

**OBC Insurance Consultants Limited**

**Annual report**

**for the year ended 31 December 1998**

Registered no: 320321



# **OBC Insurance Consultants Limited**

## **Annual report for the year ended 31 December 1998**

	<b>Pages</b>
<b>Directors' report</b>	<b>1 – 2</b>
<b>Statement of directors' responsibilities</b>	<b>2</b>
<b>Report of the auditors</b>	<b>3</b>
<b>Profit and loss account</b>	<b>4</b>
<b>Balance sheet</b>	<b>5</b>
<b>Notes to the financial statements</b>	<b>6 – 13</b>

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

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

**Principal activity**

The company's principal activity is that of insurance consultants.

**Review of business**

The directors are satisfied with the performance of the company and do not envisage any change in the principal activity in the ensuing year.

**Dividend and transfer to reserves**

The directors do not recommend the payment of a dividend. The profit for the year of £295,773 has been transferred to reserves.

**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.

**Acquisitions**

On 21 September 1998 the company acquired the undertaking of Harry V Webb & Co Limited for a consideration of £50,000.

**Directors**

The directors who served throughout the year are as follows:

R Paston  
J Shipley  
M J Vaughan

Mr A J V Giles was appointed to the Board on 1 March 1999. Mr R Paston is a director of the ultimate parent company, Secure Trust Banking Group PLC, and his interest in the share capital of group companies is shown in the directors' report of that company.

**Directors' report (continued)****Directors (continued)**

At 1 January 1998 and 31 December 1998 Mr J Shipley had a beneficial interest in 1,500 ordinary shares of 1p each in the share capital of Secure Trust Banking Group PLC, the company's ultimate parent company.

On 31 October 1995 Mr Shipley and Mr Vaughan were granted respectively options on 35,000 and 30,000 ordinary shares in Secure Trust Banking Group PLC at an option price of 533p, exercisable within three and seven years of the date of their grant.

**Statement of directors' responsibilities**

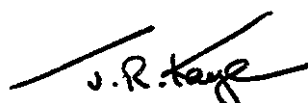
The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

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, and for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**Auditors**

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the annual general meeting.

**By order of the board**

**J R Kaye**  
**Secretary**  
30 March 1999

**Auditor's report to the members of  
OBC Insurance Consultants Limited**

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report, including as described on page 2 of 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.

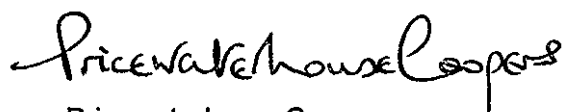
**Basis of audit opinion**

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 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  
Chartered Accountants and Registered Auditors  
Birmingham  
30 March 1999

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

	Notes	1998 £	1997 £
Turnover	1	<b>3,468,482</b>	3,554,270
Administrative expenses		<b>3,060,851</b>	3,095,432
		<hr/>	<hr/>
Profit on ordinary activities before taxation	4	<b>407,631</b>	458,838
Taxation	5	<b>111,858</b>	139,930
		<hr/>	<hr/>
Retained profit for the year	12	<b>295,773</b>	318,908
		<hr/>	<hr/>

The company has no recognised gains and losses other than those included in the profit above, and therefore no separate statement of recognised gains and losses has been presented.

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

The above results relate wholly to continuing activities.

**Balance sheet  
at 31 December 1998**

	Notes	1998 £	1997 £
<b>Fixed assets</b>			
Intangible assets	6	48,918	-
Tangible assets	7	907,354	640,156
Investment in subsidiary	8	217,876	217,876
		<hr/>	<hr/>
		1,174,148	858,032
<b>Current assets</b>			
Debtors	9	9,460,586	6,760,796
Property held for resale		36,000	36,000
Cash in hand		1,276,865	444,465
		<hr/>	<hr/>
		10,773,451	7,241,261
		<hr/>	<hr/>
<b>Creditors:</b>			
Amounts falling due within one year	10	(13,835,164)	(10,282,631)
		<hr/>	<hr/>
<b>Net current liabilities</b>		(3,061,713)	(3,041,370)
		<hr/>	<hr/>
<b>Net liabilities</b>		(1,887,565)	(2,183,338)
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	11	360	360
Profit and loss account	12	(1,887,925)	(2,183,698)
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		(1,887,565)	(2,183,338)
		<hr/>	<hr/>

The financial statements on pages 4 to 13 were approved by the board of directors on 30 March 1999 and were signed on its behalf by:



**J Shipley  
Director**

**Notes to the financial statements  
for the year ended 31 December 1998****Changes in presentation of financial information**

FRS 10 'goodwill and intangible assets' has been adopted and consequently the balance on the Goodwill reserve at 31 December 1997 has been eliminated against the profit and loss account under the transitional arrangements in FRS 10.

