

Clydesdale Bank Insurance Brokers Limited

**Directors' report and financial
statements**

Registered number SCO47926

30 September 2001



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Officers and professional advisers

Directors

HJ Thomson
B Long
DI Walker (appointed 24 October 2000)
D MacPherson (appointed 31 January 2001)

Secretary

JL Shirran

Registered office

30 St. Vincent Place
Glasgow
G1 2HL

Registered number

SCO47926

Auditors

KPMG Audit Plc
Chartered Accountants
24 Blythswood Square
Glasgow
G2 4QS

Bankers

Clydesdale Bank PLC

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

Directors' report

The directors present their annual report and audited financial statements for the year ended 30 September 2001.

Principal activity

The company is an Insurance Broker as defined by the Insurance Brokers Registration Act 1977 whose principal activity continued to be Insurance Broking. The company transacts business as Agent for its clients in both Life and Pensions and General Insurance fields, and is required to comply with the requirements of the Financial Services Act and the rules of the Personal Investment Authority.

The company operates from locations throughout Scotland, parts of England and currently has a complement of 142 staff.

Results and dividends

The trading profit for the year, after taxation, amounted to £16,110,764 (2000: £14,724,610).

Directors and their interests

The names of the current directors and those who served during the year are set out on page 1.


None of the directors held shares in the company or in any other UK group company during the year.

In terms of the Articles of Association of the company, no directors require to retire by rotation.

Elective regime

In accordance with the provisions of the Companies Act 1985, as amended, the company has elected to dispense with the laying of financial statements before a general meeting, the holding of annual general meetings and the obligation to appoint auditors annually.

By order of the board



J.L. Shirran
Secretary
13 December 2001

30 St. Vincent Place
Glasgow
G1 2HL

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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.



KPMG Audit Plc

24 Blythswood Square

Glasgow

G2 4QS

United Kingdom

Independent auditors' report to the members of Clydesdale Bank Insurance Brokers 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 directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by 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 1985. 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 with the company is not disclosed.

Basis of audit 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 as at 30 September 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

13 December 2001

Profit and loss account
for the year ended 30 September 2001

	<i>Note</i>	2001 £	2000 £
Turnover	2	29,628,771	25,736,319
Administrative expenses		(8,184,132)	(6,117,351)
Operating profit	3	21,444,639	19,618,968
Interest receivable	6	1,596,399	1,427,352
Profit on ordinary activities before taxation		23,041,038	21,046,320
Tax on profit on ordinary activities	7	(6,930,274)	(6,321,710)
Profit on ordinary activities after taxation		16,110,764	14,724,610
Dividends proposed		(16,000,000)	-
Dividends paid - equity		-	(12,500,000)
Retained profit for the financial year		110,764	2,224,610
Retained profit brought forward		9,473,182	7,248,572
Retained profit carried forward		9,583,946	9,473,182

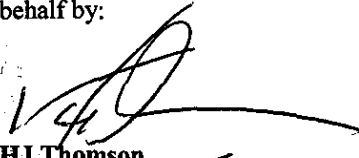
All items dealt with in arriving at the operating profit for 2001 and 2000 relate to continuing operations.

Clydesdale Bank Insurance Brokers Limited have no recognised gains or losses other than the profit for the period (2000: £Nil).

Balance sheet
at 30 September 2001

	Note	2001	2000
		£	£
Fixed assets			
Tangible assets	8	31,911	7,298
Current assets			
Debtors	9	4,062,645	4,378,883
Cash at bank and in hand		35,535,158	18,751,156
		<u>39,597,803</u>	<u>23,130,039</u>
Creditors: amounts falling due within one year	10	(26,446,056)	(9,270,318)
Net current assets		<u>13,151,747</u>	<u>13,859,721</u>
Total assets less current liabilities		<u>13,183,658</u>	<u>13,867,019</u>
Creditors: amount falling due after more than one year	10	(1,500,000)	(1,500,000)
Provisions for liabilities and charges	11	(1,749,712)	(2,543,837)
		<u>9,933,946</u>	<u>9,823,182</u>
Capital and reserves			
Called up share capital	12	350,000	350,000
Profit and loss account		9,583,946	9,473,182
Shareholders' funds: all equity	13	<u>9,933,946</u>	<u>9,823,182</u>

These financial statements were approved by the board of directors on 13 December 2001 and were signed on its behalf by:


HJ Thomson
 Director

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.

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Insurance commissions

Commission is recognised when earned, in relation to income recognition on both general insurance and life and pension policies.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, as follows:

Computer equipment	-	20% straight line
Plant and machinery	-	20% straight line
Office equipment	-	10% straight line

Pension costs

Pension costs charged to the profit and loss account represent the contributions payable in respect of the accounting period.

Deferred taxation

Deferred taxation is provided on timing differences only to the extent that it is probable that an actual liability or asset will crystallise.

Leasing

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

2 Turnover

The company's turnover arises from commission earned on insurance premiums payable in respect of insurance policies and profit sharing on underwriting. Turnover includes £4,879,182 (2000: £4,169,312) in respect of profit sharing received from underwriters.

