

Arista
Insurance
Limited

December 31

2012

Company Number 05938669

Financial
Statements

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Financial Statements for Year ended 31st December 2012**Table of Contents**

CHAIRMAN'S STATEMENT	3
CHIEF EXECUTIVE'S STATEMENT	4
DIRECTORS' REPORT	6
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS	11
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARISTA INSURANCE LIMITED	12
PROFIT AND LOSS ACCOUNT	14
BALANCE SHEET	15
CASH FLOW STATEMENT	16
NOTES TO THE FINANCIAL STATEMENTS	17

CHAIRMAN'S STATEMENT

I am pleased to report on a sixth successful trading period for Arista Insurance Limited ("Arista"). The financial statements which follow are for the year ended 31st December 2012. The company has continued to extend its presence in the UK commercial lines insurance sector and has increased the volumes of business it transacts with key regionally based brokers that view Arista as an agile, effective and valued "high service" alternative to the major established insurers in the UK. This presence is firmly built on providing its selected brokers and their business clients with efficient service and the security of Lloyd's.

During 2012, Arista has

- Expanded the resources within all its regional offices and taken on more empowered underwriting staff to support regional trading with its three hundred and ninety eight chosen broker partners, particularly in those areas where greater demand for its service proposition is evident,
- Increased the volume of business and expanded the functionality and speed of response on its web based trading platform for simpler insurance risks,
- Alongside its insurer partners invested in improving operational claims service to brokers and to their customers as well as reducing the opportunity for fraudulent third party claimants to negatively impact commercial policyholders claims records,
- Continued to extend the capability and authority of its highly experienced regional staff to concentrate their technical resources on more complex risks while investing in improving the efficiency of processes around simpler risks,
- A business that is strongly cash-flow positive, and most importantly
- Achieved its second consecutive annual operating profit before accounting for the welcome additional financial contribution of profit commission from its underwriting results

All of this has been achieved against a continuing background of challenging economic conditions for Arista's brokers and their commercial clients, soft commercial lines insurance markets, intense new business competition and rapid change. I wish to thank all members of the Arista team for their dedication and hard work during this continued phase of development.

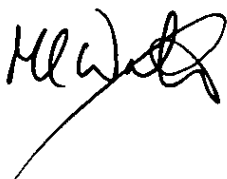
Arista is a joint venture between Canopus Group ("Canopus"), Equity Insurance Group ("Equity") and the Arista management team. Canopus and Equity support the continuing development and success of the Arista venture and provide it with the majority of its underwriting capacity. Arista's business proposition is based on implementing a consistent and sustainable service strategy for independent regional brokers, rather than on undercutting its competitors. A focus on producing underwriting profits for all its insurers remains a core goal of the business. The Arista management team have evidenced this commitment by addressing elements of the portfolio where adverse underwriting performance has been identified.

The strong and profitable trading base that was established in 2011 is continuing to develop in 2012. The number of broking partners is stable and each month the proportion of its business that derives from renewal of existing policies continues to rise making the company's operations steadily more efficient.

Arista is making positive progress in firming up its base of sustainable profitability, both for its own account and that of its insurance carriers. I look forward to the coming months with continued confidence in the Arista team and business model.

Michael Watson

30th May 2013



CHIEF EXECUTIVE'S STATEMENT

Arista Insurance's success continued in 2012 despite difficult trading conditions in our commercial insurance market, thanks to the dedication and hard work of our team members, and the support of our brokers, insurer partners and suppliers

Throughout 2012 Arista continued to deliver its service based proposition to independent brokers in the UK and to invest further in the number and quality of the people that deliver that service. The delivery of our strong value proposition to brokers is continuing to grow a sustainable position in broker administered SME business in the UK

Quality staff, modern technology and processes designed to deliver effective and efficient service to all participants in the process, develop strong regional broker support and make the company a valued partner for the independent broker involved in UK commercial insurance – as industry surveys continue to demonstrate. Arista's track record in 2012 once again reflects our peoples' successful delivery of that seemingly simple task that is beyond many insurers

