

ARBUTHNOT FUND MANAGERS LIMITED

Registered No. 157798

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999**



A40
COMPANIES HOUSE

WALDORF

0782
28/06/00

Report of the Directors

The directors submit their report and the financial statements for the year ended 31 December 1999.

1. Activities

The principal activity of the Company is investment management. The Company is regulated by the Investment Management Regulatory Organisation.

2. Results for the year and future developments

The profit for the year after taxation was £93,296 (1998: £100,322). The directors recommend payment of a dividend of £90,000 (1998: £40,000), leaving £3,296 (1998: £60,322) to be transferred to reserves.

Fund management continues to be an exciting area and the Company's funds under management have grown both during the year and since the year-end. The directors remain confident for the future.

With effect from 1st January, 2000 the investment management business of Weinell & Partners Limited, a fellow subsidiary undertaking, was transferred to the Company.

3. Directors and Directors' Interests

The present directors of the Company who served on the Board during the year were:

H. Angest	(Chairman)
S. J. Lockley	(Chief Executive)
N. B. Rawlings	(Senior Investment Director)
G.A. Alexander	
W. B. Giesbrecht	
D.V. Fletcher	Appointed 4 th May, 1999

The directors had no interest in the ordinary £1 shares of the Company throughout the year.

The interests of directors in ordinary 1p shares of Secure Trust Banking Group PLC requiring disclosure under the Companies Act 1985 are as follows:

	1 January 1999	31 December 1999
G.A. Alexander	17,500	12,500
N.B. Rawlings	20,000	15,000

The interests of H Angest and S J Lockley in the shares of Secure Trust Banking Group PLC are disclosed in the directors' report of that company.

4. Fixed Assets

Details of the changes in tangible fixed assets are given in note 7 of the financial statements.

Report of the Directors (Continued)

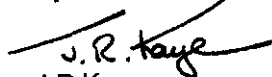
5. Year 2000

The Directors were aware of the detailed issues surrounding the Year 2000 problem and instigated a programme to identify, and rectify where necessary, all business critical systems. As a result, the Company has not experienced any disruption arising from either its own computer systems or those of third party suppliers.

6. Auditors

A resolution to reappoint PricewaterhouseCoopers as auditors of the Company will be proposed at the forthcoming Annual General Meeting at a fee to be agreed in due course by the Directors.

By order of the Board



J.R.Kaye

Secretary

15th March, 2000

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit of the Company for that period. In preparing those financial statements, the directors are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- ◆ prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditors' report to the members of
Arbuthnot Fund Managers Limited**

We have audited the financial statements on pages 5 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

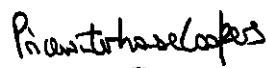
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

15th March, 2000

Profit & loss account
for the year ended 31 December 1999

	Notes	1999 £	1998 £
Turnover	2	1,025,329	923,211
Administrative expenses		(961,443)	(813,997)
Operating profit		63,886	109,214
Interest receivable		21,101	27,159
Dividends received from Group undertakings		37,000	-
Profit on ordinary activities before taxation	3	121,987	136,373
Taxation	6	(28,691)	(36,051)
Profit for the financial year		93,296	100,322
Dividends		(90,000)	(40,000)
Retained profit for the financial year	13	3,296	60,322

All the above items relate to continuing activities.

There are no recognised gains or losses other than those included in the profit for those periods as shown above, and accordingly, a separate statement of total recognised gains and losses is not presented.

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

The notes on pages 7 to 12 form part of these financial statements.

