Applebey	Ordinary £1	490	490
S J Lockley	-	-	-
J R Cornacchia	-	-	-
D I Toms	-	-	-

S J Lockley is a director of Secure Trust Banking Group PLC and his interest in group companies is disclosed in the accounts of that company.

Interests in share options

The interests of Directors in the ordinary shares of Secure Trust Banking Group PLC requiring disclosure under the Companies Act 1985 are as follows:

	31 December 1998		1 January 1998	
	Shares	Share options	Shares	Share options
A G Nicholson	9,524	-	9,524	-
D I Toms	-	4,000	-	4,000
J R Cornacchia	-	4,000	-	4,000

Year 2000

The Directors are aware of the detailed issues surrounding the Year 2000 problem. All business critical systems have been identified and are being addressed.

The cost of the work is not considered to be significant and is being charged to the profit and loss account as incurred.

Statement of Directors' Responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

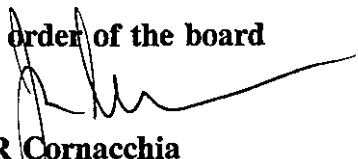
The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1998. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Coopers & Lybrand have resigned as auditors to the Company. The Directors have appointed their successor firm, PricewaterhouseCoopers, as auditors to fill the casual vacancy arising. A resolution to reappoint the auditors, PricewaterhouseCoopers, will be proposed at the annual general meeting.

By order of the board



J R Cornacchia
Company Secretary

**Report of the auditors to the members of
MPW Insurance Brokers Limited**

We have audited the financial statements on pages 6 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 3 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1998 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Reading

14 May 1999.

Profit and loss account for the year ended 31 December 1998

	Notes	1998 £	1997 £
Turnover - continuing activities	2	1,050,450	959,701
Administrative expenses		(783,294)	(705,584)
Operating profit - continuing activities		267,156	254,117
Interest receivable	5	41,910	26,452
Interest payable and similar charges	6	(876)	(1,052)
Profit on ordinary activities before taxation	7	308,190	279,517
Tax on profit on ordinary activities	8	(100,703)	(91,937)
Profit for the financial year after taxation		207,487	187,580
Dividends	9	(207,000)	(184,500)
Retained profit for the year		487	3,080
Retained profit brought forward		6,092	3,012
Retained profit carried forward		6,579	6,092

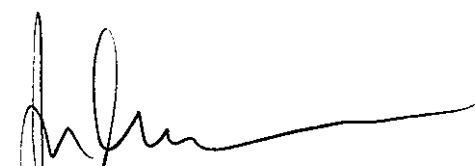
The company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

Balance sheet at 31 December 1998

	Notes	1998 £	1997 £
Fixed assets			
Tangible assets	10	23,076	34,981
Current assets			
Debtors: amounts falling due after one year	11	-	5,819
Debtors: amounts falling due within one year	11	1,256,488	1,246,246
Cash at bank		283,773	364,147
		1,540,261	1,616,212
Creditors: amounts falling due within one year	12	(1,554,758)	(1,639,676)
Net current liabilities		(14,497)	(23,464)
Total assets less current liabilities		8,579	11,517
Creditors: amounts falling due after more than one year	13	-	(3,425)
Provisions for liabilities and charges	14	-	-
Net assets		8,579	8,092
Capital and reserves			
Called up share capital	15	2,000	2,000
Profit and loss account		6,579	6,092
Equity shareholders' funds	16	8,579	8,092

The financial statements on pages 6 to 16 were approved by the board of directors on
and were signed on its behalf by:



J R Cornacchia
Director

Cash flow statement for the year ended 31 December 1998

	Notes	1998 £	1997 £
Net cash inflow from operating activities	I	253,388	348,984
Returns on investments and servicing of finance			
Interest received		41,910	26,452
Interest paid on hire purchase agreement		(876)	(1,052)
Net cash inflow from returns on investments and servicing of finance		41,034	25,400
Taxation			
Corporation tax paid		(113,421)	(96,043)
Tax paid		(113,421)	(96,043)
Capital expenditure and financial investment			
Amounts paid to acquire fixed assets		-	(13,245)
Net cash outflow for capital expenditure and financial investment		-	(13,245)
Equity dividends paid		(254,500)	(182,000)
Net cash (outflow)/inflow before financing		(73,499)	83,096
Financing			
Repayment of principal under hire purchase agreements	II	(6,875)	(3,750)
Net cash outflow from financing		(6,875)	(3,750)
(Decrease)/increase in cash	II	(80,374)	79,346

Notes to the cash flow statement

I Reconciliation of operating profit to net cash inflow from operating activities