FRS 11 'Impairment of fixed assets and goodwill' came into effect for these financial statements but has not resulted in any change in presentation.

**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 consistently applied, is set out below.

**Basis of accounting**

The financial statements have been prepared on the historical cost basis of accounting and on a going concern basis. The ultimate parent company, Secure Trust Banking Group PLC, has acknowledged that it will provide continued financial support to the company to enable the business to continue as a going concern for the foreseeable future.

**Depreciation**

Depreciation is charged on a straight line basis from the month of purchase, to write down the cost of tangible fixed assets over their estimated useful lives applying the following annual rates:

Freehold buildings	2%
Office equipment	15% - 20%
Motor vehicles	25%

Freehold land is not depreciated.

**Turnover**

Turnover represents brokerage and other commissions. Commissions are included in the profit and loss account from the inception of an agency contract.



**1 Principal accounting policies (continued)****Goodwill**

Goodwill arising on the acquisition of businesses prior to 1 January 1998 is calculated as the difference between the fair value of the separable net assets acquired and the fair value of the consideration, and is written off to a goodwill reserve. Equal annual transfers are made from the profit and loss reserve to eliminate this goodwill over its estimated economic life of 20 years.

Goodwill arising on the acquisitions of businesses after 1 January 1998 is written off to the profit and loss account over its estimated economic life of 20 years.

**Investment in subsidiary**

This is shown at cost. Provision would be made for any permanent diminution in value.

**Deferred taxation**

Provision for deferred taxation is made only where a liability is expected to arise in the foreseeable future. Provisions are calculated at the current rate of corporation tax.

**Related party transactions**

The company is a wholly owned subsidiary of Secure Trust Bank PLC, which itself is a wholly owned subsidiary of Secure Trust Banking Group PLC. The company is therefore exempt from disclosing transactions with the parent company under the terms of the Financial Reporting Standard No.8.

**Pension costs**

The company contributes to individual defined contribution pension schemes for the benefit of certain employees. The company's contributions, which are determined annually, are charged against profits in the year in which they are payable.

**Operating leases**

Operating lease rentals are charged to profit and loss account as incurred.

**Cash flow statement**

The company is a wholly owned subsidiary of Secure Trust Bank PLC, which is itself a wholly owned subsidiary of Secure Trust Banking Group PLC, and the cash flows of the company are included in the consolidated group cash flow statement of Secure Trust Banking Group PLC. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

**2 Director's emoluments**

	1998 £	1997 £
Emoluments (including pension contributions and benefits in kind)	<b>81,264</b>	76,454

The emoluments of the highest paid director, excluding pension contributions, were £70,014 (1997: £66,014).

The emoluments of Mr Paston and Mr Shipley are paid by Secure Trust Bank PLC, a fellow subsidiary company which makes no recharge to the company. Their total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of Secure Trust Bank PLC.

Retirement benefits are accruing to Mr Vaughan under a defined contribution scheme.

**3 Employee information**

By activity:	1998 Number	1997 Number
Administration	<b>129</b>	137

	1998 £	1997 £
<b>Staff costs:</b>		
Wages and salaries	<b>1,696,813</b>	1,612,796
Social security costs	<b>150,345</b>	120,938
Other pension costs (see note 15)	<b>33,205</b>	36,297
	<b>1,880,363</b>	1,770,031

#### **4 Turnover and profit on ordinary activities before taxation**

No analysis of turnover or profit before taxation by activity or geographical area is given as the company is involved in only one activity which arises entirely in the United Kingdom.

	1998 £	1997 £
Profit on ordinary activities before taxation is stated after crediting:		
Rent receivable	42,358	24,251
Profit on disposal of fixed assets	5,721	2,358
	<u>          </u>	<u>          </u>
And after charging:		
Amortisation of goodwill	1,000	-
Depreciation on tangible fixed assets	137,261	176,461
Auditors' remuneration – audit fees	22,000	20,500
Equipment rentals	7,223	26,380
Other operating lease rentals	233,013	243,725
	<u>          </u>	<u>          </u>

Auditors' remuneration for non-audit services amounted to £3,000 (1997: £2,500).

