

Arthur Marsh & Son Limited
Directors' report and financial statements
for the period ended 31 December 2007

Registered number 4299683



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Directors' report and financial statements

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Officers and professional advisers

Directors

A R Marsh (resigned 17 May 2007)
I Palmer (resigned 17 May 2007)
C Bowler (resigned 17 May 2007)
C N Mathews (resigned 17 May 2007)
T D Johnson (appointed 17 May 2007)
R M Brown (appointed 17 May 2007)

Secretary

S Clark (appointed 17 May 2007)

Registered office

26 – 28 Pembroke Road
Sevenoaks
Kent
TN13 1XR

Auditors

KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

Directors' report

The directors present their report and the audited financial statements for the period ended 31 December 2007

Business review and principal activities

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

The principal activity of the company is insurance broking

The trading results for the period and the company's financial position at end of the period are shown in the attached financial statements

The results for the company show a pre-tax profit of £239,411 for the period (prior period a loss of £51,847) and turnover of £871,778 (prior period £1,746,928) The company has net liabilities of £147,286 (6 April 2007 £312,885)

On 17 May 2007, 95.6% of the share capital of the company was purchased by Cullum Capital Ventures Limited

Future outlook

The insurance market is currently experiencing rate reductions in some classes of business. We expect market conditions to remain unchanged throughout 2008. We anticipate the company will continue to perform satisfactorily in this period. The directors expect the continuing support of its parent company Cullum Capital Ventures for the foreseeable future.

Change in accounting year end

On 21 July 2007, the company changed its accounting year end from 6 April 2007 to 31 December 2007. The comparatives for the profit and loss account and reconciliation of movements in the shareholders' funds, as well as the comparatives in the notes to the financial statements, relate to the profit and loss account for the period 1 November 2005 to 6 April 2007 and hence are not comparable to the period 7 April 2007 to 31 December 2007.

Dividend

No final dividend was paid or proposed during the period (prior period £nil)

Director's Indemnity Insurance

Certain directors benefited from qualifying third party indemnity provisions in place during the financial year.

Directors' report *(continued)*

Directors and directors' interests

The directors who held office during the period were as follows

A R Marsh (resigned 17 May 2007)
I Palmer (resigned 17 May 2007)
C Bowler (resigned 17 May 2007)
C N Mathews (resigned 17 May 2007)
T D Johnson (appointed 17 May 2007)
R M Brown (appointed 17 May 2007)

No directors have been granted share options in the shares of the company or other group companies

Political and charitable contributions

The company made charitable contributions during the current period of £100 (prior period £20)

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

Pursuant to section 386 of the Companies Act 1985, the directors have elected to dispense with the requirement to appoint auditors annually KPMG Audit Plc were appointed as auditors on 6 February 2008 and have expressed their willingness to continue as auditors and the board of directors at its next meeting will approve their continuation in office

By order of the board



Roger Brown
Director

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 year.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law the directors are also responsible for preparing a Directors' report that complies with that law.

Independent auditors' report to the members of Arthur Marsh & Son Limited

We have audited the financial statements of Arthur Marsh & Son Limited for the period ended 31 December 2007 which comprise the Profit and Loss account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of directors' responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 1985. We also report to you whether, in our opinion, the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the financial statements.

KPMG Audit Plc

Chartered Accountants
Registered Auditor
8 Salisbury Square
London
EC4Y 8BB

22 September 2008

Profit and loss account
for the period ended 31 December 2007

		Period from 7 April 2007 to 31 December 2007 £	Period from 1 November 2005 to 6 April 2007 £
	<i>Note</i>		
Turnover	2	871,778	1,746,928
Administrative expenses		(676,755)	(1,795,757)
Other operating Income		-	500
		<hr/>	<hr/>
Operating profit / (loss)		195,023	(48,329)
Loss on disposal of investments		-	(10,406)
Interest receivable	6	56,029	30,890
Interest payable	7	(11,641)	(24,002)
		<hr/>	<hr/>
Profit / (loss) on ordinary activities before taxation	3	239,411	(51,847)
Tax on profit on ordinary activities	8	(73,812)	(90,608)
		<hr/>	<hr/>
Profit / (loss) for the financial period		165,599	(142,455)
		<hr/> <hr/>	<hr/> <hr/>

