

Registered no: 1225876

Arbuthnot Pensions & Investments Limited  
Annual Report  
for the year ended 31 December 1999



# **Arbuthnot Pensions & Investments Limited**

## **Annual report For the year ended 31 December 1999**

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**Directors and advisors**

**Directors**

A G Nicholson  
D G A Applebey  
T Bowler  
S J Lockley  
J R Cornacchia  
A D S Miller

**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

**Banker**

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

## **Directors' report**

### **For the year ended 31 December 1999**

The directors present their report and the audited financial statements of the company for the year ended 31 December 1999.

#### **Principal activity**

The principal activity of the company during the year was that of life assurance and pensions consultants.

#### **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 are not recommending the payment of a dividend in respect of the year ended 31 December 1999 (1998: £Nil).

#### **Directors**

The Directors in office during the year were as follows:

A G Nicholson  
T Bowler  
D G A Applebey  
S J Lockley  
J R Cornacchia  
A D S Miller

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. A G Nicholson and D G A Applebey each own 24.5% of the issued share capital of MPW Insurance Brokers Limited, a fellow subsidiary of Secure Trust Banking Group PLC.

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

	<b>31 December 1999</b>		<b>1 January 1999</b>	
	<b>Shares</b>	<b>Share options</b>	<b>Shares</b>	<b>Share Options</b>
A G Nicholson	<b>9,524</b>	-	9,524	-
T Bowler	-	<b>4,000</b>	-	4,000
J R Cornacchia	-	<b>4,000</b>	-	4,000

**Year 2000**

The company has experienced no disruption or malfunctions since the turn of the year arising from its own computer systems with embedded date-reliant computer chips. The cost of the work performed was not significant and there are no future costs to be incurred.

**Statement of directors' responsibilities**

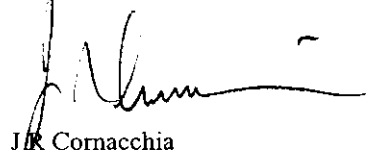
Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- 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**

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their appointment will be proposed at the Annual General Meeting.

**On behalf of the board**

J.R. Cornacchia  
**Director**

## **Report of the auditors to the members of Arbuthnot Pensions & Investments Limited**

We have audited the financial statements on pages 5 to 12.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom 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 United Kingdom 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.

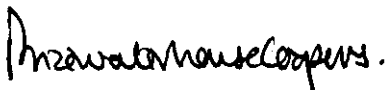
### **Basis of opinion**

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 1999 and of its profits for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers**  
Chartered Accountants and Registered Auditors  
Reading

24 March 2000.

**Profit and loss account  
for the year ended 31 December 1999**

	Notes	1999 £	1998 £
<b>Turnover – continuing activities</b>	2	<b>927,553</b>	784,948
Administrative expenses		(836,161)	(689,480)
<b>Operating profit – continuing activities</b>		<b>91,392</b>	95,468
Interest receivable	5	6,198	17,884
Interest payable and similar charges	6	-	(629)
<b>Profit on ordinary activities before taxation</b>	7	<b>97,590</b>	112,723
Tax on profit on ordinary activities	8	(37,580)	(41,117)
<b>Retained profit for the year</b>		<b>60,010</b>	71,606
Retained profit brought forward		133,484	61,878
<b>Retained profit carried forward</b>		<b>193,494</b>	133,484

The company has no recognised gains or 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.

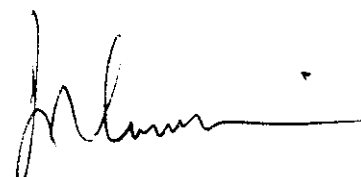
# Balance Sheet

## at 31 December 1999

	Notes	1999 £	1998 £
<b>Fixed assets</b>			
Tangible assets	9	9,948	13,755
<b>Current assets</b>			
Debtors	10	85,120	33,534
Cash at bank		261,138	241,724
		346,258	275,258
<b>Creditors: amounts falling due within one year</b>	11	(92,712)	(100,529)
<b>Net current assets</b>		253,546	174,729
<b>Total assets less current liabilities</b>		263,494	188,484
<b>Provisions for liabilities and charges</b>	12	(30,000)	(15,000)
<b>Net assets</b>		233,494	173,484
<b>Capital and reserves</b>			
Called up share capital	14	40,000	40,000
Profit and loss account		193,494	133,484
<b>Equity shareholders' funds</b>	15	233,494	173,484

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

23 MAR 2000



R Cornacchia  
Directors



## Notes to the financial statements for the year ended 31 December 1999

### 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 commissions and fees receivable, excluding value added tax. Income, including commission on indemnity terms, is recognised when its value can be established with an adequate degree of certainty.

A reasonable provision, based on experience, is provided against lapses.

#### Tangible fixed assets

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

Furniture and fittings	25% on cost
Motor vehicles	25% 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.

#### 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.

#### 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.

#### Client assets

Funds held for clients at 31 December 1999 amount to £52,287 (1998: £78,136) and are not included in the financial statements. No other assets were held during the financial year.

**Cashflow**

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 of fees and commissions earned in the United Kingdom.

**3 Employee information**

	1999	1998
	£	£
Wages and salaries	357,769	277,558
Social security costs	35,262	27,642
Other pension costs	31,881	22,353
	424,912	327,553

The average monthly number of employees including three directors (1998: three) remunerated by the company during the year was:

	1999	1998
	Number	Number
Sales	5	4
Administration	8	7
Secretarial	3	3
	16	14

**4 Directors' emoluments**

S J Lockley is also a director of Secure Trust Banking Group PLC and his remuneration is shown in the accounts of that company, as it is not practicable to allocate remuneration to subsidiary companies.

