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Report and Accounts

CLYDESDALE BANK INSURANCE SERVICES LIMITED

30 September 1984

Ernst & Whinney

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Report and Accounts

CLYDESDALE BANK INSURANCE SERVICES LIMITED

30 September 1984

Ernst & Whinney

DIRECTORS:

Chairman: Sir Robert Fairbairn, JP

Alastair Garson
Arthur Richard Cole-Hamilton
James A Harkness
Richard W Slater

OFFICIALS:

Managing Director: Alastair Garson
Director: James A Harkness
Director: Richard W Slater
Secretary: James Russell

A wholly owned subsidiary of Clydesdale Bank PLC, a member of the Midland Bank Group.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 SEPTEMBER 1984

To be submitted to the fifteenth Annual General Meeting of the Shareholders
to be held at 30 St Vincent Place, Glasgow, on 4 December 1984 at 3 pm.

ACCOUNTS

| | |
|---|------------|
| The profit before taxation for the year to 30 September 1984 was | £1,425,169 |
| From which is deducted: | |
| Taxation | 675,950 |
| | <hr/> |
| | 749,219 |
| From which the Directors have made the following appropriations: | |
| Dividend | 350,000 |
| | <hr/> |
| Retained profits transferred to Reserve Fund | £399,219 |
| | <hr/> |

STATUS OF COMPANY

The company became a wholly owned subsidiary of Clydesdale Bank PLC with effect
from 1 October 1983 as a result of the whole issued capital being acquired
from Midland Group Insurance Brokers Limited.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

The company carries on business as insurance brokers. During the year a branch
office was opened in Edinburgh.

The directors do not envisage any material developments other than expanding
the existing lines of business.

DIRECTORS

The names of the directors are set out on page 1.

The directors retiring by rotation in terms of the Articles of Association
are Mr A Richard Cole-Hamilton and Mr Richard W Slater, who, being eligible,
offer themselves for re-election.

The following table shows the names of all persons who were directors of the
company since 1 October 1983 and against their names their interest in the
shares of the companies in the Midland Bank Group, as defined in the Companies
Act 1967:

| | Midland Bank plc Ordinary Shares | |
|-------------------------|----------------------------------|----------------------|
| | At 1 October 1983 | At 30 September 1984 |
| A Richard Cole-Hamilton | 1,287 | 1,595 |
| Sir Robert Fairbairn | 2,670 | 2,670 |
| Alastair Garson | 961 | 1,366 |
| James A Harkness | 786 | 1,105 |
| Richard W Slater | 502 | 603 |

REPORT OF THE DIRECTORS (continued)

DIRECTORS (continued)

In addition, the following directors held options to subscribe for the number of ordinary shares of £1 each in Midland Bank plc shown, under its Share Option Schemes:

| | <u>At 1 October 1983</u> | <u>At 30 September 1984</u> |
|-------------------------|--------------------------|-----------------------------|
| A Richard Cole-Hamilton | 4,940 | 7,840 |
| Alastair Garson | 446 | 640 |
| James A Harkness | 446 | 640 |
| Richard W Slater | 446 | 392 |

None of the directors held shares in the company.

AUDITORS

Messrs Ernst & Whinney, Chartered Accountants, are agreeable to continue as auditors; a resolution will be proposed at the Annual General Meeting in respect of their re-appointment and remuneration.

By order of the Board

J Russell

Secretary

16 November 1984

REPORT OF THE AUDITORS TO THE MEMBERS

We have examined the accounts of Clydesdale Bank Insurance Services Limited set out on pages 5 to 12. These have been prepared under the historical cost convention. Our audit has been carried out in accordance with approved auditing standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 30 September 1984 and of the profit and source and application of funds for the period then ended and comply with the Companies Acts 1948 to 1981.