2012 presented a challenging business environment as the economy bumped along a recessionary trough and the resultant continuing soft UK commercial insurance market depressed prices. Arista's proposition and the quality of our relationships with broker customers are allied to a determination to achieve adequate returns on the underwriting capital we access from our insurer partners. As we underwrite, achieving prices that are appropriate to exposures, our strong broker relationships and the skills of our staff have again delivered profitable growth despite the constraints of the market. We have continued to meet the expectations in the company's challenging plans for Arista profitability in 2012

Commercial motor insurance, particularly for Motor Fleets, is an area of particular challenge for all insurers as claims inflation and the effects of the UK motor claims system impact the outcome of claims incidents. Arista shares our insurance partner's strong and successful focus on motor claims leakage. We are working together to build a sustainable distribution, underwriting and claims service business that offers brokers and policyholders long term benefits in stability of supply and improvement in their own claims experience, and offers our insurance partners access to profitable and persistent business

During 2012 Arista continued to identify areas of opportunity that were ill-served by our competitors and concentrated the growth in the company workforce in these areas. The select panel of brokers that Arista does business with was not increased appreciably with any additions coming in geographic areas where Arista was previously unrepresented. The company concentrated on growing business volumes within our existing broker base. In 2012 we did not open any new conventional offices as we developed and deployed an increasingly mobile and flexible underwriting workforce to visibly support brokers in less well served regions of the UK

As technology and mobility evolve so too will Arista's business model. It will achieve further efficiencies both to increase the ease and speed of processing an Arista transaction through brokers', Arista's and insurers' systems and to reduce the cost of doing so. This will reduce brokers', Arista's and insurers' expense ratios and attract greater volumes at better margins. The continuing development of the core and peripheral Arista computer systems, business rules automation and integration with brokers through web based trading capabilities form a key part of Arista's response to brokers' needs

The business and its underwriting portfolio continue to mature with the expansion of the capacity and capability of the regional trading operations, while holding the growth in central support and control operations to a much lower rate, so improving the company's profit margins even before the boost to the positive result offered by Profit Commission earnings

Arista continues to attain its goal of increasing value through growth in sustainable income, growth in underwriting and operating margins and the development of business capabilities that are attractive to stakeholders and as a result is an increasingly resilient and profitable operation

Cash flow within the business has steadily improved and moved more strongly into positive territory

Once again Arista's high quality people have risen to the challenges of delivering great service to a select broker panel through their technical competence, appropriate insurance and business experience, dedication and enthusiasm. A more widely distributed and increasingly mobile workforce poses some new challenges that our management teams are rising to. The high proportion of technically qualified people in our underwriting teams and the functional business units that support them offers good evidence of our skill base in underwriting and other technical disciplines.

The supply of accurate and timely information on activity and performance creates a strong system of governance. Arista management and the appropriate stakeholders know what they need to know and they know that information is accurate and accessible at the right time and in the right place. That, in turn, supports governance and our trust in the individuals in the front line of Arista and the authority and accountability they carry.

I believe that Arista is more effective and agile than many larger competitors, and I also recognise that we can achieve much more. We have stretching goals and significant energy behind our desire to deliver more to the broker that values an Arista agency and to the insurer that values our underwriting and distribution capabilities.

Arista's select panel of brokers continue to show their enthusiastic support and the value in which they hold their Arista agency through progressively growing business volumes and our progress has always been underpinned by continuing helpful advice and strong support from all our investors and insurers.

None of this could have been achieved without the abilities, continued dedication and commitment of Arista's people and their families, without the support and belief of Arista's independent regional broker customers or without the support and advice of Arista's insurers and suppliers and supporters. I thank them all and look forward to continuing to respond to their commitment as an employer, an underwriter and a partner that they can continue to value highly.



Charles Earle

30 May 2013

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2012

DIRECTORS

The directors who served during the period under review were as follows

Michael C Watson	(Chairman)
Charles H D Earle	
Lyn A Carslake	
Mark H Bacon	
Ian R Foy	(Resigned 19 th April 2013)
Christopher McGinn	(Resigned 6 th January 2012)
Timothy P Rolfe	(Appointed 24 th February 2012)

COMPANY SECRETARY

The company secretary who served during the year under review was as follows

Victoria L Cuggy

PRINCIPAL ACTIVITIES

The principal activity of the company is that of an insurance underwriting agency for commercial property, liability, engineering, legal expenses, professional indemnity, directors' and officers' liability and motor classes of insurance, sold through a select number of independent insurance brokers

