

Registered no: 1225875

Arbuthnot Insurance Brokers Limited
Annual report
for the year ended 31 December 2003



Arbuthnot Insurance Brokers Limited

Annual report for the year ended 31 December 2003

	Pages
Directors and advisers	1
Directors' report	2-3
Report of the auditors	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7-12

Directors and advisers

Directors

D G A Applebey
J R Cornacchia
M D Evans
S J Lockley
D I Toms

Secretary and registered office

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

Auditors

Rees Pollock
7 Pilgrim Street
London
EC4V 6DR

Bankers

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

Directors' report for the year ended 31 December 2003

The directors present their report and the audited financial statements of the company for the year ended 31 December 2003.

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

The directors recommend the payment of a dividend of £150 per £1 share (2002: Nil)

Directors

The directors who served during the year were:-

D G A Applebey

J R Cornacchia

M D Evans

S J Lockley Resigned 13th May 2003

D I Toms

J Reed Appointed 13th May 2003

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

S J Lockley and J Reed are directors of Secure Trust Banking Group PLC and their 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:

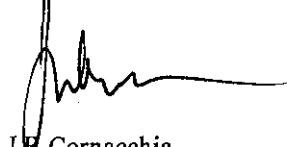
- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the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

11th March 2004

**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 2003 and of the profit 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
London
EC4V 6DR

18 March 2004

Profit and loss account for the year ended 31 December 2003

	Notes	2003 £	Restated 2002 £
Turnover - continuing activities	2	1,689,220	1,738,747
Administrative expenses		(1,332,715)	(1,306,953)
Operating profit - continuing activities		356,505	431,794
Interest receivable	5	38,021	34,050
Profit on ordinary activities before taxation	6	394,526	465,844
Tax on profit on ordinary activities	7	(127,766)	(143,123)
Profit for the financial year after taxation		266,760	322,721
Dividends	8	(300,000)	-
Profit for the year		(33,240)	322,721
Retained profit brought forward		546,269	223,548
Retained profit carried forward		513,029	546,269

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.

**Statement of total recognised gains and losses
for the year ended 31st December 2003**

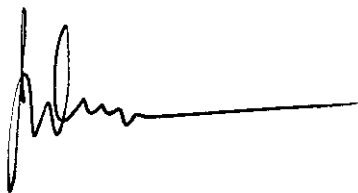
	2003 £	Restated 2002 £
Profit on ordinary activities after taxation representing the total recognised gains for the year	(33,240)	322,721
Prior year adjustment - FRS 5	(48,430)	
Total recognised gains	(81,670)	

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

Balance sheet as at 31 December 2003

	Notes	2003 £	Restated 2002 £
Fixed assets			
Tangible assets	9	130,364	159,062
Current assets			
Debtors: amounts falling due within one year	10	2,411,080	2,832,330
Cash at bank		1,078,626	1,045,865
		3,489,706	3,878,195
Creditors: amounts falling due within one year	11	(3,105,041)	(3,488,988)
Net current assets		384,665	389,207
Total assets less current liabilities		515,029	548,269
Net assets		515,029	548,269
Capital and reserves			
Called up share capital	12	2,000	2,000
Profit and loss account		513,029	546,269
Equity shareholders' funds	13	515,029	548,269

The financial statements on pages 5 to 12 were approved by the board of directors on 11th March 2004 and were signed on its behalf by:



J R Cornacchia
Director

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

Notes to the financial statements for the year ended 31 December 2003**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

	2003	2002
	£	£
Wages and salaries	736,546	722,200
Social security costs	78,912	74,588
Other pension costs	95,276	63,802
	910,734	860,590

The average monthly number of employees (including five (2002 - five) directors) remunerated by the company during the year was:

	2003	2002
	Number	Number
Sales	8	8
Administration	12	11
Secretarial	5	5
	25	24

4 Directors' emoluments

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

	2003	2002
	£	£
Aggregate emoluments	340,057	335,503
Company pension contributions to money purchase schemes	74,617	62,522
	414,674	398,025

Retirement benefits are accruing to four (2002 - four) directors under a money purchase pension scheme.

