Arista Insurance Limited

December 31

2010

Company Number 05938669

Financial Statements

Financial Statements for Year ended 31st December 2010

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CHAIRMAN'S STATEMENT

I am pleased to report on a fourth successful trading period for Arista Insurance Limited ("Arista") The financial statements which follow are for the year ended 31st December 2010 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 it as an agile and effective "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 2010, Arista has

- Built further upon its reputation as a provider of superior and efficient service to its customer brokers as is evidenced by its continuing top three ranking in industry service surveys,
- Expanded the resources within all its regional offices, particularly the newer ones, and widened its geographical footprint to support regional trading with its three hundred and fifty chosen broker partners,
- Increased the volume of business and expanded the range of products on its web based trading platform for simpler insurance risks,
- Launched a more efficient variant of its core Motor Fleet product which has speeded up response times to its brokers,
- Continued to improve its efficient trading approach which enables its highly experienced regional staff to concentrate their resources on more complex risks, and most importantly
- Has achieved its first annual operating profit and is now cash-flow positive

All of this has been achieved against a continuing background of 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 Canopius Group ("Canopius"), Equity Insurance Group ("Equity") and the Arista management team Canopius 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, Canopius 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, rather than on undercutting its competitors and a focus on producing underwriting profits for all the insurers whose support remains a core goal of the business

The strong trading base that was established in 2010 is continuing to develop in 2011 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 This is evidenced by the contribution that profit commission payments from the majority of insurers have made to the 2010 results I look forward to the coming months with continued confidence in the Arista team and business model

Michael Watson
25 March 2011

CHIEF EXECUTIVE'S STATEMENT

In 2010 Arista Insurance continued to strengthen its presence in UK commercial insurance through its service proposition and the quality of the people that deliver that service That quality of staff, using modern technology and thoughtfully designed processes, develops strong regional broker support and makes the company an effective and efficient broker partner for UK commercial insurance underwriting

Despite a continuing soft UK commercial insurance market and low investment returns business levels and results have continued to meet the expectations inherent in the company's challenging plans A determination to underwrite risks on their merits and to apply price where exposures and claims records warrant it may have constrained growth in 2010 but will bring longer term rewards

Motor insurance is an area of particular challenge for insurers and the commercial motor account is not insulated from the claims inflation effects of credit hire operations, personal injury costs and average cost inflation Arista's underwriting approach recognises this and will continue to do so

During 2010 the growth in the company workforce and broker numbers levelled off as the focus moved towards a concentration on renewal business rather than new business, and ensuring support to the current broker panel rather than expanding broker numbers No further office locations were added although the company has opened an office in Leeds in the first quarter of 2011 to support brokers in Yorkshire and the Humber, and the North East Further investments in talented staff will be made in 2011

Merger and acquisition activity involving independent brokers increased slightly towards the end of 2010 and hard work by our development and other regional staff will be needed to ensure that any income lost in this acquisition activity is replaced from other sources

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, business rules automation and web based trading capabilities form a key part of the response to brokers needs Achieving more efficient operations and improved financial results for both Arista and its customer brokers remain key goals

The impact of Arista's focus on service was recognised in industry surveys where broker responses, once again, placed Arista high in most surveys service results and in the top three in one influential survey For this recognition to be achieved in the fourth year of operation is truly extraordinary We however also recognise that we can improve what we do and significant energy continues to be placed behind that effort

As the business and its portfolio have matured to include a higher proportion of business earnings related to the renewal of existing policies as opposed to new business policies the company's own profitability has improved This has resulted in the first annual profits for the company with EBITDA of £682,471 and PBT at £103,058 These numbers included contributions from the majority of our insurance panel in the form of profit commission payments for the 2007 to 2009 years of account so providing further proof of the positive maturing of the Arista business model

Cash flow driven from the business has steadily improved and moved into positive territory

Once again Arista's high quality people 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

The high proportion of technically qualified people in our teams offers good evidence of our skill base in underwriting and other technical disciplines

All Arista's stakeholders 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

Our approach has encouraged brokers to support Arista enthusiastically through progressively growing business volumes and our progress 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 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
25 March 2011