The company underwrites UK commercial insurance under binding authorities granted by a number of UK licensed insurers

Arista's underwriting services are delivered by qualified and experienced staff supported by modern operating systems and effective business processes. Together with a wide range of products these combine to create a service that independent regional insurance brokers value as it reduces frictional costs in the risk transfer process and enables them to concentrate more of their own resources on customer service

The combination of staff, systems, information and governance that is appropriate to the task provides Arista with a strong advantage over its competitors

RESULTS AND DIVIDENDS

The results for the year ended 31 December 2012 are set out on page 14. The directors do not recommend payment of a final dividend (2011 Nil)

GOING CONCERN

The financial statements have been prepared on a going concern basis, which the directors believe to be appropriate for the following reasons

The company has achieved profitable trading for the year ended 31 December 2012 and has net current assets at that date of £5,122,335 (2011 £3,652,739). The directors have reviewed the cash flow forecasts and budgets of the company for a period of at least 12 months from the date of approval of these financial statements, these showed that the directors have a reasonable expectation that the company has adequate resources to continue in

operational existence for the foreseeable future and therefore it is appropriate to continue to adopt the going concern basis

BUSINESS REVIEW

The company has limited the expansion of its broker panel to certain areas where it is under-represented and has identified competitor weakness as it has concentrated on expanding the volumes of business with existing brokers to promote the exclusivity of its proposition. The amount of business processed on its web trading platform has continued to grow offering further efficiencies in processing small transactions to the company's independent broker customer base and enabling staff to concentrate their resources on handling more complex cases for their brokers. Renewal business written in the Regional Operations grew as a proportion of overall business so furthering productivity once more.

The results for the year and financial position of the company are shown in the annexed financial statements.

In a challenging and competitive marketplace turnover (arising principally from over-ride commission from Arista's supporting insurers but also profit commission from most of the company's insurers) neared £11.7m (2011 £10.9m) which is a satisfactory position against the company's plans for the period. Expenditure within the business (principally arising from staff costs, premises costs and business systems costs) was appropriately controlled within budgets and increased at a significantly lower rate than income to represent a satisfactory balance of investment in the future and attainment of the company's plans.

The company has expanded the sound business base which was developed since 2007 and it is the directors' intention to develop this further in a manner consistent with the company's plans.

KEY PERFORMANCE INDICATORS

	2012	2011
Managed broker relationships	398	370
Brokerage	£10,944,574	£10,155,933
Profit before tax	£1,265,329	£692,458
Average number of employees	112	107
Expense/Gross Premium Written %	12.5%	13%
Renewal % of Underwritten Premium	71.2%	70.3%
EBITDA*	£1,708,551	£1,333,957

**Earnings Before Interest payable, Taxes, Depreciation and amortisation*

FUTURE DEVELOPMENTS

In 2013 the company will continue to expand its regional presence and the range of insurance solutions available to its brokers, as well as considering underwriting capacity from a wider number of insurance carriers.

Certain central areas will be re-structured to bring insight and analysis resources and skills closer to underwriting management operations so providing more pro-active portfolio insight and management and regional trading operations will further develop their de-centralised broker focus.

The company will develop further sophistication, automation and embedded controls within its underwriting processes to capture and analyse more extensive data on technical, target and actual price at case, underwriter, broker and portfolio levels as well as use data from external sources

The company will develop further efficiencies through the re-engineering of existing products and processes, the automated integration of data with insurers and suppliers and review a number of claims processes to improve service to brokers and their customers

The company will manage the key financial drivers in its business and focus on delivering increased insurance underwriting margins so as to develop stronger profit commission earnings as well as increasing the company's annual operating profit

The company will develop further the structure of its staff development and succession plans through a focused learning and development programme

The company will further increase the proportion of business that is handled by the online trading platform for brokers and expand the capability of this platform and the product range available

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's operating activities are exposed to various financial, legal and regulatory and market risks. These include the key risk factors summarised below

The company has established a risk management and governance framework that is designed to identify and mitigate risk. Key policies and controls include