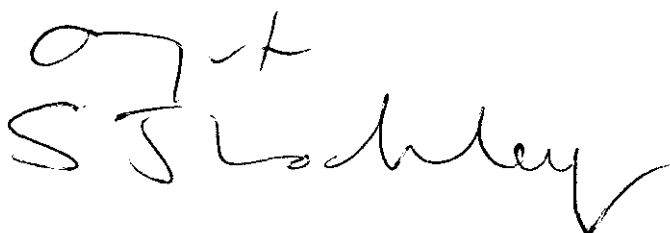
Balance sheet
as at 31 December 1999

	Notes	1999 £	1998 £
Fixed assets			
Tangible fixed assets	7	73,832	79,634
Investment in subsidiaries	8	25,202	25,202
		<hr/>	<hr/>
		99,034	104,836
Current assets			
Debtors	9	219,172	310,173
Cash at bank and in hand		749,782	612,003
		<hr/>	<hr/>
		968,954	922,176
Creditors: amounts falling due within one year	10	(244,572)	(206,892)
		<hr/>	<hr/>
Net current assets		724,382	715,284
		<hr/>	<hr/>
Total assets less current liabilities		823,416	820,120
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	12	814,601	814,601
Profit and loss account	13	8,815	5,519
		<hr/>	<hr/>
Equity shareholders' funds	14	823,416	820,120
		<hr/>	<hr/>

The notes on pages 7 to 12 form part of these financial statements which were approved by the Board of Directors on 15th March, 2000 and signed on its behalf by:-

H Angest - Chairman

SJ Lockley - Chief Executive



Arbuthnot Fund Managers Limited

Notes to the financial statements
for the year ended 31 December 1999

1. Accounting Policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been consistently applied, is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Consolidated financial statements

Consolidated financial statements have not been prepared as the Company was itself, at the end of the financial year, a wholly owned subsidiary of a company incorporated in the United Kingdom.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost of the tangible fixed assets, on a straight line basis over their useful economic lives. The annual rates used are:

	%
Motor cars	25
Computer and other equipment	20 - 25

Investment in subsidiaries

Investments in subsidiaries are stated at cost but are written down to their net realisable value if, in the opinion of the directors, there has been a permanent diminution in their value.

Other investments

Other investments are stated at the lower of cost or market value.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Cashflow Statement

These financial statements do not include a cashflow statement as the Company is exempted from the provisions of FRS 1(revised) by virtue of being a wholly owned subsidiary of a parent undertaking which publishes consolidated financial statements.

Related Party Transactions

In accordance with the exemptions provided by FRS 8, the Company has made no disclosure of transactions with other group companies. A fellow subsidiary undertaking, MPW Insurance Brokers Limited, arranges insurance for the Company on normal commercial terms. The premiums are not considered material to the results of either the Company or MPW Insurance Brokers Limited.

Notes to the financial statements
for the year ended 31 December 1999 (Continued)

2 Turnover

Turnover represents commissions, fees and interest margin earned during the year

	1999 £	1998 £
Commissions	438,758	349,224
Fees	505,083	485,046
Interest margin	<u>81,488</u>	<u>88,941</u>
	<u><u>1,025,329</u></u>	<u><u>923,211</u></u>

3 Profit on ordinary activities before taxation

	1999 £	1998 £
This is stated after charging:		
Depreciation	29,216	26,056
Operating lease rental	31,852	32,588
Auditors' remuneration	11,300	11,000

4 Directors' remuneration

	1999 £	1998 £
Remuneration of directors for services to the Company:		
Management remuneration	163,570	182,466
Pension contributions	<u>13,483</u>	<u>14,296</u>
	<u><u>177,053</u></u>	<u><u>196,762</u></u>

5 Information on Employees including Executive Directors

	1999 £	1998 £
Staff costs:		
Wages and salaries	518,720	453,937
Social security costs	51,597	46,382
Pension costs	<u>42,215</u>	<u>34,652</u>
	<u><u>612,532</u></u>	<u><u>534,971</u></u>

Pension costs relate to both Group and individual defined contribution schemes.
The average number of employees (including executive directors) during the year was 12 (1998: 12).