	2003	2002
	£	£
Highest paid Director		
Aggregate emoluments	134,723	132,499
Company pension contributions to money purchase schemes	49,000	47,000
	183,723	179,499

5 Interest receivable

	2003	2002
	£	£
Deposit account interest	38,021	34,050

6 Profit on ordinary activities before taxation

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

	2003	2002
	£	£
Depreciation - owned assets	32,576	29,002
Auditors' remuneration	11,750	11,163
Operating lease rentals - land and buildings	71,875	71,875

7 Taxation

	2003	Restated 2002
	£	£
a. Analysis of charge in the period		
Current tax		
UK corporation tax on profits for the period	121,462	143,132
Adjustment in respect of a prior year	-	(2,072)
Total current tax	121,462	141,060
Deferred tax		
Origination and reversal of timing differences	6,304	2063
Tax on profits on ordinary activities	127,766	143,123

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.

	2003	Restated 2002
	£	£
Profit on ordinary activities before tax	394,526	465,844
Profit on ordinary activities multiplied by the standard rate of corporation tax	118,358	139,754
Capital allowances in excess of depreciation	88	(3,271)
Expenses not deductible for tax purposes	3,016	6,649
Current tax charge for period	121,462	143,132

8 Dividends

	2003	2002
	£	£
Equity shares:		
Final proposed: £150 per £1 share (2002: nil)	300,000	-

9 Tangible fixed assets

	Motor Vehicles	Equipment	Total
	£	£	£
Cost			
At 1 January 2003	77,130	156,476	233,606
Additions	-	3,878	3,878
Disposal	-	-	0
At 31 December 2003	77,130	160,354	237,484
Depreciation			
At 1 January 2003	27,524	47,020	74,544
Charge for the year	15,428	17,148	32,576
Disposal	-	-	0
At 31 December 2003	42,952	64,168	107,120
Net Book Value			
At 31 December 2003	34,178	96,186	130,364
At 31 December 2002	49,606	109,456	159,062

10 Debtors

	2003	2002
	£	£
Amounts falling due within one year		
Prepayments and accrued income	-	4,062
Due from clients (see note 11)	2,411,080	2,804,714
Corporation tax receivable	-	23,534
	2,411,080	2,832,330

11 Creditors: amounts falling due within one year

	2003	Restated 2002
	£	£
Corporation tax payable	-	-
Deferred tax	8,367	2,063
Group relief payable	100,706	75,843
Clients' funds	2,586,053	3,294,377
Dividends payable	300,000	-
Accruals and deferred income	108,415	108,183
Amounts payable to group undertakings	1,500	8,522
	3,105,041	3,488,988

The net amount of client funds less amounts due from clients is represented by cash at bank of £101,427 (2002: £420,477), which can only be applied for the designated purposes.

12 Called up share capital

	2003	2002
	£	£
Authorised		
250,000 ordinary shares of £1 each	250,000	250,000
Allotted, called up and fully paid		
2,000 ordinary shares of £1 each	2,000	2,000

13 Reconciliation of movements in shareholders' funds

	2003	Restated 2002
	£	£
Opening shareholders' funds	596,698	225,547
Prior year adjustment	(48,430)	-
Restated opening shareholders' funds	548,268	
Profit for the financial year	266,760	322,721
Dividends	(300,000)	-
Net (Decrease) increase in shareholders' funds	(33,240)	322,721
Closing shareholders' funds	515,028	548,268

14 Prior year adjustment

In 2002 the income recognition policy was to recognise commission income on the date that the client debit note was raised, which was always in advance of the date that insurance cover commenced.

Following an amendment to FRS 5 (Reporting the substance of transactions), the accounting policy for income recognition has been changed to comply with the revised Financial Reporting Standard, such that income is now only recognised from the date that insurance cover commences.

As a result of this change, the prior year comparatives have been restated to comply with the amendment to FRS5. The impact of this new policy is to reduce the profit after tax for the year ended 31 December 2002 by £11,464 and reduce the net assets by £48,430.

	2002 £
Profit for the year as previously reported at 31st December 2002	334,186
Effect of the change in accounting policy:	
Change in turnover	(16,378)
Change in tax charge	4,914
Profit for 2002 as restated	322,722
Net assets as previously reported at 31st December 2002	596,699
(Increase) in creditors	(48,430)
Net assets as restated at 31st December 2002	548,269

15 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 2003 (2002: £Nil). The amounts payable are shown in note 16

16 Financial commitments

At 31 December 2003 the company had annual commitments under non-cancellable operating leases on land and buildings as follows:

	2003 £	2002 £
Expiring in more than 5 years	71,875	71,875

17 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.