- Quarterly meetings of the Board of Directors and the Audit Risk and Compliance Committee at which key aspects of the company's business are reviewed including the reports of various executive committees,
- Underwriting guidelines and controls that are aligned with the company's binding authorities and appropriately embedded in the company's core operating systems and processes,
- The company's risk register which is regularly reviewed by the Board the Audit Risk and Compliance Committee and Executives,
- Internal audit of underwriting and operational processes,
- Human resources policies and guidelines designed to ensure the operations are adequately resourced by sufficiently skilled people,
- Financial policies and controls that cover expense management, cash flow and other financial projections, credit risk and debt collection

Legal and Regulatory Risk

The Company is exposed to potential claims and litigation arising out of the ordinary course of business relating to alleged errors and omissions, or noncompliance with laws and regulations. This covers a number of risks, varying from the ability for systems and procedures to be changed in response to regulatory changes from the Financial Conduct Authority or Prudential Regulatory Authority and the safeguarding of insurer money. The Company acts as an appointed representative and therefore is not directly regulated by the Financial Conduct Authority or Prudential Regulatory Authority.

The directors are satisfied, that the company has in place appropriate arrangements to manage these risks including compliance monitoring procedures and reporting to the board. In addition the company carries appropriate insurance cover to meet any claims arising.

Financial Risk

The Company is exposed to financial risk through its financial assets and liabilities. The financial components are liquidity, cashflow, interest rate and counterparty credit risk.

The extent of the exposure to each of these is detailed below

Liquidity and cashflow Risk

Liquidity and cashflow risk is the risk that cash may not be available to pay obligations when they fall due. The company has put in place appropriate financial and cashflow management structures so that it is able to anticipate demand for cash and meet obligations as they arise. The company operates in a high cashflow business and the controls in place ensure that the company has appropriate cash resource to meet its obligations as they fall due.

Interest Rate Risk

The company's operating income is subject to the effect that interest rate fluctuations have on the interest earned on the company's own funds and balances held on behalf of underwriters. The company attempts to mitigate this risk by placing excess funds on term deposits at pre-agreed rates of return and does not hold any investments where market values are impacted by interest rate fluctuations.

Counter Party Credit Risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The company monitors its level of exposure to revenues not yet received on a regular basis in order to provide against any exposures which will not be collected. The company monitors its exposure to single counterparties and to groups of connected counterparties and ensures that its cash is kept with counterparties with appropriate credit ratings.

Operational risk

Operational risk is the risk of loss due to factors such as inadequate systems, management failure, inadequate internal controls, fraud and human error. The company mitigates these risks through a key risks and controls framework, systems of internal controls, internal audit and compliance functions and other measures such as back-up procedures, contingency planning and insurance.

The Board has ultimate responsibility for the system of internal control maintained by the company to manage operational, regulatory and financial risks. Our business model is supported by an open and transparent ethos.

Market Risk

The commercial insurance sector is both dynamic and is constantly evolving in response to pressure from both financial and non-financial risks. The pace of change has accelerated in recent years creating greater uncertainty for the market. The key risks affecting the company are:

- The uncertain economic climate creating additional pressures on prices, claims settlements or cash flow beyond our plan,
- Failure to achieve planned income and consequent shortfall of revenue against expenses,
- Failure to achieve planned profit commissions from underwriting,
- Failure to attract or retain the high quality staff on which the broker service proposition is founded,
- Major changes in UK commercial insurance distribution that impact the company's business model.

EMPLOYEES

During the year all staff were employed by Arista Insurance Limited.

During the year the average number of people employed by the company was 112.

AUDITORS

Pursuant to Section 487 of the Companies Act 2006, the auditors were reappointed and KPMG Audit Plc will therefore continue in office.

POLITICAL AND CHARITABLE DONATIONS

The company made no political or charitable donations during the financial year (2011 Nil).

LIABILITY INSURANCE FOR COMPANY OFFICERS, GROUP DIRECTORS AND OFFICERS

As permitted by the Companies Act 2006, the Company has maintained insurance cover for directors and officers against liabilities arising in relation to the Company

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

By order of the board

By order of the board



Lyn Carslake
Deputy Chief Executive Officer

30th May 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 period. 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARISTA INSURANCE LIMITED

We have audited the financial statements of Arista Insurance Limited for the year ended 31 December 2012 set out on pages 14 to 28. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

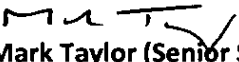
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

TO THE MEMBERS OF ARISTA INSURANCE LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit


Mark Taylor (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
15 Canada Square
Canary Wharf
London
E14 5GL
30 May 2013

PROFIT AND LOSS ACCOUNT**For the year ended 31 December 2012**

		Year ended 31 December 2012	Year ended 31 December 2011
	Note	£	£
TURNOVER	2	11,689,463	10,991,436
Administrative expenses		(10,551,503)	(10,300,511)
OPERATING PROFIT		1,137,960	690,925
Interest payable and similar charges	5	-	(40,351)
Interest receivable and similar income	6	127,369	41,884
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	1,265,329	692,458
Tax credit on profit on ordinary activities before taxation	9	11,813	1,520,910
PROFIT FOR THE FINANCIAL YEAR	16	1,277,142	2,213,368

All amounts relate to continuing activities

There are no recognised gains or losses other than the profit 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 tax and the retained profit for the year stated above, and their historical cost equivalents

The notes on pages 17 to 28 form an integral part of these financial statements

BALANCE SHEET**For the year ended 31 December 2012**

	Note	As at 31 December 2012 £	£	As at 31 December 2011 £	£
FIXED ASSETS					
Tangible assets	11		861,889		1,054,343
CURRENT ASSETS					
Debtors	12	12,502,692		12,229,285	
Cash at bank and in hand	13	8,947,169		7,620,360	
		21,449,861		19,849,645	
CREDITORS amounts falling due within one year	14	(16,327,526)		(16,196,906)	
NET CURRENT ASSETS			5,122,335		3,652,739
NET ASSETS			5,984,224		4,707,082
CAPITAL AND RESERVES					
Called up share capital	15		13,773,957		13,773,957
Share premium	16		86,644		86,644
Capital contribution reserve	16		570,932		570,932
Own shares held by EBT	16		(5,625)		(5,625)
Profit and loss account	16		(8,441,684)		(9,718,826)
SHAREHOLDERS' FUNDS			5,984,224		4,707,082

These financial statements on pages 14 to 28 were approved by the board of directors on 15th May 2013 and signed on its behalf by

Charles Earle
Director

30th May 2013

The notes on pages 17 to 28 form an integral part of these financial statements

CASH FLOW STATEMENT**For the year ended 31 December 2012**

	Note	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Cash flow from operating activities	17	1,450,208	2,400,215
Returns on investments and servicing of finance	18	127,369	1,533
Capital expenditure and financial investment	18	(250,768)	(237,524)
Cash inflow before management of liquid resources and financing		<u>1,326,809</u>	<u>2,164,224</u>
Financing	18	-	(188,493)
Increase in cash during the year		<u>1,326,809</u>	<u>1,975,731</u>
Cash balances brought forward		7,620,360	5,644,629
Cash balances carried forward		<u>8,947,169</u>	<u>7,620,360</u>

The notes on pages 17 to 28 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES

a. Basis of accounting/preparation

The financial statements have been prepared on a going concern basis, which the directors believe to be appropriate for the following reasons

The company has achieved a third year of profitable trading for the year ended 31 December 2012 and has net current assets as at that date of £5,122,335. The directors have reviewed the cash flow forecasts and budgets of the company for a period of at least 12 months from the date of approval of these financial statements, these showed that the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and therefore it is appropriate to continue to adopt the going concern basis.

b. Turnover

Turnover is represented by brokerage commissions, profit commissions and premium finance fees. Brokerage commissions are recognised when cover commences with deferral of revenue for ongoing contractual obligations as appropriate. Policy fees, including mid-term adjustments, are recognised when received.

Profit commission is recognised in line with the separate agreements in force with each insurer and only once it can be measured with appropriate reliability, which is usually no earlier than month 24 of the underwriting year of account. Subsequent adjustments are made in future periods as they arise.

Premium finance fee income is recognised when the service on the relevant contract is performed and contractual obligations are extinguished.

c. Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value over the estimated useful economic lives of the tangible fixed assets. The depreciation rates, on a straight line basis, are as follows:

Computer equipment	20% per annum
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IT Projects/development	20% per annum
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Fixtures and Fittings	20% per annum
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Assets under construction are not depreciated until they are transferred for use in the business.

d. Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

e. Trade debtors and trade creditors

Insurance brokers normally act as agents in placing the insurable risks of their clients with insurers and, as such, generally are not liable as principals for amounts arising from such transactions. Notwithstanding such legal relationships, debtors and creditors arising from insurance broking transactions are shown as assets and liabilities in recognition of the fact that the insurance broker is entitled to retain investment income on any cash flows arising from such transactions.