	1998 £	1997 £
Operating profit	267,156	254,117
(Increase) in debtors	(10,242)	(130,664)
(Decrease)/increase in client funds	(32,672)	242,745
Increase/(decrease) in creditors	17,241	(29,119)
Depreciation	11,905	11,905
	<u>253,388</u>	<u>348,984</u>

II Reconciliation of net cash flow to movement in net debt

	1.1.98 £	Cash flow £	31.12.98 £
Cash in hand, at bank	364,147	(80,374)	283,773
Debt due within 1 year	(3,450)	3,450	-
Debt due after 1 year	(3,425)	3,425	-
	<u>357,272</u>	<u>(73,499)</u>	<u>283,773</u>

Notes to the financial statements for the year ended 31 December 1998

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Turnover

Turnover represents net commissions receivable. This is credited to the profit and loss account at the time of initiating or renewing each policy as appropriate.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset to its residual value over its estimated useful life.

Motor vehicles	-	20% on cost
Equipment	-	10% on cost.

Deferred taxation

Provision is made for deferred taxation using the liability method on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Finance and operating leases

Amounts payable under operating leases are charged to the profit and loss account as accrued. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under hire purchase agreements. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets under hire purchase agreements are depreciated over the shorter of the lease terms and the useful lives of the equivalent owned assets.

Pension costs

The company operates a defined contribution pension scheme. The amounts paid as contributions are charged to the profit and loss account in the period in which they are payable. The assets of the scheme are held in a separate trustee-administered fund. The fund administrator is Arbuthnot Pension Trustees Limited - see note 17.

2 Turnover

Turnover consists entirely of commissions earned in the United Kingdom.

3 Employee information

	1998 £	1997 £
Wages and salaries	451,570	385,241
Social security costs	44,280	37,448
Other pension costs	67,391	62,630
	<u>563,241</u>	<u>485,319</u>

The average monthly number of employees (including four (1997 - four) directors) remunerated by the company during the year was:

	1998 Number	1997 Number
Sales	6	6
Administration	7	7
Secretarial	5	5
	<u>18</u>	<u>18</u>

4 Directors' emoluments

Stephen Lockley is also a director of Secure Trust Banking Group PLC and his remuneration is disclosed in the accounts of that company.

	1998 £	1997 £
Aggregate emoluments	242,001	219,595
Company pension contributions to money purchase schemes	39,192	35,152
	<u>281,193</u>	<u>254,747</u>

Retirement benefits are accruing to four (1997 - four) directors under a money purchase pension scheme.

	1998 £	1997 £
Highest paid director		
Aggregate emoluments and benefits	103,531	94,044
Company pension contributions to money purchase scheme	13,600	13,600
	<u>117,131</u>	<u>107,644</u>

5 Interest receivable

	1998 £	1997 £
Deposit account interest	<u>41,910</u>	<u>26,452</u>

6 Interest payable and similar charges

	1998 £	1997 £
Interest on hire purchase agreements	<u>876</u>	<u>1,052</u>

7 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging:

	1998 £	1997 £
Depreciation - owned assets	8,905	8,905
- hire purchase assets	3,000	3,000
Auditors' remuneration - audit	10,860	7,000
- other	-	500
- in respect of prior year - audit	-	5,255
- other	-	500
Operating lease rentals - land and buildings	<u>44,670</u>	<u>44,670</u>

8 Tax on profit on ordinary activities

	1998 £	1997 £
United Kingdom corporation tax at 31% (1997: 31.5%):		
Current	100,703	91,983
Under/(over) provision in respect of prior years:		
Current	-	800
Deferred	-	(846)
	<u>100,703</u>	<u>91,937</u>

9 Dividends

	1998 £	1997 £
Equity shares:		
Interim paid: £103.50 (1997: £68.50) per £1 share	207,000	137,000
Final proposed: £nil (1997: £23.75) per £1 share	-	47,500
	<u>207,000</u>	<u>184,500</u>

10 Tangible fixed assets

	Motor vehicles £	Equipment £	Total £
Cost			
At 1 January 1998 and 31 December 1998	<u>29,813</u>	<u>59,417</u>	<u>89,230</u>
Depreciation			
At 1 January 1998	15,393	38,856	54,249
Charge for year	<u>5,963</u>	<u>5,942</u>	<u>11,905</u>
At 31 December 1998	<u>21,356</u>	<u>44,798</u>	<u>66,154</u>
Net Book Value at 31 December 1998	<u>8,457</u>	<u>14,619</u>	<u>23,076</u>
Net Book Value at 31 December 1997	<u>14,420</u>	<u>20,561</u>	<u>34,981</u>

The net book value of motor vehicles includes an amount of £nil (1997: £9,000) in respect of assets held under hire purchase agreements.

