

Registered No: 1225876

Arbuthnot Pensions & Investments Limited
Annual Report
for the year ended 31 December 2004



Arbuthnot Pensions & Investments Limited

Annual report For the year ended 31 December 2004

	Pages
Directors and advisors	1
Directors' report	2-3
Report of the auditors	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7-10

Directors and advisors

Directors

S H Aberdeen
T Bowler
J R Cornacchia
A D S Miller
J Reed
A M James

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

Banker

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

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 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 2004 (2003: £Nil).

Directors

The Directors in office during the year were as follows:

S H Aberdeen
T Bowler
J R Cornacchia
A D S Miller
J Reed
A M James

A M James 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.

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

Statement of directors' responsibilities

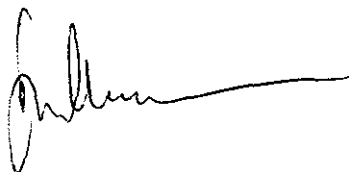
Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- 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

2nd March 2005

Independent Auditors' Report to the members of Arbuthnot Pensions & Investments Limited

We have audited the accounts on pages 5 to 10 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 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
35 New Bridge Street
London
EC4V 6BW

29 March 2005

Profit and loss account for the year ended 31 December 2004

	Notes	2004 £	2003 £
Turnover – continuing activities	2	2,670,975	1,748,853
Administrative expenses		(2,436,623)	(2,435,364)
Operating profit (loss) – continuing activities		234,352	(686,511)
Interest receivable	5	7,727	630
Interest payable		(42,422)	(12,913)
Profit (Loss) on ordinary activities before taxation	6	199,657	(698,794)
Tax on profit on ordinary activities	7	(63,785)	206,247
Retained profit (loss) for the year		135,872	(492,547)
Retained (loss) brought forward		(499,788)	(7,241)
Retained loss carried forward		(363,916)	(499,788)

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

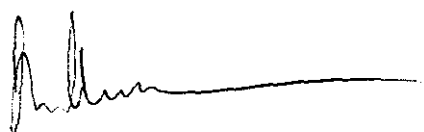
There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.

The notes on pages 7 to 10 form part of these accounts

Balance Sheet at 31 December 2004

	Notes	2004 £	2003 £
Current assets			
Debtors	8	853,654	326,621
Cash at bank		183,183	213,222
		1,036,837	539,843
Creditors: amounts falling due within one year	9	(750,753)	(434,631)
Net current assets		286,084	105,212
Total assets less current liabilities		286,084	105,212
Creditors: amounts falling due after more than one year	10	(610,000)	(565,000)
Net liabilities		(323,916)	(459,788)
Capital and reserves			
Called up share capital	11	40,000	40,000
Profit and loss account		(363,916)	(499,788)
Equity shareholders' funds	12	(323,916)	(459,788)

The financial statements on pages 5 to 10 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 10 form part of these accounts

Notes to the financial statements for the year ended 31 December 2004**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.

Going concern status

The immediate parent company, Arbuthnot Latham & Co., Limited, has confirmed that it will continue to provide support to the company for the foreseeable future. Hence the Directors believe that the going concern basis is appropriate.

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.

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.

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 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.

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

	2004	2003
	£	£
Wages and salaries	1,252,031	1,352,198
Social security costs	165,798	139,104
Other pension costs	112,819	123,832
	1,530,648	1,615,134

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

	2004	2003
	Number	Number
Sales	14	14
Administration	14	26
Secretarial	3	4
	31	44

4 Directors' emoluments

J Reed and AM James are remunerated by other Group companies which make no recharge to the company. The remuneration of J Reed is disclosed in the financial statements of Secure Trust Banking Group PLC. The remuneration of the remaining directors was as follows:

	2004	2003
	£	£
Aggregate emoluments	265,344	257,446
Company pension contributions to money purchase scheme	29,584	26,695
	294,928	284,141

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

	2004	2003
	£	£
Highest paid Director		
Aggregate emoluments	107,000	105,500
Company pension contributions to money purchase scheme	18,012	15,120
	125,012	120,620

5 Interest receivable

	2004	2003
	£	£
Deposit account interest	7,727	630

6 Profit (Loss) on ordinary activities before taxation

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

	2004	2003
	£	£
Auditors' remuneration - audit	11,000	11,000
Operating lease rentals - land and buildings	37,000	74,000

7 Tax on profit (loss) on ordinary activities

	2004 £	2003 £
a. Analysis of charge in the period		
Current tax		
UK corporation tax charge on profit for the period	63,785	(206,247)
Total tax charge	<u>63,785</u>	<u>(206,247)</u>

b. Factors affecting tax charge for the period

The tax credit for the year is lower (2003: higher) than the standard rate of corporation tax in the UK (30%).

The differences are explained below:

Profit (Loss) on ordinary activities before tax	<u>199,657</u>	<u>(698,794)</u>
Profit (Loss) on ordinary activities multiplied by the standard rate of corporation tax	59,897	(209,638)
Expenses not deductible for tax purposes	3,888	(3,391)
Current tax charge for period	<u>63,785</u>	<u>(213,029)</u>

8 Debtors

	2004 £	2003 £
Amounts falling due within one year		
Amounts owed by group undertakings	114,480	-
Group relief receivable	76,325	206,247
Prepayments and accrued income	<u>662,849</u>	<u>120,374</u>
	<u>853,654</u>	<u>326,621</u>

9 Creditors: amounts falling due within one year

	2004 £	2003 £
Corporation tax payable	63,785	-
Other taxation and social security	19,872	15,501
Other creditors	24,753	24,753
Amount owing to group undertaking	-	12,798
Accruals and deferred income	<u>642,343</u>	<u>381,579</u>
	<u>750,753</u>	<u>434,631</u>

10 Creditors: amounts falling due after one year

	2004 £	2003 £
Subordinated Loan	610,000	565,000

This loan is from Arbuthnot Latham & Co., Limited, the parent company and interest is payable at Lloyds TSB Bank PLC base rate. The loan is not due to be repaid before 2008.

11 Called up share capital

	2004 £	2003 £
Authorised		
250,000 ordinary shares of £1 each	250,000	250,000
Allotted, called up and fully paid		
40,000 ordinary shares of £1 each	40,000	40,000

12 Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Profit (Loss) for the financial year	135,872	(492,547)
Opening shareholders' funds	(459,788)	32,759
Closing shareholders' funds	(323,916)	(459,788)

13 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.

14 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	37,000	74,000

15 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, One Arleston Way, Solihull, B90 4LH.