

Registered no: 1238923

Arbuthnot Pension Trustees Limited
Annual report
for the year ended 31 December 1998



Arbuthnot Pension Trustees Limited

Annual report for the year ended 31 December 1998

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Directors and advisers

Directors

A G Nicholson
J R Cornacchia
L Brewer (resigned 31 December 1998)
S J Lockley
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

Bankers

Bank of Scotland
14/16 Cockspur Street
London
SW1Y 5BL

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

**Directors' report
for the year ended 31 December 1998**

The directors present their report and the audited financial statements of the company for the year ended 31 December 1998.

Principal activity

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

Review of Business

The profit and loss account for the year is set out on page 6.

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 have declared or now recommend the following dividends in respect of the year ended 31 December 1998.

	1998	1997
	£	£
Final proposed	40,000	70,000
	<u>40,000</u>	<u>70,000</u>

Directors

The directors in office during the year were as follows:

A G Nicholson

J R Cornacchia

L Brewer

(Resigned 31 December 1998)

S J Lockley

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 owns 24.5% of the issued share capital of MPW Insurance Brokers Limited, a fellow subsidiary of Secure Trust Banking Group PLC.

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 1998		1 January 1998	
	Shares	Share options	Shares	Share options
A G Nicholson	9,524	-	9,524	-
L Brewer	-	-	-	4,000
J R Cornacchia	-	4,000	-	4,000

Year 2000

The Directors are aware of the detailed issues surrounding the Year 2000 problem. All business critical systems have been identified and are being addressed.

The cost of the work is not considered to be significant and is being charged to the profit and loss account as incurred.

Statement of Directors' Responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1998. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Coopers & Lybrand have resigned as auditors to the Company. The Directors have appointed their successor firm, PricewaterhouseCoopers, as auditors to fill the casual vacancy arising. A resolution to reappoint the auditors, PricewaterhouseCoopers, will be proposed at the annual general meeting.

By order of the board



J R Cornacchia
Company Secretary

**Report of the auditors to the members of
Arbuthnot Pension Trustees Limited**

We have audited the financial statements on pages 6 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 3 the financial statements. Our responsibilities, as independent auditors, are established 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 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Reading

14 May 1999.

**Profit and loss account
for the year ended 31 December 1998**

	Notes	1998 £	1997 £
Turnover - continuing activities	2	263,311	263,455
Administrative expenses		(228,295)	(144,978)
Operating profit - continuing activities		35,016	118,477
Interest receivable	5	10,797	14,304
Profit on ordinary activities before taxation	6	45,813	132,781
Tax on profit on ordinary activities	7	(16,107)	(50,265)
Profit for the financial year after taxation		29,706	82,516
Dividends	8	(40,000)	(70,000)
(Loss)/retained profit for the year		(10,294)	12,516
Retained profit brought forward		51,376	38,860
Retained profit carried forward		41,082	51,376

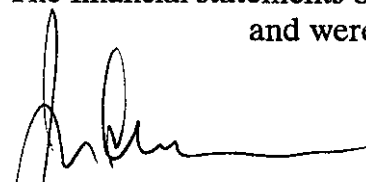
The company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

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

**Balance sheet
at 31 December 1998**

	Notes	1998 £	1997 £
Fixed assets			
Tangible assets	9	<u>37,036</u>	<u>27,921</u>
Current assets			
Debtors	10	51,204	47,646
Cash at bank		<u>82,692</u>	<u>225,117</u>
		133,896	272,763
Creditors: amounts falling due within one year	11	<u>(125,850)</u>	<u>(245,308)</u>
Net current assets		<u>8,046</u>	<u>27,455</u>
Net assets		<u><u>45,082</u></u>	<u><u>55,376</u></u>
Capital and reserves			
Called up share capital	13	4,000	4,000
Profit and loss account		<u>41,082</u>	<u>51,376</u>
Equity shareholders' funds	14	<u><u>45,082</u></u>	<u><u>55,376</u></u>

The financial statements on pages 6 to 12 were approved by the board of directors on
and were signed on its behalf by:



J R Cornacchia
Director

Notes to the financial statements for the year ended 31 December 1998

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 invoiced fees, excluding value added tax, and commission income on indemnity terms. Commission income is recognised when its value can be established with an adequate degree of certainty.