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2010

DIRECTORS

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

Michael C Watson	(Chairmen)
Lyn A Carslake	
Charles H D Earle	
Ian R Foy	(Appointed 2nd November 2010)
John E Josiah	(Resigned 1st December 2010)
Christopher McGinn	
Douglas M Morgan	(Resigned 30th September 2010)

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 2010 are set out on page 13 The directors do not recommend payment of a final dividend (2009 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 its first full year of profitable trading for the year ended 31 December 2010 and has net current assets at that date of £1,075,747 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 taking into account the advance profit commission agreements it has in place with its two principle shareholders and trading partners Canopius and Equity, which have been extended 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 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 companies independent broker customer base and enabling staff to concentrate their resources on handling more complex cases for their brokers The growth in the proportion of overall business that is derived from renewals has also grown so furthering productivity.

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) grew to exceed £9 5m 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 at similar levels to the preceding year and was also satisfactory in relation to 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

	2010	2009
Managed broker relationships	**355**	336
Brokerage	**£8,942,199**	£7,696,030
Profit before tax	**£103,058**	£(1,557,407)
Average number of employees	**102**	98
Expense/Gross Premium Written %	**13.3%**	15 7%
Renewal % of Income	**67.20%**	55 50%
EBITDA*	**£682,471**	£(941,716)

**Earnings Before Interest, Taxes, Depreciation and amortization*

FUTURE DEVELOPMENTS

In 2011 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 develop further efficiencies through the re-engineering of existing products and processes 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 to focus on delivering increased insurance margins so as to develop stronger profit commission earnings as well as increasing the 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

- 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,
- The company's risk register which is regularly reviewed by the Board and Executives,
- Internal and external 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 non compliance 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 made by the Financial Services Authority (FSA), the safeguarding of client money and the maintenance of solvency to satisfy FSA solvency rules

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 over client money help 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

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 102

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 (2009 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

V. Cuggy

Victoria L Cuggy
Company Secretary
25 March 2011

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

For the year ended 31 December 2010

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

TO THE MEMBERS OF ARISTA INSURANCE LIMITED

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of Arista Insurance Limited for the year ended 31 December 2010 set out on pages 13 to 25. 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 10, 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 2010 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 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

Mark J Taylor (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
25 **March 2011**

15 Canada Square
London
E14 5GL

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2010

	Note	Year ended 31 December 2010 £	Year ended 31 December 2009 £
TURNOVER	2	**9,534,637**	7,858,596
Administrative expenses		**(9,422,497)**	(9,405,406)
OPERATING PROFIT/(LOSS)		**112,140**	(1,546,810)
Interest payable and similar charges	5	**(32,894)**	(36,497)
Interest receivable and similar income	6	**23,812**	25,900
PROFIT /(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	**103,058**	(1,557,407)
Tax credit on loss on ordinary activities	9	**35,404**	167,311
PROFIT /(LOSS) FOR THE FINANCIAL YEAR		**138,462**	(1,390,096)

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 16 to 25 form an integral part of these financial statements

BALANCE SHEET

For the year ended 31 December 2010

	Note	As at 31 December 2010 £	£	As at 31 December 2009 £	£
FIXED ASSETS					
Tangible assets	11		**1,417,967**		1,656,605
CURRENT ASSETS					
Debtors	12	**10,709,242**		10,423,014	
Cash at bank and in hand	13	**5,644,629**		5,694,314	
		16,353,871		16,117,328	
CREDITORS amounts falling due within one year	14	**(15,278,124)**		(15,460,153)	
NET CURRENT ASSETS			**1,075,747**		657,175
CREDITORS amounts falling due after more than one year	15		**-**		(78,528)
NET ASSETS			**2,493,714**		2,235,252
CAPITAL AND RESERVES					
Called up share capital	16		**13,773,957**		13,653,957
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		**(11,932,194)**		(12,070,656)
SHAREHOLDERS' FUNDS			**2,493,714**		2,235,252

These financial statements on pages 13 to 25 were approved by the board of directors on 25 March 2011 and signed on its behalf by