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

There is no difference between the operating profit on ordinary activities before taxation and the retained profit for the financial period stated above, and their historical cost equivalents

The notes on pages 9 to 17 form part of these financial statements

Balance sheet at 31 December 2007

	<i>Note</i>	At 31 December 2007		At 6 April 2007	
		£	£	£	£
Fixed assets					
Intangible fixed assets	9		-		16,112
Tangible fixed assets	10		52,149		26,317
			<u>52,149</u>		<u>42,429</u>
Current assets					
Debtors	11	758,902		490,204	
Cash at bank and in hand		1,071,601		564,204	
		<u>1,830,503</u>		<u>1,054,408</u>	
Creditors, amounts falling due within one year	12	(1,555,857)		(990,115)	
Net current assets			<u>274,646</u>		<u>64,293</u>
Total assets less current liabilities			<u>326,795</u>		<u>106,722</u>
Creditors amounts falling due after more than one year	13	(474,081)		(419,607)	
Net Liabilities			<u>(147,286)</u>		<u>(312,885)</u>
Capital and reserves					
Called up share capital	15	100,000		100,000	
Profit and loss account	17	(247,286)		(412,885)	
Equity shareholders' deficit			<u>(147,286)</u>		<u>(312,885)</u>

The notes on pages 9 to 17 form part of these financial statements

These financial statements were approved by the board of directors on 22nd September 2008 and were signed on its behalf by



Roger Brown
Director

Reconciliation of movements in shareholders' funds for the period ended 31 December 2007

	Period from 7 April 2007 to 31 December 2007 £	Period from 1 November 2005 to 6 April 2007 £
Retained profit / (loss) for the financial period	165,599	(142,455)
Opening shareholders' deficit	(412,885)	(270,430)
Closing shareholders' deficit	<u>(247,286)</u>	<u>(412,885)</u>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been drawn up on a going concern basis as the directors believe the parent company, Cullum Capital Ventures Limited will continue to support the activities of the company for the foreseeable future

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and under historical cost accounting rules

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of Cullum Capital Ventures Limited the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of Cullum Capital Ventures Limited within which the company is included, can be obtained from the address given in note 15

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on acquisition is capitalised Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life This is taken as twenty years

Tangible fixed assets and depreciation

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned The principal annual rates used for this purpose are

Fixtures, fittings and equipment	– 20% Reducing Balance
Computer software	– 20% Reducing Balance
Leasehold improvements	– The remaining life of the lease

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Pensions

Arthur Marsh & Son Limited operates defined contribution pension schemes The assets of the schemes are held separately from those of the company in independently administered funds The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all material timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Turnover

Turnover represents brokerage and fees for services provided. Brokerage is recognised on the inception or renewal of a risk, with an element of brokerage deferred to match any significant post placement obligations. Profit or volume based commission, which is received periodically, is recognised when the amount can be measured with reasonable certainty, which is typically the earlier of confirmation of the amount with the relevant provider or receipt of cash.

2 Turnover

Turnover consists entirely of sales made in the United Kingdom

3 Profit on ordinary activities before taxation

	Period from 7 April 2007 to 31 December 2007 £	Period from 1 November 2005 to 6 April 2007 £
Profit on ordinary activities before taxation is stated after charging		
Fees payable to the company's auditor for the audit of the company's annual accounts	12,000	-
Loss on disposal of tangible fixed assets	-	14,362
Amortisation of goodwill	16,112	322,222
Rentals under operating leases – land and buildings	28,000	59,500
Depreciation on owned assets	5,357	9,744
	<u> </u>	<u> </u>

Notes (continued)

4 Remuneration of directors notes in grey supported by CCV

	Period from 7 April 2007 to 31 December 2007 £	Period from 1 November 2005 to 6 April 2007 £
Total remuneration of all directors		
Directors' emoluments	35,733	361,514
Company contributions to money purchase pension schemes	868	123,027
	<u>36,601</u>	<u>484,541</u>
 Remuneration of the highest paid director	 £	 £
Directors' emoluments	19,667	52,051
Company contributions to money purchase pension schemes	250	81,845
	<u>19,917</u>	<u>133,896</u>
	Number of Directors	Number of Directors
	Period from 7 April 2007 to 31 December 2007	Period from 1 November 2005 to 6 April 2007
Retirement benefits are accruing to the following number of directors under	-	3
Money purchase schemes		

The emoluments of Messrs Johnson and Brown are paid by Cullum Capital Ventures Limited, which makes no recharge to the company. All three directors are directors of the ultimate parent company and / or a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Their total emoluments are included in the financial statements of the ultimate parent company.

