

ARISTA INSURANCE LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2009

COMPANY NUMBER 05938669

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ARISTA INSURANCE LIMITED

FINANCIAL STATEMENTS – 31 DECEMBER 2009

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ARISTA INSURANCE LIMITED

CHAIRMAN'S STATEMENT

For the year ended 31 December 2009

I am pleased to report on a third successful trading period for Arista Insurance Limited ("Arista"). The financial statements which follow are for the year ended 31st December 2009. The company has continued to increase its presence in the UK commercial lines insurance sector and has expanded the number of brokers that view it as an effective 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 2009, Arista has

- built further upon its reputation as a provider of superior and efficient service to its customer brokers,
- expanded the resources within all its regional offices, particularly the newer ones and widened its geographical footprint to support regional trading with over 300 chosen broker partners,
- increased the volume of business and expanded the range of products on its web based trading platform for simpler insurance risks. This extremely efficient trading approach is available to all Arista's brokers and enables its highly experienced regional staff to concentrate their resources on more complex risks
- during the latter half of the year attained sufficient scale to support a move into a position of monthly operating profit

All of this has been achieved against a background of continuing soft 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 are committed to the continuing development and success of the Arista venture, supporting it with the necessary underwriting facilities. Despite challenging market conditions, Canopus and Equity are satisfied that Arista's strong progress has been achieved without sacrificing underwriting discipline. Arista's business proposition is based on implementing a consistent and sustainable service strategy for independent regional brokers, not on undercutting its competitors.

The strong base established in 2009 is continuing to develop in 2010. The number of broking partners is stable and each month the proportion of its business that derives from renewal of existing policies has risen making the company's operations steadily more efficient.

Arista is making rapid strides 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

ARISTA INSURANCE LIMITED

CHIEF EXECUTIVE'S STATEMENT

For the year ended 31 December 2009

In 2009 Arista Insurance continued to expand its areas of operation, product range and income. It built this expansion on its strong base of regional broker support, the quality of its staff and the modern technology that combine to make the company an effective and efficient broker partner for UK commercial insurance underwriting.

In a continuing soft UK commercial insurance market, and a low investment income environment, business levels and results continued to meet the expectations inherent in the company's challenging plans.

During the period the company grew to include 101 talented staff and expanded the areas and brokers serviced by its 6 office locations. Arista views independent regional brokers as customers and the number with which there are close trading relationships grew to over 330.

The high levels of merger and acquisition activity involving independent brokers that had a negative impact on Arista in the previous year diminished in 2009. Continuing hard work by our development and other regional staff ensured that any income lost in what acquisition activity did take place was more than replaced from other sources during the year.

Arista's business model and its key processes continue to evolve, in consultation with brokers, as further efficiency and cost savings for all parties in the value chain are built into the Arista service. The continuing development of the computer systems and web based trading capabilities form a key part of the response to brokers' needs and to achieving more efficient operations and improved financial results for both Arista and its customer brokers.

The impact of Arista's focus on service was recognised in industry surveys where broker responses placed Arista high in most surveys service results and in the top 3 in one influential survey. For this recognition to be achieved in the third year of operation is truly extraordinary.

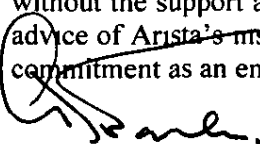
As the business and its portfolio have matured to include a higher proportion of business that is related to the renewal of existing policies as opposed to new business policies, the company's own profitability has improved. In the second half of 2009 EBITDA profitability was recorded in 5 of the 6 individual months' management accounts.

As Arista's income has grown and its operating profitability has improved, it has again continued to attract high quality people. They have risen to the challenges of delivering the best service to a select broker panel through their technical competence, appropriate insurance experience, dedication and enthusiastic approach.

Arista's staff, and their customers and supporting insurers, have continued to benefit from the support of technology designed to meet the needs of today's market place and the supply of accurate and timely information on performance which in turn helps to deliver a strong system of governance.

