

Registered no: 1225875

**Arbuthnot Insurance Brokers Limited**  
**Annual report**  
**for the year ended 31 December 2001**



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# **Arbuthnot Insurance Brokers Limited**

## **Annual report for the year ended 31 December 2001**

	Pages
<b>Directors and advisers</b>	1
<b>Directors' report</b>	2-3
<b>Report of the auditors</b>	4
<b>Profit and loss account</b>	5
<b>Balance sheet</b>	6
<b>Notes to the financial statements</b>	7-11

**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**

Rees Pollock  
7 Pilgrim Street  
London  
EC4V 6DR

**Bankers**

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

**Directors' report for the year ended 31 December 2001**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2001.

**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 £150,000 (2000: Nil)

**Directors**

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

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 2001		31 December 2000	
	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

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.

**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:

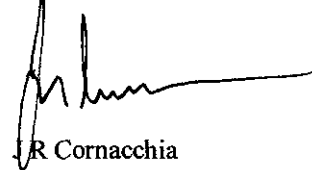
- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the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

PricewaterhouseCoopers resigned as auditors on 31<sup>st</sup> December 2001 and Rees Pollock were appointed to fill the resulting vacancy. A resolution to re-appoint Rees Pollock as auditors will be put to the members at the Annual General Meeting.

**On behalf of the Board**

A handwritten signature in black ink, appearing to read 'J R Cornacchia', with a long horizontal flourish extending to the right.

**J R Cornacchia**  
**Secretary**

14<sup>th</sup> March 2002

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

We have audited the accounts on pages 5 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

**Respective responsibilities of the directors and the auditors**

As described on page 2, the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

It is our responsibility 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.

**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 2001 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*

Rees Pollock  
Chartered Accountants  
Registered Auditor  
London

25 APR 2002

**Profit and loss account for the year ended 31 December 2001**

	Notes	2001 £	2000 £
Turnover - continuing activities	2	1,523,323	1,476,929
Administrative expenses		(1,195,803)	(1,253,647)
<b>Operating profit - continuing activities</b>		<b>327,520</b>	<b>223,282</b>
Interest receivable	5	24,514	25,409
<b>Profit on ordinary activities before taxation</b>	6	<b>352,034</b>	<b>248,691</b>
Tax on profit on ordinary activities	7	(111,457)	(78,755)
<b>Profit for the financial year after taxation</b>		<b>240,577</b>	<b>169,936</b>
Dividends	8	(150,000)	-
<b>Profit for the year</b>		<b>90,577</b>	<b>169,936</b>
Retained profit brought forward		169,936	-
<b>Retained profit carried forward</b>		<b>260,513</b>	<b>169,936</b>

The company has no recognised gains and losses other than the profits and losses 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.

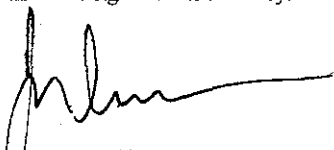
The notes on pages 7 to 11 form part of these accounts

## Balance sheet as at 31 December 2001

	Notes	2001 £	2000 £
<b>Fixed assets</b>			
Tangible assets	9	160,277	57,007
<b>Current assets</b>			
Debtors: amounts falling due within one year	10	2,130,856	2,455,787
Cash at bank		662,727	320,398
		<b>2,793,583</b>	<b>2,776,185</b>
Creditors: amounts falling due within one year	11	(2,691,347)	(2,661,256)
Net current assets		<b>102,236</b>	<b>114,929</b>
<b>Total assets less current liabilities</b>		<b>262,513</b>	<b>171,936</b>
<b>Net assets</b>		<b>262,513</b>	<b>171,936</b>
<b>Capital and reserves</b>			
Called up share capital	12	2,000	2,000
Profit and loss account		260,513	169,936
Equity shareholders' funds	13	<b>262,513</b>	<b>171,936</b>

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

14 MARCH 2002



J/R Cornacchia  
Director

The notes on pages 7 to 11 form part of these accounts

**Notes to the financial statements for the year ended 31 December 2001****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 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 - see note 14.

**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 statements.

**2. Turnover**

Turnover consists entirely of commissions earned in the United Kingdom.