Balances arising from insurance broking transactions included under debtors and creditors are only offset to the extent permitted under the provisions of Financial Reporting Standard 5 'Reporting the substance of transactions'.

f. Insurance transactions, client receipts and insurer money

The company records on its balance sheet amounts due to and from clients and insurers, and money held on behalf of insurers in relation to insurance transactions that the company handles on behalf of those parties. In accordance with the requirements of the agreements in place between the company and the insurers, which grant full risk transfer to the Company, such funds are held in separate bank accounts governed by Trust Deeds. Amounts held in trust cannot be called upon on insolvency of the company, however interest received on all of these cash balances is recognised and reflected as revenue in these financial statements as the company has the right to such interest in accordance with the terms of the business agreed with clients and insurers. The cash at bank balances presented in these financial statements represents the aggregation of the money held for the benefit of the company, clients and insurers.

g. Tax

The charge for taxation is based on the profit for the year 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 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 FRS19.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

h. Own shares held by Employee Benefit Trust

Transactions of the Company sponsored Employee Benefit Trust (EBT) are treated as being those of the Company and are therefore reflected in the Company's financial statements. Purchases, sales and transfers of own shares are disclosed as changes in shareholders' equity.

ARISTA INSURANCE LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2012

2. TURNOVER

Turnover represents net brokerage and over-rider fees from Premium Credit Limited and profit commission as follows

	Year Ended 31 December 2012 £	Year Ended 31 December 2011 £
Brokerage	10,944,574	10,155,933
Profit commission	556,812	669,771
Other	188,077	165,732
	11,689,463	10,991,436

Turnover arises entirely in the United Kingdom

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before tax is stated after charging

	Year Ended 31 December 2012 £	Year Ended 31 December 2011 £
Depreciation on tangible fixed assets	443,222	601,148
Fees payable to the auditor for the audit of these financial statements	25,250	23,906
Fees payable to the auditor in respect of other accountancy services	9,617	8,500
Hire of other assets – operating leases	773,647	665,153

ARISTA INSURANCE LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2012

4. COMMITMENTS

The future commitments under operating leases are as follows

	Year Ended 31 December 2012 £	Year Ended 31 December 2011 £
Within one year	252,912	113,962
Between two to five years	354,755	560,897
Over five years	54,881	-
	662,548	674,859

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 31 December 2012 £	Year Ended 31 December 2011 £
Finance leases	-	40,351

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended 31 December 2012 £	Year Ended 31 December 2011 £
Interest received from cash held at bank	127,369	41,884

7. DIRECTORS' EMOLUMENTS

The executive directors' emoluments during the year amounted to £511,353 (2011 £487,246)

The emoluments of the highest paid director during the year amounted to £292,947 (2011 £277,766) and company contributions of £48,796 (2011 £47,780) were paid to a self-invested pension plan on his behalf

ARISTA INSURANCE LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2012

8. STAFF NUMBERS AND COSTS

The average number of persons employed by the company (including directors) during the year was 112 (2011 107)

The aggregate payroll costs of these persons were as follows

	Year Ended 31 December 2012	Year Ended 31 December 2011
	£	£
Wages and salaries	6,289,554	6,008,632
Social security costs	759,201	723,286
Other pension costs	584,781	560,358
	<u>7,633,536</u>	<u>7,292,276</u>

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £556,613 (2011 £525,481)

There were no outstanding or unpaid contributions at either the beginning or end of the financial year

ARISTA INSURANCE LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2012

9. TAX ON LOSS ON ORDINARY ACTIVITIES

a. Analysis of charge in period

	Year Ended 31 December 2012 £	Year Ended 31 December 2011 £
Current tax:		
UK corporation tax on profits for the period	-	-
Adjustment in respect of prior year	-	-
Deferred Tax:		
Origination and reversal of timing differences		
Utilised in the period	385,070	-
Impact of the change in rate	17,089	-
Recognised in the period	(413,972)	(1,520,910)
Tax credit on ordinary activities	(11,813)	(1,520,910)

b. Factors affecting tax credit for the period

	Year Ended 31 December 2012 £	Year Ended 31 December 2011 £
Profit on ordinary activities before taxation	1,265,329	692,458
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	310,006	183,501
Effects of		
Losses not recognised	-	-
Utilisation of tax losses and other deductions	(385,070)	(306,366)
Expenses not deductible for tax purposes	21,165	38,667
Depreciation in excess of capital allowances	53,899	84,198
Adjustment in respect of prior year	-	-
Current tax credit	-	-