Charles Earle
Director
25 **March 2011**

The notes on pages 16 to 25 form an integral part of these financial statements

CASH FLOW STATEMENT

For the year ended 31 December 2010

	Note	Year ended 31 December 2010 £	Period ended 31 December 2009 £
Cash flow from operating activities	18	**75,813**	(575,909)
Returns on investments and servicing of finance	19	**(9,082)**	(10,597)
Taxation receipt		**71,465**	806,250
Capital expenditure and financial investment	19	**(307,881)**	(667,774)
Cash outflow before management of liquid resources and financing		**(169,685)**	(448,030)
Financing	19	**120,000**	1,784,000
(Decrease)/Increase in cash during the year		**(49,685)**	1,335,970

The notes on pages 16 to 25 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 its first full year of profitable trading for the year ended 31 December 2010 and has net current assets as at that date of £1,075,747 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 taking into account the advance profit commission agreements it has in place with its two principle shareholders and trading partners Canopius and Equity, which have been extended 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, 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

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 and profit commission as follows

	Year Ended 31 December 2010 £	Year Ended 31 December 2009 £
Brokerage	**8,942,199**	7,696,030
Other fees receivable	**592,438**	162,566
	9,534,637	7,858,596

Turnover arises entirely in the United Kingdom

3. PROFIT/ (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit / (Loss) on ordinary activities before tax is stated after charging

	Year Ended 31 December 2010 £	Year Ended 31 December 2009 £
Depreciation on fixed assets		
Owned	**289,445**	268,269
Leased	**257,073**	310,924
Fees payable to the auditor for the audit of these financial statements	**27,810**	30,000
Fees payable to the auditor in respect of other accountancy services	**-**	-
Hire of other assets – operating leases	**657,146**	720,193

4. COMMITMENTS

The future commitments under operating leases are as follows

	Year Ended 31 December 2010 £	Year Ended 31 December 2009 £
Within one year	**504,260**	429,170
Between two to five years	**846,223**	30,338
Over five years	**111,795**	-
	1,462,278	459,508

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 31 December 2010 £	Year Ended 31 December 2009 £
Finance leases	**32,894**	36,497

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended 31 December 2010 £	Year Ended 31 December 2009 £
Interest received from cash held at bank	**23,812**	25,900

7. DIRECTORS' EMOLUMENTS

The executive directors' emoluments during the year amounted to £539,967 (2009 £580,518)

The emoluments of the highest paid director during the year amounted to £282,677 (2009 £353,082) and company contributions of £47,424 (2009 £46,531) 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 102 (2009 98)

The aggregate payroll costs of these persons were as follows

	Year Ended 31 December 2010 £	Year Ended 31 December 2009 £
Wages and salaries	**5,458,933**	5,363,830
Social security costs	**626,247**	614,612
Other pension costs	**535,165**	518,710
	6,620,345	6,497,152

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 £441,885 (2009 £429,930)

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

9. TAX ON LOSS ON ORDINARY ACTIVITIES

a. Analysis of credit for the period

	Year Ended 31 December 2010	Year Ended 31 December 2009
Current tax	£	£
UK corporation tax on profits for the period	-	(172,104)
Adjustment in respect of prior year	(35,404)	4,793
Tax on ordinary activities	(35,404)	(167,311)

b. Factors affecting tax credit for the period

	Year Ended 31 December 2010	Year Ended 31 December 2009
	£	£
Profit/(Loss) on ordinary activities before taxation	103,058	(1,557,407)
Profit/(Loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	28,856	(436,074)
Effects of		
Losses not recognised	-	206,583
Utilisation of tax losses and other deductions	(136,228)	-
Expenses not deductible for tax purposes	20,138	42,385
Depreciation in excess of capital allowances	87,234	15,002
Adjustment in respect of prior year	(35,404)	4,793
Current tax credit	(35,404)	(167,311)

The emergency budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over the period of 4 years from 2011 The first reduction from 28% to 27% will be effective 1 April 2011 This will reduce the company's future current tax charge accordingly This was followed with an announcement in the budget on 23 March 2011 that the first reduction would be from 28% to 26% with effect from 1 April 2011 with subsequent annual reductions as planned down to 23%

This will reduce the company's future current tax charge accordingly

Deferred tax – Amounts not recognised	**Year Ended 31 December 2010**	Year Ended 31 December 2009
Unrecognised deferred tax asset	**£**	£
- Fixed asset timing differences	**103,636**	20,240
- Short term timing difference	**25,250**	21,000
Total deferred tax asset	**128,886**	41,240