Tangible fixed assets

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

Furniture and fittings	-	20% 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 makes contributions into a defined contribution pension scheme, whose members include the employees of MPW Insurance Brokers Limited and Arbuthnot Pensions & Investment Limited. 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 fund which is administered by the company.

Cashflows

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 (revised) from publishing a cash flow statement.

2 Turnover

Turnover consists entirely of fees and commissions earned in the United Kingdom.

3 Employee information

	1998 £	1997 £
Wages and salaries	77,198	14,895
Social security costs	7,662	1,473
Other pension costs	5,476	-
	<u>90,336</u>	<u>16,368</u>

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

	1998 £	1997 £
Secretarial	1	1
	<u>1</u>	<u>1</u>

4 Directors' emoluments

S Lockley is also a director of Secure Trust Banking Group PLC and his remuneration is disclosed in the accounts of that company.

The remuneration of the remaining directors is as follows:

	1998 £	1997 £
Aggregate emoluments	141,411	71,800
Company pension contributions paid to money purchase scheme	7,005	3,000
	<u>148,416</u>	<u>74,800</u>

Retirement benefits are accruing to two (1997 - one) directors under a money purchase pension scheme.

5 Interest receivable

	1998 £	1997 £
Bank interest	<u>10,797</u>	<u>14,304</u>

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging the following:

	1998 £	1997 £
Depreciation - owned assets	13,534	8,905
Auditors' remuneration - audit	3,000	2,250
- in respect of prior year audit	-	1,340
	<u>16,534</u>	<u>12,495</u>

7 Tax on profit on ordinary activities

	1998 £	1997 £
United Kingdom corporation tax at 31% (1997: 31.5%):		
Current year	16,107	43,714
Under provision in respect of prior years:		
Current	-	6,551
	<u>16,107</u>	<u>50,265</u>

8 Dividends

	1998 £	1997 £
Equity shares:		
Final proposed: £10 (1997: £17.50) per share	<u>40,000</u>	<u>70,000</u>
	<u>40,000</u>	<u>70,000</u>

9 Tangible fixed assets

	Motor vehicles £	Furniture & fittings £	Total £
Cost			
At 1 January 1998	26,000	50,823	76,823
Additions	20,500	2,149	22,649
	<u>46,500</u>	<u>52,972</u>	<u>99,472</u>
Depreciation			
At 1 January 1998	6,500	42,402	48,902
Charge for year	10,771	2,763	13,534
	<u>17,271</u>	<u>45,165</u>	<u>62,436</u>
Net book value			
At 31 December 1998	<u>29,229</u>	<u>7,807</u>	<u>37,036</u>
At 31 December 1997	<u>19,500</u>	<u>8,421</u>	<u>27,921</u>

10 Debtors

	1998 £	1997 £
Amounts falling due within one year		
Trade debtors	49,299	37,374
Amounts owed by group undertakings	1,210	10,272
ACT recoverable	695	-
	<u>51,204</u>	<u>47,646</u>

11 Creditors: amounts falling due within one year

	1998 £	1997 £
Amounts owed to group undertakings	-	26,000
Corporation tax	16,107	43,714
Accruals and deferred income	10,986	46,151
Client funds	58,757	59,443
Dividends payable	40,000	70,000
	<u>125,850</u>	<u>245,308</u>

12 Deferred taxation

The Company has an unrecognised deferred tax asset of £4,002 (1997: £95) arising from excess of depreciation over capital allowances.

13 Called up share capital

	1998 £	1997 £
Authorised:		
10,000 ordinary £1 shares	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid:		
4,000 ordinary £1 shares	<u>4,000</u>	<u>4,000</u>

14 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Profit for the financial year	29,706	82,516
Dividends	<u>(40,000)</u>	<u>(70,000)</u>
Net (reduction)/addition to shareholders' funds	(10,294)	12,516
Opening shareholders' funds	<u>55,376</u>	<u>42,860</u>
Closing shareholders' funds	<u>45,082</u>	<u>55,376</u>

15 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.

During the year the company took out 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.

16 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.