11 Debtors

	1998 £	1997 £
Amounts falling due after more than one year		
ACT recoverable	-	5,819
	<u> </u>	<u> </u>
	1998 £	1997 £
Amounts falling due within one year		
Prepayments and accrued income	250	-
Due from clients (see note 12)	1,256,238	1,246,246
	<u> </u>	<u> </u>
	<u>1,256,488</u>	<u>1,246,246</u>

12 Creditors: amounts falling due within one year

	1998 £	1997 £
Obligations under hire purchase agreements	-	3,450
Corporation tax payable	69,526	69,688
ACT payable	4,226	22,601
Clients' funds	1,443,518	1,476,190
Accruals and deferred income	37,488	20,247
Proposed dividend	-	47,500
	<u> </u>	<u> </u>
	<u>1,554,758</u>	<u>1,639,676</u>

The net amount of client funds less amounts due from clients is represented by cash at bank of £187,272 (1997: £229,944), which can only be applied for the designated purposes.

13 Creditors: amounts falling due after more than one year

	1998 £	1997 £
Obligations under hire purchase agreements		
In two to five years	-	3,425
	<u> </u>	<u> </u>

14 Provisions for liabilities and charges

Deferred taxation - timing differences arising from excess of capital allowances over depreciation

	£
At 1 January 1998	-
Profit and loss account	-
	<hr/>
At 31 December 1998	-
	<hr/> <hr/>

The company has an unrecognised deferred tax asset of £566 (1997: £527) arising from excess of depreciation over capital allowances.

15 Called up share capital

	1998 £	1997 £
Authorised		
250,000 ordinary shares of £1 each	250,000	250,000
	<hr/> <hr/>	<hr/> <hr/>
Allotted, called up and fully paid		
2,000 ordinary shares of £1 each	2,000	2,000
	<hr/> <hr/>	<hr/> <hr/>

16 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Profit for the financial year	207,487	187,580
Dividends	207,000	(184,500)
	<hr/>	<hr/>
Net addition to shareholders' funds	487	3,080
Opening shareholders' funds	8,092	5,012
	<hr/>	<hr/>
Closing shareholders' funds	8,579	8,092
	<hr/> <hr/>	<hr/> <hr/>

17 Related party transactions

During the year the company acted as broker on behalf of: Secure Trust Banking Group PLC and fellow subsidiaries within the Group; the company's own directors and senior management; and Thistle Aviation Limited, a private company controlled by a director and minority shareholder in the company. All such transactions were written under normal commercial terms.

During the year the company has used banking facilities at Arbuthnot Latham & Co., Limited. Arbuthnot Latham & Co., Limited is a wholly owned subsidiary of Secure Trust Banking Group PLC. Transactions with this company are carried out under normal third-party terms. During the year the company earned interest of £33,453 (1997: £19,619) at commercial rates on its deposits with Arbuthnot Latham & Co., Limited and the balance at 31 December 1998 was £156,105 (1997: £244,936).

D G A Applebey is a director and shareholder of Partnership Protection Limited. MPW Insurance Brokers Limited has a commission sharing agreement with this company under which MPW Insurance Brokers Limited received £883 in 1998 (1997: £7,927). There were no amounts outstanding at 31 December 1998.

The company leases and trades from premises which are jointly owned by two directors of the company, A G Nicholson and D G A Applebey. During the year the company paid rent of £44,670 (1997: £44,670) for the use of these premises. The lease expires on 30 June 2011, and the rent payable under the lease is subject to review every third year. There were no amounts outstanding at 31 December 1998.

Arbuthnot Pension Trustees Limited, a wholly owned subsidiary of Secure Trust Banking Group plc, acted as administrator to the company's pension fund. The company did not pay a fee during the year for this service.

The company acted as an insurance broker for Arbuthnot Pensions & Investments Limited, a wholly owned subsidiary of Secure Trust Banking Group PLC. All transactions were written under normal commercial terms.

18 Financial commitments

At 31 December 1998 the company had annual commitments under non-cancellable operating leases on land and buildings as follows:

	1998	1997
	£	£
Expiring in more than 5 years	<u>44,670</u>	<u>44,670</u>

19 Ultimate parent company and controlling party

The company's immediate holding company is Arbuthnot Latham & Co., Limited.

The Directors regard Secure Trust Banking Group PLC as its ultimate holding company and ultimate controlling party. Copies of its consolidated financial statements may be obtained from The Secretary, Secure Trust Banking Group PLC, Paston House, Arlestone Way, Solihull, B90 4LH.