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the company during the period, analysed by category, was as follows

	Number of Employees	Number of Employees
	Period from 7 April 2007 to 31 December 2007	Period from 1 November 2005 to 6 April 2007
Administration	17	21

The aggregate payroll costs, including directors, were as follows

	Period from 7 April 2007 to 31 December 2007	Period from 1 November 2005 to 6 April 2007
Wages and salaries	396,662	805,842
Social security costs	41,510	69,947
Other pension costs	9,569	127,497
	<u>447,741</u>	<u>1,003,286</u>

6 Other interest receivable and similar income

	Period from 1 September 2006 to 31 December 2007 £	Year To 31 August 2006 £
Bank Interest	56,029	30,890
	<u>56,029</u>	<u>30,890</u>

7 Interest payable

	Period from 7 April 2007 to 31 December 2007 £	Period from 1 November 2005 to 6 April 2007 £
Loan interest	6,199	24,002
Corporation tax interest	5,442	-
	<u>11,641</u>	<u>24,002</u>

Notes (continued)

8 Taxation

	Period from 7 April 2007 to 31 December 2007 £	Period from 1 November 2005 to 6 April 2007 £
UK corporation tax		
Current tax charge on profit for the period	74,523	44,548
Adjustments in respect of prior periods	-	49,355
	<hr/>	<hr/>
UK corporation tax charge on profit on ordinary activities for the period / year	74,523	93,903
Deferred taxation	(711)	(3,295)
	<hr/>	<hr/>
Tax on profit on ordinary activities	73,812	90,608
	<hr/>	<hr/>

The current tax charge for the year is lower (prior period higher) than the standard rate of corporation tax in the UK (30%, prior period 30%). The differences are explained below

	Period from 7 April 2007 to 31 December 2007 £	Period from 1 November 2005 to 6 April 2007 £
Current tax reconciliation		
Profit / (loss) on ordinary activities before taxation	239,411	(51,847)
	<hr/>	<hr/>
Current tax at 30%	71,823	(15,554)
Effects of:		
Expenses not deductible for tax purposes	138	(150)
Depreciation in excess of capital allowances	(2,272)	(18,097)
Change of tax rate from small companies rate	-	(25,748)
Profit/(Loss) on sale of investments	-	3,122
Profit on sale of fixed asset	-	4,308
Amortisation	4,834	96,667
	<hr/>	<hr/>
UK corporation tax charge on profit on ordinary activities for the period	74,523	44,548
	<hr/>	<hr/>

There are no known factors that may affect future tax charges (prior period none)

Notes (continued)

9 Intangible fixed assets

	Goodwill £
Cost	
At 6 April 2007	975,000
Additions	-
At 31 December 2007	975,000
Amortisation	
At 6 April 2007	958,888
Charge for period	16,112
At 31 December 2007	975,000
Net book value	
At 31 December 2007	-
At 6 April 2007	16,112

All goodwill arising on acquisition is amortised over a three year period

10 Tangible fixed assets

	Leasehold improvements	Fixtures, fittings and equipment	Computer Equipment & software	Total
	£	£	£	£
Cost				
At 6 April 2007	-	27,318	15,427	42,745
Additions	1,645	26,297	3,376	31,318
At 31 December 2007	1,645	53,615	18,803	74,063
Depreciation				
At 6 April 2007	-	12,145	4,283	16,428
Charge for period	1,410	2,192	1,884	5,486
At 31 December 2007	1,410	14,337	6,167	21,914
Net book value				
At 31 December 2007	235	39,278	12,636	52,149
At 6 April 2007	-	15,173	11,144	26,317

Notes (continued)

11 Debtors

	31 December 2007 £	6 April 2007 £
Insurance debtors	733,243	485,528
Amounts due from group undertakings	-	(41)
Deferred taxation	4,007	3,295
Prepayments and accrued income	21,652	1,422
	<u>758,902</u>	<u>490,204</u>