Ernst & Whinney

Glasgow

16 November 1984

CLYDESDALE BANK INSURANCE SERVICES LIMITED

5

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 1984

| | Note | 1984 £ | 1983 £ |
|--|------|-----------|-----------|
| TURNOVER | 2 | 2,448,702 | 1,952,807 |
| Cost of sales | | 413,341 | 343,830 |
| | | <hr/> | <hr/> |
| GROSS PROFIT | | 2,035,361 | 1,608,977 |
| Administrative expenses | | 845,611 | 726,040 |
| | | <hr/> | <hr/> |
| OPERATING PROFIT | 3 | 1,189,750 | 882,937 |
| Other income | 6 | 235,419 | 146,044 |
| | | <hr/> | <hr/> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 1,425,169 | 1,028,981 |
| Tax on profit on ordinary activities | 7 | 675,950 | 526,211 |
| | | <hr/> | <hr/> |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 749,219 | 502,770 |
| Dividend | 8 | 350,000 | 200,000 |
| | | <hr/> | <hr/> |
| RETAINED PROFIT FOR YEAR | | £399,219 | £302,770 |
| | | <hr/> | <hr/> |

CLYDESDALE BANK INSURANCE SERVICES LIMITED

6

BALANCE SHEET - 30 SEPTEMBER 1984

| | Note | 1984 £ | 1983 £ |
|--|------|-------------------|------------------|
| FIXED ASSETS | | | |
| Tangible assets | 9 | 103,647 | 100,505 |
| CURRENT ASSETS | | | |
| Debtors | 10 | 107,745 | 145,958 |
| Cash at Bank | 11 | 2,875,450 | 1,755,499 |
| | | <u>2,983,195</u> | <u>1,901,457</u> |
| CREDITORS | | | |
| Amounts falling due within one year | 12 | 1,708,335 | 1,032,361 |
| | | <u>1,274,860</u> | <u>869,096</u> |
| NET CURRENT ASSETS | | | |
| | | <u>1,378,507</u> | <u>969,601</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | |
| PROVISION FOR LIABILITIES AND CHARGES | 13 | 9,687 | - |
| | | <u>£1,368,820</u> | <u>£969,601</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 15 | 350,000 | 350,000 |
| Profit and loss account | 16 | 1,018,820 | 619,601 |

R Fairbairn

A Garson

A R Cole-Hamilton

16 November 1984

)
)
) Directors
)
)

£1,368,820

£969,601

Confirmed a true copy of the last Balance Sheet

R. Fairbairn Director
A. R. Cole-Hamilton Director

CLYDESDALE BANK INSURANCE SERVICES LIMITED

7

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 30 SEPTEMBER 1984

| | 1984 £ | 1983 £ |
|--|-----------|-----------|
| SOURCES OF FUNDS | | |
| FROM OPERATIONS | | |
| Profit before taxation | 1,425,169 | 1,028,981 |
| Items not involving the movement of funds: | | |
| Depreciation of tangible fixed assets | 27,487 | 24,213 |
| Loss/(profit) on sale of fixed assets | (1,217) | (1,639) |
| | <hr/> | <hr/> |
| Total generated from operations | 1,451,439 | 1,051,555 |
| OTHER SOURCES | | |
| Proceeds of disposal of fixed assets | 9,900 | 8,044 |
| | <hr/> | <hr/> |
| TOTAL SOURCES OF FUNDS | 1,461,339 | 1,059,599 |
| | <hr/> | <hr/> |
| FUNDS APPLIED | | |
| Purchase of tangible fixed assets | 39,312 | 37,592 |
| Payment for Group relief | 224,172 | 147,496 |
| Dividend paid | 200,000 | 125,000 |
| | <hr/> | <hr/> |
| | 463,484 | 310,088 |
| | <hr/> | <hr/> |
| INCREASE IN WORKING CAPITAL | £997,855 | £749,511 |
| | <hr/> | <hr/> |
| Arising from movements in: | | |
| (Decrease)/increase in Debtors | (37,790) | 69,902 |
| (Increase)/decrease in Creditors | (84,306) | (22,151) |
| | <hr/> | <hr/> |
| | (122,096) | 47,751 |
| | <hr/> | <hr/> |
| Increase/(decrease) in Cash at Bank | 1,119,951 | 701,760 |
| | <hr/> | <hr/> |
| | £997,855 | £749,511 |
| | <hr/> | <hr/> |