**3 Employee information**

	2001 £	2000 £
Wages and salaries	681,532	654,532
Social security costs	70,236	66,297
Other pension costs	76,592	59,773
	<b>828,360</b>	<b>780,602</b>

The average monthly number of employees (including four (2000 - four) directors) remunerated by the company during the year was:

	2001 Number	2000 Number
Sales	8	8
Administration	9	10
Secretarial	5	6
	<b>22</b>	<b>24</b>

**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, as it is not practicable to allocate remuneration to subsidiary companies.

	2001 £	2000 £
Aggregate emoluments	281,201	278,896
Company pension contributions to money purchase Schemes	38,413	40,799
	<b>319,614</b>	<b>319,695</b>

Retirement benefits are accruing to three (2000 - four) directors under a money purchase pension scheme.

	2001 £	2000 £
Highest paid Director		
Aggregate emoluments	143,068	149,858
Company pension contributions to money purchase Schemes	21,000	22,500
	<b>164,068</b>	<b>172,358</b>

**5 Interest receivable**

	2001 £	2000 £
Deposit account interest	24,514	25,409

**6 Profit on ordinary activities before taxation**

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

	2001 £	2000 £
Depreciation - owned assets	20,470	15,361
Auditors' remuneration	10,047	14,450
Operating lease rentals - land and buildings	71,875	41,550

**7 Tax on profit on ordinary activities**

	2001 £	2000 £
United Kingdom corporation tax at 30 % (2000: 30%):	104,455	78,755
Underprovision in respect of a previous year	7,002	-
	111,457	78,755

**8 Dividends**

	2001 £	2000 £
Equity shares:		
Final proposed: £75 per £1 share (2000: nil)	150,000	-

**9 Tangible fixed assets**

	Motor Vehicles £	Equipment £	Total £
<b>Cost</b>			
At 1 January 2001	52,513	110,863	163,376
Additions	38,000	85,740	123,740
Disposal	(15,000)	(51,484)	(66,484)
<b>At 31 December 2001</b>	<b>75,513</b>	<b>145,119</b>	<b>220,632</b>
<b>Depreciation</b>			
At 1 January 2001	31,705	74,664	106,369
Charge for the year	11,848	8,622	20,470
Disposal	(15,000)	(51,484)	(66,484)
<b>At 31 December 2001</b>	<b>28,553</b>	<b>31,802</b>	<b>60,355</b>
<b>Net Book Value</b>			
<b>At 31 December 2001</b>	<b>46,960</b>	<b>113,317</b>	<b>160,277</b>
<b>At 31 December 2000</b>	<b>20,808</b>	<b>36,199</b>	<b>57,007</b>

**10 Debtors**

	2001 £	2000 £
<b>Amounts falling due within one year</b>		
Prepayments and accrued income	24,205	247
Due from clients (see note 11)	2,106,651	2,451,580
Amounts receivable from group undertakings	-	3,960
	<b>2,130,856</b>	<b>2,455,787</b>

**11 Creditors: amounts falling due within one year**

	2001 £	2000 £
Corporation tax payable	65,643	43,360
Clients' funds	2,398,318	2,437,134
Dividends payable	150,000	-
Accruals and deferred income	75,886	90,762
Amounts payable to group undertakings	1,500	90,000
	<b>2,691,347</b>	<b>2,661,256</b>

The net amount of client funds less amounts due from clients is represented by cash at bank of £291,667 (2000: £357,278), which can only be applied for the designated purposes.

**12 Called up share capital**

	2001 £	2000 £
<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**

	2001 £	2000 £
Profit for the financial year	240,577	169,936
Dividends	(150,000)	-
Net increase in shareholders' funds	90,577	169,936
Opening shareholders' funds	171,936	2,000
Closing shareholders' funds	<b>262,513</b>	<b>171,936</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 two directors of the company, A G Nicholson and D G A Applebey. During the year the company paid rent of £ 49,408 (2000: £41,550) 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 2001 (2000: £Nil).

#### 15 Financial commitments

At 31 December 2001 the company had annual commitments under non-cancellable operating leases on land and buildings as follows:

	2001 £	2000 £
Expiring in more than 5 years	71,875	41,550

#### 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, Paston House, Arleston Way, Solihull, B90 4LH.