The continuing success of this combination of dedicated knowledgeable staff, modern technology and appropriate data has resulted in brokers progressively growing business volumes and enthusiastically supporting Arista, all of which has been underpinned by continuing helpful advice and strong support from our investors and insurers.

None of this could have been achieved without the abilities, dedication and commitment of Arista's people, without the support and belief of Arista's independent regional broker customers or without the support and advice of Arista's insurers and suppliers. 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

ARISTA INSURANCE LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2009

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2009

DIRECTORS

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

Michael Watson* (Chairman)

Lyn Carslake

Charles Earle

John Josiah*

Chris McGinn*

Douglas Morgan*

* Non-Executive Director

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 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 2009 are set out on page 9. The directors do not recommend payment of a final dividend (2008 Nil)

BUSINESS REVIEW

The company has expanded its broker panel particularly as a result of the new offices that it established in 2008. 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

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) grew to exceed £7.8m 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 and also satisfactory in relation to the company's plans

ARISTA INSURANCE LIMITED

DIRECTORS' REPORT (continued) For the year ended 31 December 2009

The company has expanded the sound business base which was developed in 2008 and it is the directors' intention to develop this in a manner consistent with the company's plans

KEY PERFORMANCE INDICATORS

	2009	2008
Managed broker relationships	336	230
Brokerage	£7,696,030	£4,251,633
Loss before tax	£(1,557,407)	£(4,521,333)
Average number of employees	98	72
Expense/Gross Premium Written %	15.7%	22.4%
Renewal % of Income	55.5%	33.7%

FUTURE DEVELOPMENTS

In 2010 the company will continue to expand its regional presence and the range of insurance products available to its brokers, as well as considering underwriting capacity from a wider number of insurance carriers

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

The company will develop further the structure of its staff development and succession plans

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 is not an insurance risk carrier and acts only as an underwriting agency for certain insurers that meet the company's financial security requirements

The key risks the business faces are

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

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

- Monthly meetings of the Board of Directors 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,

ARISTA INSURANCE LIMITED

DIRECTORS' REPORT (continued) For the year ended 31 December 2009

- The company's risk register which is regularly reviewed by the Board 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

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 98

AUDITORS

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be 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 (2008 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



**Victoria L Cuggy
Company Secretary**

6 May 2010

ARISTA INSURANCE LIMITED

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

For the year ended 31 December 2009

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.

ARISTA INSURANCE LIMITED

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 2009 set out on pages 9 to 21. 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 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 APB's web-site at www.frc.org.uk/apb/scope/UKNP.

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 2009 and of its loss 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.

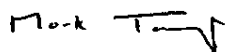
ARISTA INSURANCE LIMITED

INDEPENDENT AUDITOR'S REPORT (continued)
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 J Taylor (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
6 May 2010

1 Canada Square
Canary Wharf
London

ARISTA INSURANCE LIMITED**PROFIT AND LOSS ACCOUNT****For the year ended 31 December 2009**

		Year ended 31 December 2009	Year ended 31 December 2008
	Note	£	£
TURNOVER	2	7,858,596	4,317,636
Administrative expenses		(9,405,406)	(8,139,208)
OPERATING LOSS		(1,546,810)	(3,821,572)
Interest payable and similar charges	5	(36,497)	(841,775)
Interest receivable and similar income	6	25,900	142,014
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,557,407)	(4,521,333)
Tax credit on loss on ordinary activities	9	167,311	675,000
LOSS FOR THE FINANCIAL YEAR		(1,390,096)	(3,846,333)

All amounts relate to continuing activities

There are no recognised gains or losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented

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

The notes on pages 12 to 21 form an integral part of these financial statements


ARISTA INSURANCE LIMITED

BALANCE SHEET

As at 31 December 2009

		As at 31 December 2009	As at 31 December 2008
	Note	£	£
FIXED ASSETS			
Tangible assets	11	1,656,605	1,568,024
CURRENT ASSETS			
Debtors	12	10,423,014	8,123,814
Cash at bank and in hand	13	5,694,314	4,358,344
		16,117,328	12,482,158
CREDITORS amounts falling due within one year	14	(15,460,153)	(12,035,075)
NET CURRENT ASSETS		657,175	447,083
CREDITORS amounts falling due after more than one year	15	(78,528)	(173,759)
NET ASSETS		2,235,252	1,841,348
CAPITAL AND RESERVES			
Called up share capital	16	13,653,957	11,869,957
Share premium	17	86,644	86,644
Capital contribution reserve	17	570,932	570,932
Own shares held by EBT	17	(5,625)	(5,625)
Profit and loss account	17	(12,070,656)	(10,680,560)
SHAREHOLDERS' FUNDS		2,235,252	1,841,348

These financial statements on pages 9 to 21 were approved by the board of directors on 6 May 2010 and signed on its behalf by



Charles Earle
Director

6 May 2010
company number 05938669

The notes on pages 12 to 21 form an integral part of these financial statements

ARISTA INSURANCE LIMITED**CASH FLOW STATEMENT****As at 31 December 2009**

		Year ended 31 December 2009	Period ended 31 December 2008
	Note	£	£
Cash flow from operating activities	18	(575,909)	(2,203,504)
Returns on investments and servicing of finance	19	(10,597)	(699,761)
Taxation receipt		806,250	-
Capital expenditure and financial investment	19	(667,774)	(744,023)
		<hr/>	<hr/>
Cash outflow before management of liquid resources and financing		(448,030)	(3,647,288)
Financing	19	1,784,000	5,165,808
		<hr/>	<hr/>
Increase in cash during the year		1,335,970	1,518,520
		<hr/>	<hr/>

The notes on pages 12 to 21 form an integral part of these financial statements

ARISTA INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

1. STATEMENT OF ACCOUNTING POLICIES

a. Basis of accounting/preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards under the historical cost convention and the accounting policies set out below.

The directors believe it is appropriate to prepare these financial statements on the going concern basis, notwithstanding a net loss for the year of £1,390,096 and the requirement for ongoing financial support from its principle shareholders, Canopus Holdings UK Limited ("Canopus") and Equity Insurance Holdings Limited ("Equity"), for the following reasons

Canopus and Equity have provided the company with undertakings as at the date of these financial statements that they will continue to make available such funds as are necessary to enable the company to continue in operational existence for at least the next 12 months by meeting its liabilities as they fall due for payment

In addition, the directors have reviewed the budget and cashflow forecasts for a period of not less than 12 months from the date of approving these financial statements, and are confident that they show that the company will become net cash generative on a monthly basis during the next 12 months

Based on the undertakings given by Canopus and Equity and their review of the budget and cashflow forecasts, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis

b. Turnover

Turnover, represented by brokerage commissions, is recognised when cover commences with deferral of revenue for ongoing contractual obligations as appropriate. Policy fees, including mid-term adjustments, are recognised when received. 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
IT Projects/development	20% per annum

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.

ARISTA INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

STATEMENT OF ACCOUNTING POLICIES (continued)

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 money and insurer money

The company records on its balance sheet amounts due to and from clients and insurers, and money held on behalf of clients and insurers in relation to insurance transactions that the company handles on behalf of those parties. In accordance with the requirements of the Financial Services Authority, client money is held in bank accounts governed by Trust Deeds established for the benefit of such clients. Insurer money is held in accordance with the agreements in place between the insurer and the company. 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.

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.