CLYDESDALE BANK INSURANCE SERVICES LIMITED

NOTES ON THE ACCOUNTS - 30 SEPTEMBER 1984

8

1 ACCOUNTING POLICIES

(a) Accounting convention

The accounts are prepared under the historical cost convention.

(b) Depreciation of tangible fixed assets

The cost of tangible fixed assets is written off on the straight line basis over their expected useful lives as follows:

| | |
|----------------|------------|
| Furniture | - 10 years |
| Machines | - 8 years |
| Motor vehicles | - 5 years |

(c) Deferred taxation

Provision is made for deferred taxation, using the liability method, on short term timing differences and all other material timing differences which are not expected to continue in the future.

(d) Pension benefits

Annual staff pension scheme contributions are made on actuarial advice for the funding of retirement benefits, and these are charged to profit and loss account as incurred.

2 TURNOVER

The company's income is derived from commission earned on insurance premiums payable to the company as Insurance Brokers.

3 OPERATING PROFIT is stated after charging:

| | 1984 £ | 1983 £ |
|---------------------------------------|-----------|-----------|
| Depreciation of tangible fixed assets | 27,487 | 24,213 |
| Auditors' remuneration | 1,981 | 1,955 |
| | <hr/> | <hr/> |
| | £29,468 | £26,168 |
| | <hr/> | <hr/> |

4 STAFF COSTS

| | 1984 £ | 1983 £ |
|-----------------------|-----------|-----------|
| Wages and salaries | 490,028 | 421,185 |
| Social Security costs | 36,345 | 31,131 |
| Other pension costs | 94,208 | 80,876 |
| | <hr/> | <hr/> |
| | £620,581 | £533,192 |
| | <hr/> | <hr/> |

This includes remuneration paid to the Directors of £75,821 (1983 - £68,984)
- see note 5.

CLYDESDALE BANK INSURANCE SERVICES LIMITED

NOTES ON THE ACCOUNTS - 30 SEPTEMBER 1984

9

5 EMOLUMENTS OF DIRECTORS

| | 1984 £ | 1983 £ |
|---|----------------|----------------|
| Fees | - | - |
| Remuneration, including pension contributions | 90,316 | 82,163 |
| | <u>£90,316</u> | <u>£82,163</u> |

The emoluments, excluding pension contributions, of directors of the company are detailed as follows:

| | 1984 £ | 1983 £ |
|--------------------------|---------------------|-------------------|
| Chairman | - | - |
| Highest paid director | 36,248 | 33,404 |
| | <u> </u> | <u> </u> |
| Other directors in scale | Number of directors | |
| £15,001 - £20,000 | 1 | 2 |
| £20,001 - £25,000 | 1 | - |

6 OTHER INCOME

| | 1984 £ | 1983 £ |
|---------------|-------------------|-------------------|
| Bank interest | £235,419 | £146,044 |
| | <u> </u> | <u> </u> |

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 1984 £ | 1983 £ |
|--|-----------------|-----------------|
| The charge based on the profit for the year comprises: | | |
| UK Corporation tax | 676,139 | 534,075 |
| Transfer to deferred tax | 10,110 | (7,864) |
| Adjustments for prior years | (10,299) | - |
| | <u>£675,950</u> | <u>£526,211</u> |

UK Corporation Tax has been provided at an average rate of 47.5% (1983 - 52%).

