

Registered no: 1225875

Arbuthnot Insurance Brokers Limited  
Annual report  
for the year ended 31 December 2004



# **Arbuthnot Insurance Brokers Limited**

## **Annual report for the year ended 31 December 2004**

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**Directors and advisers**

**Directors**

D G A Applebey  
J R Cornacchia  
M D Evans  
J Reed  
D I Toms

**Secretary and registered office**

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

**Auditors**

Rees Pollock  
35 New Bridge Street  
London  
EC4V 6BW

**Bankers**

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

## **Directors' report for the year ended 31 December 2004**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2004.

### **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 5.

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**

A dividend of £250 per £1 share (2003: £150 per share) was paid in the year.

### **Directors**

The directors who served during the year were:-

D G A Applebey  
J R Cornacchia  
M D Evans  
D I Toms  
J Reed

No director had a beneficial interest in any shares of the Company during the year.

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

**Statement of Directors' Responsibilities**

Company law requires the directors to prepare financial statements for each financial year that 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:

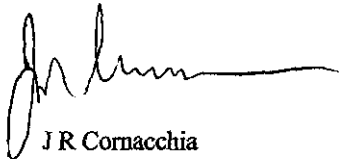
- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the 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 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**

A resolution to re-appoint Rees Pollock as auditors to the company will be put to the members at the Annual General Meeting.

**On behalf of the Board**



J R Cornacchia  
Secretary

2<sup>nd</sup> March 2005

## **Independent Auditors' Report to the members of Arbuthnot Insurance Brokers Limited**

We have audited the accounts on pages 5 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 7 .

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 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 the directors and the auditors**

The directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are 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 the accounts, 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 with the company 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 responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

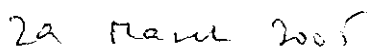
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error.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

### **Opinion**

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 2004 and of the loss of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



Rees Pollock  
Chartered Accountants  
Registered Auditor  
35 New Bridge Street  
London  
EC4V 6BW



**Profit and loss account for the year ended 31 December 2004**

	Notes	2004 £	2003 £
Turnover - continuing activities	2	1,714,025	1,689,220
Administrative expenses		(1,327,656)	(1,332,715)
Operating profit - continuing activities		386,369	356,505
Interest receivable	5	42,819	38,021
Profit on ordinary activities before taxation	6	429,188	394,526
Tax on profit on ordinary activities	7	(134,800)	(127,766)
Profit for the financial year after taxation		294,388	266,760
Dividends	8	(500,000)	(300,000)
Loss for the year		(205,612)	(33,240)
Retained profit brought forward		513,029	546,269
Retained profit carried forward		307,417	513,029

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.

**Statement of total recognised gains and losses  
for the year ended 31st December 2004**

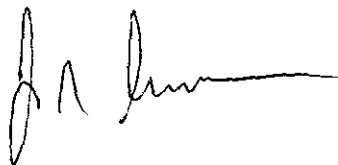
	2004 £	2003 £
Profit on ordinary activities after taxation representing the total recognised gains for the year	(205,612)	(33,240)
Prior year adjustment - FRS 5	-	(48,430)
Total recognised gains	(205,612)	(81,670)

The notes on pages 7 to 12 form part of these accounts

## Balance sheet as at 31 December 2004

	Notes	2004 £	2003 £
<b>Fixed assets</b>			
Tangible assets	9	111,787	130,364
<b>Current assets</b>			
Debtors: amounts falling due within one year	10	2,191,124	2,411,080
Cash at bank		574,842	1,078,626
		2,765,966	3,489,706
Creditors: amounts falling due within one year	11	(2,568,336)	(3,105,041)
<b>Net current assets</b>		<b>197,630</b>	<b>384,665</b>
<b>Total assets less current liabilities</b>		<b>309,417</b>	<b>515,029</b>
<b>Net assets</b>		<b>309,417</b>	<b>515,029</b>
<b>Capital and reserves</b>			
Called up share capital	12	2,000	2,000
Profit and loss account		307,417	513,029
<b>Equity shareholders' funds</b>	13	<b>309,417</b>	<b>515,029</b>

The financial statements on pages 5 to 12 were approved by the board of directors on 2nd March 2005 and were signed on its behalf by:



J R Cornacchia  
Director

The notes on pages 7 to 12 form part of these accounts



**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 on the date that insurance cover commences.

**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**

Deferred taxation is provided in full on all timing differences, without discounting, calculated at the rate at which it is estimated that tax will be payable except where otherwise required by accounting standards.

**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 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.

**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.

**Cashflow statement**

The company is a wholly-owned subsidiary of Secure Trust Banking Group PLC, and the cash flows of the company are included in the consolidated cash flow statement of Secure Trust Banking Group PLC. Consequently the company is exempt under the terms of Financial Reporting Statement No.1 from publishing a cash flow statement.

**2. Turnover**

Turnover consists entirely of commissions earned in the United Kingdom.