2. TURNOVER

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

	Year Ended 31 December 2009 £	Year Ended 31 December 2008 £
Brokerage	7,696,030	4,251,633
Other fees receivable	162,566	66,003
	<hr/>	<hr/>
	7,858,596	4,317,636
	<hr/>	<hr/>

Turnover arises entirely in the United Kingdom

ARISTA INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before tax is stated after charging

	Year Ended 31 December 2009 £	Year Ended 31 December 2008 £
Depreciation on fixed assets		
Owned	268,269	226,603
Leased	310,924	106,159
Fees payable to the auditor for the audit of these financial statements	30,000	21,500
Fees payable to the auditor in respect of other accountancy services	-	13,881
Hire of other assets – operating leases	720,193	706,638

4. COMMITMENTS

The future commitments under operating leases are as follows

	Year Ended 31 December 2009 £	Year Ended 31 December 2008 £
Within one year	429,170	650,535
Between two to five years	30,338	381,571
	<hr/> 459,508 <hr/>	<hr/> 1,032,106 <hr/>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Loan funding	-	601,961
Dividend on preference shares classified as liabilities	-	220,932
Finance leases	36,497	18,882
	<hr/> 36,497 <hr/>	<hr/> 841,775 <hr/>

ARISTA INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2009

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Interest received from cash held at bank	25,900	142,014
	<u>25,900</u>	<u>142,014</u>

7. DIRECTORS' EMOLUMENTS

The executive directors' emoluments during the year amounted to £580,518 (2008 £397,063)

The emoluments of the highest paid director during the year amounted to £353,082 (2008 £243,640) and company contributions of £46,531 (2008 £46,968) were paid to a self investment pension plan on his behalf

8. STAFF NUMBERS AND COSTS

The average number of persons employed by the company (including directors) during the year was 98 (2008 72)

The aggregate payroll costs of these persons were as follows

	Year Ended 31 December 2009 £	Year Ended 31 December 2008 £
Wages and salaries	5,363,830	4,632,013
Social security costs	614,612	524,720
Other pension costs	518,710	451,937
	<u>6,497,152</u>	<u>5,608,670</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 £429,930 (2008 £404,969)

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

ARISTA INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2009

9. TAX ON LOSS ON ORDINARY ACTIVITIES

(a) Analysis of credit for the period

	Year Ended 31 December 2009 £	Year Ended 31 December 2008 £
Current tax		
UK corporation tax on profits for the period	(172,104)	(675,000)
Adjustment in respect of prior year	4,793	-
	<hr/>	<hr/>
Tax on ordinary activities	(167,311)	(675,000)
	<hr/>	<hr/>

(b) Factors affecting tax credit for the period

	Year Ended 31 December 2009 £	Year Ended 31 December 2008 £
Loss on ordinary activities before taxation	(1,557,407)	(4,521,333)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 28.5%)	(436,074)	(1,288,580)
Effects of		
Losses not recognised	206,583	555,906
Expenses not deductible for tax purposes	42,385	81,939
Depreciation in excess of / (less than) capital allowances	15,002	(24,265)
Adjustment in respect of prior year	4,793	-
	<hr/>	<hr/>
Current tax credit	(167,311)	(675,000)
	<hr/>	<hr/>

Tax losses of £1,352,454 (2008 £4,318,969) have been incurred during the year. Canopus have stated they will acquire their share of the 2009 tax losses and £614,657 has been recognised at the prevailing effective tax rate of 28% giving a tax recovery of £172,104.

No deferred tax asset has been recognised in respect of the remaining tax losses of £737,797 as the company is in a start up phase and future recovery remains uncertain at this time.