ARISTA INSURANCE LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2012

9. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

Provision for Deferred Tax

	Year Ended 31 December 2012	Year Ended 31 December 2011
	£	£
The Movement in deferred tax comprises		
Origination and reversal of timing differences:		
Utilised in the period	385,070	-
Impact of the change in rate	17,089	-
Recognised in the period	(413,972)	(1,520,910)
	<u>(11,813)</u>	<u>(1,520,910)</u>
Deferred tax asset at start of year	(1,520,910)	-
Deferred tax asset at end of year	<u>(1,532,723)</u>	<u>(1,520,910)</u>

The amounts provided in respect of deferred taxation are as follows:

Tax losses	(1,304,172)	(1,520,910)
Fixed asset timing differences	(228,551)	-
	<u>(1,532,723)</u>	<u>(1,520,910)</u>

Deferred tax – Amounts not recognised

	Year Ended 31 December 2012	Year Ended 31 December 2011
	£	£
Unrecognised deferred tax asset		
- Losses	-	295,075
- Fixed asset timing differences	-	175,391
- Short term timing differences	-	25,250
	<u>-</u>	<u>495,716</u>

ARISTA INSURANCE LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2012

9. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

The Chancellors Budget on 20 March 2013 announced that the UK corporation tax rate will reduce to 20% by 2015. The reduction to 23% (effective from 1 April 2013) was enacted on 3 July 2012. The company's deferred tax balances have been provided for at 23% (25% at 31 December 2011), being the rate that was substantively enacted at 31 December 2012.

The effect reduction in the UK corporation tax rate to 20% would create an additional reduction in the deferred tax balance of £199,920. This has not been reflected in the figures above as it was not substantively enacted at the balance sheet date.

10. DIVIDENDS

No dividend was declared or paid by the Company during the financial accounting year (2011: £nil).

11. TANGIBLE FIXED ASSETS

	IT projects/ development £	Computer equipment £	Fixture and Fittings £	Payments on account and assets in course of construction £	Total £
Cost					
At beginning of year	1,562,198	1,541,016	50,787	136,887	3,290,888
Additions	-	119,698	61,291	69,779	250,768
Transfers	15,239	-	-	(15,239)	-
Disposals	-	-	-	-	-
At 31 December 2012	1,577,437	1,660,714	112,078	191,427	3,541,656
Depreciation					
At beginning of year	1,197,901	1,030,654	7,990	-	2,236,545
Charge for year	209,834	223,224	10,164	-	443,222
At 31 December 2012	1,407,735	1,253,878	18,154	-	2,679,767
Net book value					
At 31 December 2012	169,702	406,836	93,924	191,427	861,889
At 1 January 2012	364,297	510,362	42,797	136,887	1,054,343

ARISTA INSURANCE LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2012

12. DEBTORS

		Year Ended 31 December 2012	Year Ended 31 December 2011
	Note	£	£
Trade debtors		9,981,204	9,930,730
Other debtors		388,765	777,645
Amounts due from parent undertaking	19	600,000	-
Deferred tax asset	9	1,532,723	1,520,910
		12,502,692	12,229,285

13. CASH AT BANK AND IN HAND

Cash at bank includes client broker accounts amounting to £879,516 with investment accounts holding £5,938,843 (2011 £1,661,814 – Investment £4,629,313) These amounts arise from insurance broking transactions and are held in designated accounts on behalf of clients, for onward payment to insurers

14. CREDITORS: amounts falling due within one year

	Year Ended 31 December 2012	Year Ended 31 December 2011
	£	£
Trade creditors	14,771,380	14,620,633
Accruals and deferred income	1,216,207	1,164,408
Other creditors	339,939	411,865
	16,327,526	16,196,906