12 Creditors, amounts falling due within one year

	31 December 2007 £	6 April 2007 £
Bank overdraft	154,506	122,452
Bank loan	-	55,500
Insurance and trade creditors	1,062,811	695,229
Corporation tax	173,878	93,903
Other taxation and social security	15,894	15,223
Amounts owed to group companies	103,421	-
Other creditors, accruals and deferred income	45,347	7,808
	<u>1,555,857</u>	<u>990,115</u>

13 Creditors, amounts falling due after one year

	31 December 2007 £	6 April 2007 £
Bank loan	-	419,607
Sub-ordinated loan from Cullum Capital Ventures	474,081	-
	<u>474,081</u>	<u>419,607</u>

Notes (continued)

13 Creditors amounts falling due after one year (continued)

Analysis of debt

	31 December 2007 £	6 April 2007 £
Within one year	-	419,607
Between one year and two years	474,081	-
In the third to fifth years	-	-
Over five years	-	-
	<u>474,081</u>	<u>419,607</u>

The loan is repayable in full by 31 December 2009

14 Deferred Taxation

	£
Deferred taxation	
At beginning of period	(3,296)
Charge to profit and loss account in the period	(711)
As at 31 December 2007	<u>(4,007)</u>

The deferred tax provision relates to the timing differences between accumulated depreciation, amortisation and capital allowances

15 Called up share capital

	31 December 2007 £	6 April 2007 £
Authorised		
100,000 Ordinary shares of £1 each	100,000	100,000
	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
100,000 Ordinary shares of £1 each	100,000	100,000
	<u>100,000</u>	<u>100,000</u>

Notes (continued)

16 Commitments

	31 December 2007	6 April 2007
	Land and buildings £	Land and buildings £
Operating leases which expire		
Within one year	-	42,000
In the second to fifth years inclusive	53,268	-
Over five years	-	-
	<hr/>	<hr/>
	53,268	42,000
	<hr/>	<hr/>

17 Reserves

	Profit and loss Account £
At 6 April 2007	(412,885)
Retained profit for the period	165,599
	<hr/>
At 31 December 2007	(247,286)
	<hr/>

18 Parent undertaking

The company's immediate and ultimate parent undertaking is Cullum Capital Ventures Limited, a company incorporated in England and Wales

The consolidated accounts of the ultimate parent company are available to the public and may be obtained from

26/28 Pembroke Road
Sevenoaks
Kent TN13 1XR

Notes (continued)

19 Controlling party

PG Cullum, the Chairman, is the controlling party by virtue of his controlling interest in the ultimate parent company's equity capital

Mr PG Cullum currently has a significant interest in Broker Continuity Planning Limited, a company that provides disaster recover facilities. During the period Broker Continuity Planning Limited has charged £nil on commercial terms

Arthur Marsh & Son Ltd conducted business, on an arms length basis, with Towergate Underwriting Group Limited, a company in which Mr PG Cullum currently has a significant interest. The total of commission receivable from Towergate Underwriting Group was £53,877 and non insurance related receipts were £nil. Insurance creditors payable at the period end were £55,303

Arthur Marsh & Son Ltd conduct their business from a property owned by ARM Properties, which is owned by Adam Marsh, who resigned as a director on 17 May, 2007. The total rent paid to ARM Properties during the period was £28,000 (prior period £59,500)

20 Contingent liability

A guarantee and debenture have been granted over the shares and the assets of the Company in favour of the Bank of Scotland Plc, under the terms of which all monies due or which may become due from the Company or other group companies listed below to the Bank of Scotland Plc, are guaranteed. The amount due by group companies at 31 December 2007 was £15,626,278 (2006 £4,976,278). Further details of the aggregate liabilities due by group companies to the Bank of Scotland Plc are set out in the financial statements of the parent company. The group companies involved include principally

Cullum Capital Ventures Limited
CCV Risk Solutions Limited
Roundcroft Limited
Richard V Wallis & Co Limited
Moffatt & Co Limited
Fenton Insurance Solutions Limited
Milburn Insurance Services Limited
Arthur Marsh & Son Limited
Knowmaster Limited
Managing Agents Reference Assistance Services Limited
Oyster Property Insurance Specialists Limited