10. DIVIDENDS

No dividend was declared or paid by the Company during the financial accounting year (2008 £nil)

ARISTA INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

11. TANGIBLE FIXED ASSETS

	IT projects/ development £	Computer equipment £	Payments on account and assets in course of construction £	Total £
<i>Cost</i>				
At beginning of year	1,307,807	610,690	159,212	2,077,709
Additions	20,469	563,337	83,968	667,774
Transfers	17,563	-	(17,563)	-
At 31 December 2009	1,345,839	1,174,027	225,617	2,745,483
<i>Depreciation</i>				
At beginning of year	330,449	179,236	-	509,685
Charge for year	268,269	310,924	-	579,193
At 31 December 2009	598,718	490,160	-	1,088,878
<i>Net book value</i>				
At 31 December 2009	747,121	683,867	225,617	1,656,605
At 1 January 2009	977,358	431,454	159,212	1,568,024

The computer equipment relates to assets held under finance leases

12. DEBTORS

	31 December 2009 £	31 December 2008 £
Trade debtors	10,215,945	7,265,132
Other debtors	207,069	858,682
	10,423,014	8,123,814

ARISTA INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

13. CASH AT BANK AND IN HAND

Cash at bank includes client broker accounts amounting to £5,228,120 (2008 £4,300,499) 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

	31 December 2009 £	31 December 2008 £
Trade creditors	13,907,616	10,221,164
Accruals and deferred income	1,084,685	1,223,427
Obligations under finance leases	219,670	137,640
Other creditors	248,182	452,844
	<hr/>	<hr/>
	15,460,153	12,035,075
	<hr/>	<hr/>

15. CREDITORS: amounts falling due after more than one year

	31 December 2009 £	31 December 2008 £
Obligations under finance leases	78,528	173,759
	<hr/>	<hr/>
	78,528	173,759
	<hr/>	<hr/>

The maturity of obligations under finance leases is as follows

	31 December 2009 £	31 December 2008 £
Within one year	219,670	137,640
Between two and five years	109,838	206,457
	<hr/>	<hr/>
	329,508	344,097
	<hr/>	<hr/>
Less future finance charges	31,310	32,698
	<hr/>	<hr/>
	298,198	311,399
	<hr/>	<hr/>

ARISTA INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2009

16. CALLED UP SHARE CAPITAL

	31 December 2009 £	31 December 2008 £
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/>	<hr/>
	30,656,250	30,656,250
	<hr/>	<hr/>
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 3,084,000 of £1 each	3,084,000	1,300,000
	<hr/>	<hr/>
	13,653,957	11,869,957
	<hr/>	<hr/>

17. SHARE PREMIUM 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	(10,680,560)
Retained loss for the year	-	-	-	(1,390,096)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2009	570,932	(5,625)	86,644	(12,070,656)
	<hr/>	<hr/>	<hr/>	<hr/>

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.

ARISTA INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

18. RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOW

	31 December 2009 £	31 December 2008 £
Operating loss	(1,546,810)	(3,821,572)
Depreciation charges	579,193	332,762
Increase in debtors	(2,938,139)	(3,570,559)
Increase in creditors	3,329,847	4,855,865
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	(575,909)	(2,203,504)
	<hr/>	<hr/>

19. ANALYSIS OF CASH FLOW

	31 December 2009 £	31 December 2008 £
Returns on investments and servicing of finance		
Interest received	25,900	142,014
Interest paid	-	(822,893)
Interest element of finance lease rental repayments	(36,497)	(18,882)
	<hr/>	<hr/>
	(10,597)	(699,761)
	<hr/>	<hr/>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(667,774)	(744,023)
	<hr/>	<hr/>
Financing		
Issue of ordinary share capital	-	6,300
Issue of preference shares	1,784,000	5,159,508
	<hr/>	<hr/>
	1,784,000	5,165,808
	<hr/>	<hr/>

ARISTA INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

20. RELATED PARTIES

During the year, the two main investors, Canopus and Equity, provided additional loan funding of £1,226,500 (2008 £1,970,427) and £557,500 (2008 £895,650) respectively

Interest payable to Canopus and Equity in respect of loan balances, including Preference Shares, was Nil (2008 £565,740) and Nil (2008 £257,153) 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 £179,170 (2008 £155,159)

Brokerage paid during the year amounted to £3,434,343 (2008 £1,785,922) from Equity Insurance Group and £3,723,707 (2008 £1,708,167) from Canopus Group