Notes (continued)

3 Operating profit

	2001 £	2000 £
<i>This is stated after charging/(crediting):</i>		
Auditors' remuneration including expenses:		
Audit	7,400	6,421
Other services	3,900	7,875
Depreciation	6,336	13,544
Profit on sale of fixed assets	-	5,899
	<hr/>	<hr/>

4 Staff costs

	2001 £	2000 £
Wages and salaries	3,362,571	2,974,053
Social security costs	289,486	277,258
Other pension costs	677,887	586,303
	<hr/>	<hr/>
	4,329,944	3,837,614
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The average number of employees during the year was:

	Number of employees	
	2001	2000
General	56	78
Administration	32	14
Life and pensions (including sales)	63	57
	<hr/>	<hr/>
	151	149
	<hr/>	<hr/>

The company is a member of the Clydesdale Bank Pension Scheme, a funded defined benefit scheme. Actuarial details of the scheme are contained in the financial statements of the Clydesdale Bank PLC.

The pension charge for the year was £677,887 (2000: £586,303) representing a proportionate share of the Clydesdale Bank PLC Group's total contribution.

Notes (continued)

5 Directors' remuneration

	2001 £	2000 £
Directors' emoluments	120,850	89,007

The emoluments, excluding pension contributions, of the highest paid director amounted to £73,508 (2000: £67,771). During the year two of the current directors accrued benefits under the Clydesdale Bank Pension Scheme, a funded defined benefit scheme.

6 Interest receivable

	2001 £	2000 £
Bank interest received (net)	1,596,399	1,427,352

All interest receivable and payable is derived from and paid to the immediate parent undertaking, Clydesdale Bank PLC.

7 Tax on profit on ordinary activities

	2001 £	2000 £
Based on the profit for the year:		
Corporation tax at 30% (2000: 30%)	6,575,800	6,071,226
Deferred tax	354,474	250,484
	6,930,274	6,321,710

Notes (continued)

8 Tangible fixed assets

	Office equipment £	Computer equipment £	Total £
Cost			
At beginning of year	189,313	515,179	704,492
Additions	7,195	23,754	30,949
At end of year	196,508	538,933	735,441
Depreciation			
At beginning of year	184,242	512,952	697,194
Provided during year	3,792	2,544	6,336
At end of year	188,034	515,496	703,530
Net book value			
At 30 September 2001	8,474	23,437	31,911
At 30 September 2000	5,071	2,227	7,298

9 Debtors

	2001 £	2000 £
Amounts owed by group undertakings	2,135,250	1,749,408
Prepayments and accrued income	1,927,395	2,629,475
	4,062,645	4,378,883

10 Creditors

Amounts falling due within one year:

	2001 £	2000 £
Trade creditors	5,517,387	3,916,739
Corporation tax	3,566,801	4,053,475
Proposed dividend	16,000,000	-
Accruals and deferred income	1,361,868	1,300,104
	26,446,056	9,270,318

Amounts falling due after more than one year:

	2001 £	2000 £
Amounts due to parent company	1,500,000	1,500,000

During October 1996, Clydesdale Bank PLC granted a sub-ordinated loan of £1.5 million to the company.

Notes (continued)

11 Provisions for liabilities and charges

	2001 £	2000 £
Provision for compensation payments	2,510,749	3,659,347
Deferred tax	(761,037)	(1,115,510)
	<u>1,749,712</u>	<u>2,543,837</u>

Movements during the year are summarised as follows:

	Provision for compensation payments £	Deferred tax £	Total £
At beginning of year	3,659,347	(1,115,510)	2,543,837
Charge for the year	-	354,473	354,473
	<u>3,659,347</u>	<u>(761,037)</u>	<u>2,898,310</u>
Utilisation in year	(1,148,598)	-	(1,148,598)
	<u>2,510,749</u>	<u>(761,037)</u>	<u>1,749,712</u>

On the basis of the accounting policy set out in note 1, deferred taxation, calculated at the expected rate of crystallisation, comprises:

	2001		2000	
	Provided £	Unprovided £	Provided £	Unprovided £
Excess of capital allowances over depreciation	(7,812)	-	(11,707)	-
Other timing differences	(753,225)	-	(1,103,803)	-
	<u>(761,037)</u>	<u>-</u>	<u>(1,115,510)</u>	<u>-</u>

Provision has been made to cover the potential costs associated with the resolution of claims against the Company in respect of pension advice given.

12 Share capital

	2001 £	2000 £
Authorised, allotted, called up and fully paid:		
350,000 ordinary shares of £1 each	<u>350,000</u>	<u>350,000</u>

Notes (continued)

13 Reconciliation of movement in shareholders' funds

	2001 £	2000 £
Profit for the financial year	16,110,764	14,724,610
Dividend proposed	(16,000,000)	-
Dividend paid – equity	-	(12,500,000)
Retained profit for the financial year	110,764	2,224,610
Opening shareholders' funds	9,823,182	7,598,572
Closing shareholders' funds	9,933,946	9,823,182

14 Commitments

There were no capital commitments at the end of the financial year (2000: £Nil).

15 Cash flows

Under Financial Reporting Standard 1 (revised 1996) 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 financial statements.

16 Related party transactions

Under Financial Reporting Standard 8 companies which are wholly owned subsidiaries of a parent whose consolidated financial statements in which the subsidiaries' results are included are publicly available, are granted exemption from disclosing inter-group transactions. The company is such a subsidiary undertaking and accordingly has not disclosed such transactions.

17 Parent undertakings

The largest and smallest groups in which the results of the company are consolidated are those headed by the following:

	<i>Name of parent undertaking</i>	<i>Place of registration</i>	<i>Place of Incorporation</i>	<i>Address from which group accounts available to public</i>
Largest group	National Australia Bank Limited	-	Australia	500 Bourke Street, Melbourne, Australia
Smallest group	Clydesdale Bank PLC	Scotland	-	30 St. Vincent Place, Glasgow, Scotland