D G A Applebey and A G Nicholson are also directors of MPW Insurance Brokers Limited and their remuneration is disclosed in the accounts of that company, as it is not practicable to allocate remuneration to fellow group companies.

The remuneration of the remaining directors was as follows:

	1999	1998
	£	£
Aggregate emoluments	49,334	53,891
Company pension contributions to money purchase scheme	3,432	5,432
	52,766	59,323

Retirement benefits are accruing to one (1998: two) directors under a money purchase pension scheme.

## 5 Interest receivable

	1999	1998
	£	£
Deposit account interest	6,198	17,884

## 6 Interest payable and similar charges

	1999	1998
	£	£
Interest on hire purchase agreements	-	629

## 7 Profit on ordinary activities before taxation

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

	1999	1998
	£	£
Depreciation - owned assets	6,798	2,048
- hired assets	-	2,325
Auditors' remuneration - audit	6,580	5,750
- other	4,112	3,425
Operating lease rentals – land and buildings	28,765	27,205

## 8 Tax on profit on ordinary activities

	1999	1998
	£	£
United Kingdom corporation tax at 30.25% (1998: 31%):		
Current year	37,580	41,117
	37,580	41,117

## 9 Tangible Fixed Assets

	Motor vehicles £	Furniture and fittings £	Total £
<b>Cost</b>			
At 1 January 1999	9,300	15,416	24,716
Additions	-	2,991	2,991
<b>At 31 December 1999</b>	<b>9,300</b>	<b>18,407</b>	<b>27,707</b>
<b>Depreciation</b>			
At 1 January 1999	6,975	3,986	10,961
Charge for the year	2,325	4,473	6,798
<b>At 31 December 1999</b>	<b>9,300</b>	<b>8,459</b>	<b>17,759</b>
<b>Net Book Value</b>			
<b>At 31 December 1999</b>	<b>-</b>	<b>9,948</b>	<b>9,948</b>
At 31 December 1998	2,325	11,430	13,755

## 10 Debtors

	1999 £	1998 £
<b>Amounts falling due within one year</b>		
Amounts owed by group undertakings	4,072	1,289
Other debtors	2,464	2,585
Prepayments and accrued income	78,584	29,660
	<b>85,120</b>	<b>33,534</b>

## 11 Creditors: amounts falling due within one year

	1999 £	1998 £
Obligations under hire purchase agreements	-	1,969
Corporation tax payable	27,830	41,117
Other taxation and social security	8,162	1,690
Other creditors	10,642	10,642
Accruals and deferred income	46,078	45,111
	<b>92,712</b>	<b>100,529</b>

## 12 Provisions for liabilities and charges

	£
As at 1 January 1999	15,000
Charged to the profit and loss account	15,000
<b>As at 31 December 1999</b>	<b>30,000</b>

The provision represents amounts set aside for the costs arising from the Pensions Review. The Pensions Review provision relates to redress due under the review required by the Financial Services Authority ("FSA") of pension transfers, opt-outs and non-joiners.

The FSA publishes, from time to time, revised assumptions which have been incorporated into the calculations of the estimated redress costs. The most recent FSA guidelines are based on the assumption that, on average, the life expectancy of pensioners has increased. Lower inflation and interest rates are also assumed. In addition, further experience has been obtained as a result of work performed to date.

The amounts provided represent the directors' best assessment in current circumstances and have been computed in light of market experience. The directors will continue to monitor the position as the review progresses, as the potential exists for the provision to be subject to significant variation due to factors beyond the control of the company, such as changes in Phase II regulations and movements in long term interest rates and equity markets. The ultimate level of the redress costs remain, therefore, susceptible to changing economic and regulatory experience, and there are inherent uncertainties in the estimation process.

## 13 Deferred taxation

The company has an unrecognised deferred tax asset of £5,442 (1998: £244) arising from excess of depreciation over capital allowances.

## 14 Called up share capital

	1999 £	1998 £
<b>Authorised</b>		
250,000 ordinary shares of £1 each	250,000	250,000
<b>Allotted, called up and fully paid</b>		
40,000 ordinary shares of £1 each	40,000	40,000

## 15 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Profit for the financial year	60,010	71,606
Opening shareholders' funds	173,484	101,878
<b>Closing shareholders' funds</b>	<b>233,494</b>	<b>173,484</b>

## 16 Related party disclosures

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.

The company leases and trades from premises which are jointly owned by two directors of the company, A G Nicholson and D G Applebey. During the year the company paid rent of £28,765 (1998: £27,205) 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 1999 (1998: £Nil).

During the year the company acted as investment advisor for the pension scheme for the whole Secure Trust Banking Group. The company did not make a charge for this service.

During the year the Company took insurance policies through MPW Insurance Brokers Limited, a company owned by Secure Trust Banking Group PLC and by two directors, A G Nicholson and D G Applebey. All transactions were written under normal commercial terms.

## 17 Financial commitments

At 31 December 1999 the company had annual commitments under non-cancellable operating leases on land and buildings as follows:

	1999	1998
	£	£
Expiring within one year	-	5,531
Expiring in more than 5 years	28,765	27,205

## 18 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.