#### **5 Taxation**

	1998 £	1997 £
United Kingdom corporation tax at 31% (1996: 33%)		
Current	111,890	170,343
Over provision in respect of prior years		
Current	(32)	(30,413)
	<u>          </u>	<u>          </u>
	111,858	139,930
	<u>          </u>	<u>          </u>

**6 Intangible assets**

Goodwill	Cost £	Amortisation £	Net book Value £
At 1 January 1998	-	-	-
Arising on acquisition	49,918	-	49,918
Charge for the year	-	1,000	1,000
	<hr/>	<hr/>	<hr/>
At 31 December 1998	49,918	1,000	48,918
	<hr/>	<hr/>	<hr/>

Goodwill arising on the acquisition of the business on Harry V Webb & Co Ltd is being amortised over 20 years and includes a provision of £25,000 in respect of the maximum further deferred consideration which may be payable during 1999.

**7 Tangible fixed assets**

	Freehold property £	Office equipment £	Motor vehicles £	Total £
<b>Cost</b>				
At 1 January 1998	480,000	793,131	149,164	1,422,295
Additions	-	370,968	44,271	415,239
Disposals	-	-	(43,115)	(43,115)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1998	480,000	1,164,099	150,320	1,794,419
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At 1 January 1998	69,000	653,441	59,699	782,140
Charge for year	10,800	90,151	36,310	137,261
Disposals	-	-	(32,336)	(32,336)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1998	79,800	743,592	63,673	887,065
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 December 1998	400,200	420,507	86,647	907,354
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value At 31 December 1997	411,000	139,690	89,465	640,155
	<hr/>	<hr/>	<hr/>	<hr/>

**8 Investment in subsidiary**

	Interests in group Undertakings £
<b>Cost and net book value</b>	
At 1 January 1998 and 31 December 1998	217,876
Consolidated accounts are not prepared as the company is a wholly owned subsidiary of another UK company	

**9 Debtors**

	1998 £	1997 £
<b>Amounts falling due within one year</b>		
Trade debtors	1,465,699	2,107,677
Amounts owed by group undertakings	7,885,835	4,539,928
Prepayments and accrued income	109,052	113,191
	<u>9,460,586</u>	<u>6,760,796</u>

**10 Creditors: amounts falling due within one year**

	1998 £	1997 £
Bank overdraft	264,684	301,062
Trade creditors	1,627,400	1,404,387
Amounts owed to group undertakings	11,665,401	8,244,757
Corporation tax	173,656	232,109
Other taxation and social security payable	41,099	32,130
Accruals and deferred income	37,924	68,186
Deferred consideration	25,000	-
	<u>13,835,164</u>	<u>10,282,631</u>

**11 Called-up share capital**

	1998 £	1997 £
<b>Authorised</b>		
1,000 ordinary shares of £1 each	1,000	1,000
<b>Allotted, called up and fully paid</b>		
360 ordinary shares of £1 each	360	360

**12 Profit and loss account**

	£
At 1 January 1998	
As previously reported	160,380
Elimination of goodwill reserve	(2,344,078)
	<hr/>
As re-stated	(2,183,698)
Retained profit for the year	<u>295,773</u>
At 31 December 1998	<u>(1,887,925)</u>

The profit and loss account at 1 January 1998 has been re-stated to eliminate the balance on the goodwill reserve at 31 December 1997 in accordance with FRS 10 'Goodwill and intangible assets'. This amount comprises all the balance of goodwill previously included in the balance sheet as a reserve and which was being eliminated by equal annual transfers from the profit and loss reserve over 20 years.

Cumulative goodwill written off relating to the purchase of businesses prior to 1998 which has now been eliminated against the profit and loss account reserve amounts to £3,720,361 (1997 £3,720,361).

**13 Reconciliation of movements in equity shareholders' funds**

	1998 £	1997 £
Retained profit for the year	295,773	318,908
Opening shareholders' funds	(2,183,338)	(2,502,246)
	<hr/>	<hr/>
Closing shareholders' funds	<u>(1,887,565)</u>	<u>(2,183,338)</u>

**14 Financial commitments**

At 31 December 1998 the company had annual commitments under non-cancellable operating leases as follows:

	1998		1997	
	Property rentals	Other	Property rentals	Other
	£	£	£	£
Expiring:				
Within one year	75,897	-	54,500	528
Between two and five years	75,515	-	86,567	2,431
After five years	59,875	-	45,625	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**15 Pension arrangements**

The company makes contributions to individual defined contribution pension schemes on behalf of certain employees. The assets of the schemes are held separately from those of the company in independently administered schemes. The pension cost charge represents contributions payable by the company and is shown in note 3.

**16 Ultimate parent company**

The directors regard Secure Trust Banking Group PLC, a company registered in England and Wales, as the ultimate parent company and ultimate controlling party.

A copy of the consolidated financial statements of Secure Trust Banking Group PLC may be obtained from The Secretary, Secure Trust Banking Group PLC, Paston House, Arlestone Way, Solihull, B90 4LH.