**3 Employee information**

	2004	2003
	£	£
Wages and salaries	763,623	736,346
Social security costs	78,635	78,912
Other pension costs	109,580	95,276
	<b>951,838</b>	<b>910,734</b>

The average monthly number of employees (including five (2003 - five) directors) remunerated by the company during the year was:

	2004	2003
	Number	Number
Sales	8	8
Administration	12	12
Secretarial	5	5
	<b>25</b>	<b>25</b>

**4 Directors' emoluments**

J Reed is remunerated by other group companies who make no recharge to the company, his emoluments are disclosed in the accounts of Secure Trust Banking Group PLC

	2004	2003
	£	£
Aggregate emoluments	318,322	340,057
Company pension contributions to money purchase schemes	75,996	74,617
	<b>394,318</b>	<b>414,674</b>

Retirement benefits are accruing to four (2003 - four) directors under a money purchase pension scheme.

	2004	2003
	£	£
Highest paid Director		
Aggregate emoluments	104,428	134,723
Company pension contributions to money purchase schemes	49,000	49,000
	<b>153,428</b>	<b>183,723</b>

**5 Interest receivable**

	2004	2003
	£	£
Deposit account interest	42,819	38,021

## 6 Profit on ordinary activities before taxation

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

	2004	2003
	£	£
Depreciation - owned assets	19,146	32,576
Auditors' remuneration	12,102	11,750
Operating lease rentals - land and buildings	71,875	71,875

## 7 Taxation

	2004	2003
	£	£
<b>a. Analysis of charge in the period</b>		
Current tax		
UK corporation tax on profits for the period	132,714	121,462
Total current tax	132,714	121,462
Deferred tax		
Origination and reversal of timing differences	2,086	6,304
Tax on profits on ordinary activities	134,800	127,766

### b. Factors affecting tax charge for the period

The tax for the year is higher than the standard rate of corporation tax in the UK (30%).

The differences are explained below.

	2004	2003
	£	£
Profit on ordinary activities before tax	429,188	394,526
Profit on ordinary activities multiplied by the standard rate of corporation tax	128,756	118,358
Capital allowances in excess of depreciation	(1,873)	88
Expenses not deductible for tax purposes	5,831	3,016
Current tax charge for period	132,714	121,462

## 8 Dividends

	2004	2003
	£	£
Equity shares:		
Final proposed: nil per £1 share (2003: £150)	-	300,000
Paid during year: £250 per £1 share (2003: nil)	500,000	-

## 9 Tangible fixed assets

	Motor Vehicles £	Equipment £	Total £
<b>Cost</b>			
At 1 January 2004	77,130	160,354	237,484
Additions	26,919	-	26,919
Disposal	(60,700)	-	(60,700)
<b>At 31 December 2004</b>	<b>43,349</b>	<b>160,354</b>	<b>203,703</b>
<b>Depreciation</b>			
At 1 January 2004	42,952	64,168	107,120
Charge for the year	6,880	15,936	22,816
Disposal	(38,020)	-	(38,020)
<b>At 31 December 2004</b>	<b>11,812</b>	<b>80,104</b>	<b>91,916</b>
<b>Net Book Value</b>			
<b>At 31 December 2004</b>	<b>31,537</b>	<b>80,250</b>	<b>111,787</b>
At 31 December 2003	34,178	96,186	130,364

## 10 Debtors

	2004 £	2003 £
<b>Amounts falling due within one year</b>		
Due from clients (see note 11)	2,191,124	2,411,080
	<b>2,191,124</b>	<b>2,411,080</b>

## 11 Creditors: amounts falling due within one year

	2004 £	2003 £
Corporation tax payable	64,614	-
Deferred tax	10,453	8,367
Group relief payable	-	100,706
Clients' funds	2,366,948	2,586,053
Dividends payable	-	300,000
Accruals and deferred income	124,821	108,415
Amounts payable to group undertakings	1,500	1,500
	<b>2,568,336</b>	<b>3,105,041</b>

The net amount of client funds less amounts due from clients is represented by cash at bank of £101,427 (2003: £420,477), which can only be applied for the designated purposes.

**12 Called up share capital**

	2004	2003
	£	£
<b>Authorised</b>		
250,000 ordinary shares of £1 each	250,000	250,000
<b>Allotted, called up and fully paid</b>		
2,000 ordinary shares of £1 each	2,000	2,000

**13 Reconciliation of movements in shareholders' funds**

	2004	2003
	£	£
Opening shareholders' funds	515,029	596,698
Prior year adjustment	-	(48,430)
Restated opening shareholders' funds	515,029	548,268
Profit for the financial year	294,388	266,760
Dividends	(500,000)	(300,000)
Net (Decrease) increase in shareholders' funds	(205,612)	(33,240)
<b>Closing shareholders' funds</b>	<b>309,417</b>	<b>515,029</b>

#### 14 Related party transactions

As a wholly owned subsidiary of Secure Trust Banking Group PLC, the company is exempt under Financial Reporting Standard 8 (FRS 8) from disclosing transactions with other group companies which will be eliminated on consolidation.

During the year the company acted as broker on behalf of certain of the company's directors and entities connected with them. All such transactions were written under commercial terms.

The company leases and trades from premises which are jointly owned by A G Nicholson and D G A Applebey. 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 2004 (2003: £Nil). The amounts payable are shown in note 15

#### 15 Financial commitments

At 31 December 2004 the company had annual commitments under non-cancellable operating leases on land and buildings as follows:

	2004 £	2003 £
Expiring in more than 5 years	71,875	71,875

#### 16 Ultimate parent company and controlling party

The company's immediate parent 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, One Arleston Way, Solihull, B90 4LH.