ARISTA INSURANCE LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2012

15. CALLED UP SHARE CAPITAL

	Year Ended 31 December 2012 £	Year Ended 31 December 2011 £
Authorised:		
Ordinary 'A' 106,734,370 of 10p each	10,673,437	10,673,437
Ordinary 'B' 48,515,630 of 10p each	4,851,563	4,851,563
Ordinary 'C' 1,312,500 of 10p each	131,250	131,250
Class 1 Preference 9,926,176 of £1 each	9,926,176	9,926,176
Class 2 Preference 5,073,824 of £1 each	5,073,824	5,073,824
	<hr/> 30,656,250	<hr/> 30,656,250
Allotted, issued and fully paid:		
Ordinary 'A' 3,609,370 of 10p each	360,937	360,937
Ordinary 'B' 1,640,630 of 10p each	164,063	164,063
Ordinary 'C' 1,187,813 of 10p each	118,781	118,781
Class 1 Preference 9,926,176 of £1 each	9,926,176	9,926,176
Class 2 Preference 3,204,000 of £1 each	3,204,000	3,204,000
	<hr/> 13,773,957	<hr/> 13,773,957

The Preference Shares automatically convert to "A" or "B" Ordinary Shares, to match the designation of those Ordinary Shares held by the relevant shareholder, on a pound for pound nominal basis on 30 June 2050. Consequently on 1 July 2008 the number of authorised "A" and "B" Ordinary Shares was increased to anticipate this event. The Preference Shares may only be redeemed on 30 days' notice given by the Company or upon a winding up.

The A, B and C shareholders are entitled to notice of general meetings of the Company and are entitled to attend and vote at such meetings. Preference shareholders are entitled to notice of such meetings but are not entitled to attend and vote.

ARISTA INSURANCE LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2012

16. CAPITAL AND RESERVES

	Capital Contribution	Own shares held by EBT	Share Premium	Profit and Loss Reserve
	£	£	£	£
At beginning of year	570,932	(5,625)	86,644	(9,718,826)
Retained profit for the year	-	-	-	1,277,142
At 31 December 2012	570,932	(5,625)	86,644	(8,441,684)

During 2008 the company established an employee incentive trust for the benefit of certain employees of the company. This is an offshore trust that is administered by an independent management company, trustees of the scheme are Charles Earle and Lyn Carslake ("the Trustees") who are both executive directors of Arista Insurance Limited. The Trustees may provide shares in the Company to be distributed to executive directors and employees of Arista Insurance Limited under employee share schemes to be set up in the future. The directors regard Arista Insurance Limited as the sponsoring company and, accordingly the assets and liabilities of the Trust are recognised by the company and the group in accordance with the provisions of UITF Abstract No. 38.

17. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOW

	Year Ended 31 December 2012 £	Year Ended 31 December 2011 £
Operating Profit	1,137,960	690,925
Depreciation charges	443,222	601,148
(Increase)/decrease in debtors	(261,594)	867
Increase in creditors	130,620	1,107,275
Net cash inflow from operating activities	1,450,208	2,400,215

ARISTA INSURANCE LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2012

18. ANALYSIS OF CASH FLOW

	Year Ended 31 December 2012 £	Year Ended 31 December 2011 £
Returns on investments and servicing of finance		
Interest received	127,369	41,884
Interest element of finance lease rental repayments	-	(40,351)
	<u>127,369</u>	<u>1,533</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(250,768)	(237,524)
	<u>(250,768)</u>	<u>(237,524)</u>
Financing		
Repayment of finance leases	-	(188,493)
	<u>-</u>	<u>(188,493)</u>

19. RELATED PARTIES

Interest payable to Canopus and Equity in respect of loan balances was £Nil (2011 £1,229) and £Nil (2011 £1,149) respectively

During the year the Equity Insurance Group provided services relating to Compliance, Treasury, Secretariat, Human Resources, Credit Control and Finance. These were included within administrative expenses and amounted to £201,480 (2011 £187,619)

Brokerage paid during the year amounted to £4,644,400 (2011 £4,745,217) from Equity Insurance Group and £5,979,987 (2011 £4,819,104) from Canopus Group

Canopus Profit Commission included in turnover for the year amounted to £491,906 (2011 £496,000)

At the year end the company had a loan due from Canopus of £600,000 (2011 £Nil). The maximum balance due during the period on the loan was £600,000