10 DIVIDENDS

No dividend was declared or paid by the Company during the financial accounting year (2009 £nil)

11. TANGIBLE FIXED ASSETS

	IT projects/ development	**Computer equipment**	**Payments on account and assets in course of construction**	**Total**
	£	£	£	£
Cost				
At beginning of year	1,345,840	1,174,027	225,617	2,745,484
Additions	-	198,706	131,278	329,984
Transfers	204,388	-	(204,388)	-
Disposals	(17,940)	-	(4,164)	(22,104)
At 31 December 2010	**1,532,288**	**1,372,733**	**148,343**	**3,053,364**
Depreciation				
At beginning of year	598,718	490,160	-	1,088,878
Charge for year	289,446	257,073	-	546,519
At 31 December 2010	**888,164**	**747,233**	**-**	**1,635,397**
Net book value				
At 31 December 2010	**644,124**	**625,500**	**148,343**	**1,417,967**
At 1 January 2010	747,121	683,867	225,617	1,656,605

The computer equipment relates to assets held under finance leases

12. DEBTORS

	Year Ended 31 December 2010 £	Year Ended 31 December 2009 £
Trade debtors	**10,103,896**	10,215,945
Other debtors	**605,346**	207,069
	10,709,242	10,423,014

13. CASH AT BANK AND IN HAND

Cash at bank includes client broker accounts amounting to £3,198,030 (2009 £5,228,120) 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 2010 £	Year Ended 31 December 2009 £
Trade creditors	**13,835,121**	13,907,616
Accruals and deferred income	**1,026,459**	1,084,685
Obligations under finance leases	**188,493**	219,670
Other creditors	**228,051**	248,182
	15,278,124	15,460,153

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

	Year Ended 31 December 2010 £	Year Ended 31 December 2009 £
Obligations under finance leases	-	78,528
	-	78,528

The maturity of obligations under finance leases is as follows

	Year Ended 31 December 2010 £	Year Ended 31 December 2009 £
Within one year	**221,387**	219,670
Between two and five years	**-**	109,838
	221,387	329,508
Less future finance charges	**(32,894)**	(31,310)
	188,493	298,198

16. CALLED UP SHARE CAPITAL

	Year Ended 31 December 2010 £	Year Ended 31 December 2009 £
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
	30,656,250	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**	3,084,000
	13,773,957	13,653,957

On the 6th May 2010, subscriptions for Class 2 Preference Shares were received from Canopius and Equity for £82,500 and £37,500 respectively These shares were fully issued by 31st December 2010

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

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	(12,070,656)
Retained profit for the year	-	-	-	138,462
At 31 December 2010	**570,932**	**(5,625)**	**86,644**	**(11,932,194)**

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

18 RECONCILIATION OF OPERATING PROFIT/ (LOSS) TO OPERATING CASH FLOW

	Year Ended 31 December 2010	Year Ended 31 December 2009
	£	£
Operating Profit/(Loss)	**112,140**	(1,546,810)
Depreciation charges	**546,519**	579,193
Increase in debtors	**(286,228)**	(2,938,139)
(Decrease)/ Increase in creditors	**(260,557)**	3,329,847
Net cash inflow/(outflow) from operating activities	**111,874**	(575,909)

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19. ANALYSIS OF CASH FLOW

	Year Ended 31 December 2010 £	Year Ended 31 December 2009 £
Returns on investments and servicing of finance		
Interest received	**23,812**	25,900
Interest element of finance lease rental repayments	**(32,894)**	(36,497)
	(9,082)	(10,597)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(307,881)**	(667,774)
Financing		
Issue of preference shares	**120,000**	1,784,000
	120,000	1,784,000

20. RELATED PARTIES

During the year, the two main investors, Canopius and Equity, provided additional loan funding of £82,500 (2009 £1,226,500) and £37,500 (2009 £557,500) respectively

Interest payable to Canopius and Equity in respect of loan balances, including Preference Shares, was £511 (2009 Nil) and Nil (2009 Nil) 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 £188,355 (2009 £179,170)

Brokerage paid during the year amounted to £4,452,706 (2009 £3,434,343) from Equity Insurance Group and £4,375,523 (2009 £3,723,707) from Canopius Group

Canopius Profit Commission during the year amounted to £323,315