8 DIVIDEND

| | 1984 £ | 1983 £ |
|---------------------|-------------------|-------------------|
| Ordinary - Proposed | £350,000 | £200,000 |
| | <u> </u> | <u> </u> |

CLYDESDALE BANK INSURANCE SERVICES LIMITED
 NOTES ON THE ACCOUNTS - 30 SEPTEMBER 1984

9 TANGIBLE FIXED ASSETS

Furniture,
 Equipment
 & vehicles
 £

| | |
|--------------------------------------|----------|
| Cost | 152,284 |
| At 30 September 1983 | 39,312 |
| Additions | (20,370) |
| Disposals | |
| | <hr/> |
| | 171,226 |
| | <hr/> |
| At 30 September 1984 | |
| Depreciation | 51,779 |
| At 30 September 1983 | 27,487 |
| Charge for year | (11,687) |
| On disposals | |
| | <hr/> |
| | 67,579 |
| | <hr/> |
| At 30 September 1984 | |
| | £103,647 |
| | <hr/> |
| Net book amount at 30 September 1984 | |
| | £100,505 |
| | <hr/> |
| Net book amount at 30 September 1983 | |

10 DEBTORS

| | 1984 £ | 1983 £ |
|--------------------------------|-----------|-----------|
| Due within one year | - | 423 |
| Deferred tax | 107,745 | 145,535 |
| Prepayments and accrued income | | |
| | <hr/> | <hr/> |
| | £107,745 | £145,958 |
| | <hr/> | <hr/> |

11 CASH AT BANK

All balances are with the parent company, Clydesdale Bank PLC.

CLYDESDALE BANK INSURANCE SERVICES LIMITED
 NOTES ON THE ACCOUNTS - 30 SEPTEMBER 1984

11

12 CREDITORS - amounts falling due within one year

| | 1984 £ | 1983 £ |
|--------------------------------|-------------------|-------------------|
| Other creditors | 137,353 | 54,110 |
| Taxation | 676,139 | 534,075 |
| Accruals | 8,567 | 7,404 |
| Amounts due to Group Companies | 536,276 | 236,172 |
| Proposed dividend | 350,000 | 200,000 |
| | <u>£1,708,335</u> | <u>£1,032,361</u> |

13 PROVISIONS FOR LIABILITIES AND CHARGES

| | 1984 £ | 1983 £ |
|---------------------------------|---------------|-----------|
| Deferred taxation (see note 14) | <u>£9,687</u> | <u>-</u> |

14 DEFERRED TAXATION

| | 1984 | | 1983 | |
|-----------------------------------|---------------------------------|--|---------------------------------|--|
| | Provided in accounts £ | Potential Deferred Taxation £ | Provided in accounts £ | Potential Deferred Taxation £ |
| Short term timing differences | (5,312) | (5,312) | (6,240) | (6,240) |
| Accelerated capital allowances | 14,999 | 14,999 | 5,817 | 21,052 |
| | <u>£9,687</u> | <u>£9,687</u> | <u>£(423)</u> | <u>£14,812</u> |

15 CALLED UP SHARE CAPITAL

| | 1984 £ | 1983 £ |
|---|-----------------|-----------------|
| Authorised, issued and fully paid 350,000 Ordinary shares of £1 each | <u>£350,000</u> | <u>£350,000</u> |

CLYDESDALE BANK INSURANCE SERVICES LIMITED
 NOTES ON THE ACCOUNTS - 30 SEPTEMBER 1984

12

16 PROFIT AND LOSS ACCOUNT

| | 1984 £ | 1983 £ |
|------------------------------|------------|-----------|
| As at 30 September 1983 | 619,601 | 316,831 |
| Retained profit for the year | 399,219 | 302,770 |
| | <hr/> | <hr/> |
| | £1,018,820 | £619,601 |
| | <hr/> | <hr/> |

17 EMPLOYEES

The average number of employees in each week in the year was 55 (1983 - 53).

18 ULTIMATE HOLDING COMPANY

Midland Bank plc, a Company incorporated in Great Britain.