Notes to the financial statements
for the year ended 31 December 1999 (Continued)

6 Taxation charge

	1999 £	1998 £
Corporation tax at 30.25% (1998: 31%)		
Current year charge	28,691	41,074
Adjustment in respect of a prior year	-	(5,023)
	<u>28,691</u>	<u>36,051</u>

7 Tangible fixed assets

	Motor cars	Computer & other equipment	Total
	£	£	£
Cost			
At 1 January 1999	14,817	131,383	146,200
Additions at cost	19,450	3,964	23,414
	<u>34,267</u>	<u>135,347</u>	<u>169,614</u>
At 31 December 1999			
Depreciation			
At 1 January 1999	4,803	61,763	66,566
Charge for the year	8,162	21,054	29,216
	<u>12,965</u>	<u>82,817</u>	<u>95,782</u>
At 31 December 1999			
Net book value			
31 December 1999	<u>21,302</u>	<u>52,530</u>	<u>73,832</u>
At 1 January 1999	<u>10,014</u>	<u>69,620</u>	<u>79,634</u>

Notes to the financial statements
for the year ended 31 December 1999 (Continued)

8 Investment in subsidiaries

£

As at 31 December 1999 and 31 December 1998 25,202

Details of the subsidiary undertakings are as follows:

Name of company	Country of incorporation	Activity	%
Arbuthnot Unit Trust Management Limited	England	Unit Trust Management	100
Arbuthnot Latham (Nominees) Limited	England	Nominee Company	100
Nelson Nominees Limited	England	Nominee Company	100
John K Gilliat & Co. Limited	England	Dormant	100

9 Debtors

	1999 £	1998 £
Amounts owed by group companies	2,500	16,139
Other debtors	12,641	8,118
Prepayments and accrued income	204,031	285,916
	<u><u>219,172</u></u>	<u><u>310,173</u></u>

Notes to the financial statements
for the year ended 31 December 1999 (Continued)

10 Creditors: amounts falling due within one year

	1999 £	1998 £
Amounts owed to group companies	125,681	107,914
Dividend payable	90,000	40,000
Other creditors including taxation and social security	17,591	41,074
Accruals and deferred income	11,300	17,904
	<u>244,572</u>	<u>206,892</u>

11 Operating lease obligations

	1999 £	1998 £
At the year end, annual commitments under non-cancellable operating leases on land and buildings were:		
Expiring:		
- within one year	-	51,993
- between one and five years	145,406	-
	<u>145,406</u>	<u>51,993</u>

12 Called up share capital

	1999 £	1998 £
Authorised:		
1,200,000 ordinary shares of £1 each	1,200,000	1,200,000
	<u>1,200,000</u>	<u>1,200,000</u>
Allotted, called up and fully paid:		
814,601 ordinary shares of £1 each	814,601	814,601
	<u>814,601</u>	<u>814,601</u>

Notes to the financial statements
for the year ended 31 December 1999 (Continued)

13 Profit and loss account

	1999 £	1998 £
Retained profit/(loss) at 1 January	5,519	(54,803)
Profit for the year	3,296	60,322
	<hr/>	<hr/>
Retained profit at 31 December	<u>8,815</u>	<u>5,519</u>

14 Reconciliation of movement in shareholders' funds

	1999 £	1998 £
Profit for the year	3,296	60,322
Opening shareholders' funds	820,120	759,798
	<hr/>	<hr/>
Closing shareholders' funds	<u>823,416</u>	<u>820,120</u>

15 Ultimate parent company

The ultimate parent company and the company which heads both the smallest and largest group for which consolidated financial statements are prepared at 31st December, 1999 was Secure Trust Banking Group PLC, incorporated in Great Britain and registered in England. Copies of the accounts of Secure Trust Banking Group PLC are available from Paston House, Arleston Way, Solihull, B90 4LH.

16 Pension scheme

The Company is a member of the Secure Trust Pension Scheme, a defined contribution scheme whose membership is open to all companies in the Secure Trust Banking Group.