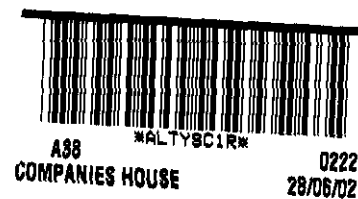


**ARBUTHNOT FUND MANAGERS LIMITED**

**Registered No. 157798**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2001**



## Report of the Directors

The directors submit their report and the financial statements for the year ended 31 December 2001.

### 1. Activities

The principal activity of the Company is investment management. The Company is regulated by the Financial Services Authority.

### 2. Results for the year and future developments

The loss for the year was £175,392 (2000: Profit £32,274). The directors do not recommend payment of a dividend. (2000: £30,000).

It has been an exceptionally difficult year for equity markets, and this was exacerbated by the events of 11<sup>th</sup> September. However, the Company is currently undergoing a period of significant restructuring, which involves changes to systems and the development of new products. As a result of these changes, the directors remain confident for the future.

### 3. Directors and Directors' Interests

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

H. Angest	(Chairman)
B. Rout	(Managing Director)
G.A. Alexander	
W. B. Giesbrecht	Resigned 10 <sup>th</sup> January 2002
S. J. Lockley	
W. B. Mathews	
N. B. Rawlings	

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 2001	31 December 2001
G.A. Alexander	12,500	10,000
N.B. Rawlings	15,000	9,000

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. The interests of B. Rout and W.B. Mathews are disclosed in the directors' report of Arbuthnot Latham & Co., Limited, the immediate parent company.

### 4. Fixed Assets

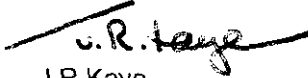
Details of the changes in tangible fixed assets are given in note 7 of the financial statements.

## Report of the Directors (Continued)

### 5. Auditors

PricewaterhouseCoopers resigned as auditors on 31<sup>st</sup> December 2001 and Rees Pollock were appointed to fill the resulting vacancy. A resolution to re-appoint Rees Pollock as auditors will be put to the members at the Annual General Meeting.

By order of the Board



J.R. Kaye  
Secretary  
20<sup>th</sup> March, 2002

### **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.

**Independent Auditors' Report to the members of  
Arbuthnot Fund Managers Limited**

We have audited the accounts 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 the directors and the auditors**

As described on page 3, the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

It is our responsibility to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

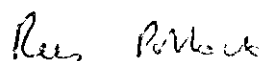
**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 2001 and of the loss of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



Rees Pollock  
Chartered Accountants  
Registered Auditor  
LONDON

25 APR 2002

**Profit & loss account**  
for the year ended 31 December 2001

	Notes	2001 £	2,000 £
Turnover	2	1,459,352	1,516,382
Administrative expenses		(1,715,335)	(1,486,090)
Operating (loss)/profit		(255,983)	30,292
Interest receivable		17,604	24,134
(Loss)/profit on ordinary activities before taxation	3	(238,379)	54,426
Taxation credit/(charge)	6	62,987	(22,152)
(Loss)/profit for the financial year		(175,392)	32,274
Dividends		-	(30,000)
Retained (loss)/profit for the financial year	13	(175,392)	2,274

All the above items relate to continuing activities.

There are no recognised gains or losses other than those included in the (loss)/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 (loss)/profit on ordinary activities before taxation or the retained (loss)/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 2001

	Notes	2001 £	2000 £
<b>Fixed assets</b>			
Tangible fixed assets	7	29,073	42,352
Investments in subsidiaries	8	25,202	25,202
		<u>54,275</u>	<u>67,554</u>
<b>Current assets</b>			
Debtors	9	482,437	591,315
Cash at bank and in hand		257,896	595,121
		<u>740,333</u>	<u>1,186,436</u>
Creditors: amounts falling due within one year	10	(144,310)	(428,300)
<b>Net current assets</b>		<u>596,023</u>	<u>758,136</u>
<b>Total assets less current liabilities</b>		<u>650,298</u>	<u>825,690</u>
<b>Capital and reserves</b>			
Called up share capital	12	814,601	814,601
Profit and loss account	13	(164,303)	11,089
Equity shareholders' funds	14	<u>650,298</u>	<u>825,690</u>

The notes on pages 7 to 12 form part of these financial statements which were approved by the Board of Director on 20th March, 2002 and signed on its behalf by:-

H Angest - Chairman

WB Mathews - Finance Director



**Notes to the financial statements**  
for the year ended 31 December 2000

**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**

The Company has taken advantage of section 228 (1) of the Companies Act 1985 and has not produced consolidated financial statements, since it is a wholly owned subsidiary undertaking of another United Kingdom registered company.

**Fees Receivable**

Investment management fees, exclusive of value added tax, are included as income by the Company when receivable.

**Commission Income**

Dealing commissions are recognised in the accounting records at the time of the underlying transaction

**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

**Investments 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.

**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.



**Notes to the financial statements**  
for the year ended 31 December 2001 (Continued)

**2 Turnover**

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

	2001 £	2000 £
Commissions	592,146	532,582
Fees	754,285	723,531
Management fees charged to fellow subsidiary undertaking	-	177,992
Interest margin	<u>112,921</u>	<u>82,277</u>
	<u><u>1,459,352</u></u>	<u><u>1,516,382</u></u>

**3 Profit on ordinary activities before taxation**

	2001 £	2000 £
This is stated after charging:		
Depreciation	18,238	28,488
Operating lease rentals	39,477	47,608
Auditors' remuneration	11,500	15,500

**4 Directors' remuneration**

	2001 £	2000 £
Remuneration of directors for services to the Company:		
Management remuneration	256,700	184,472
Pension contributions	<u>20,196</u>	<u>17,650</u>
	<u><u>276,896</u></u>	<u><u>202,122</u></u>

H Angest, SJ Lockley, WB Mathews and WB Giesbrecht were remunerated by other Group companies, which make no recharge to the Company. B Rout is remunerated by Arbuthnot Latham & Co., Limited and a portion of his salary is recharged to the Company.

The Directors' remuneration includes amounts paid to the highest paid Director in respect of:

	2001 £	2000 £
Emoluments	127,657	120,624
Pension contributions	<u>12,852</u>	<u>11,181</u>
	<u><u>140,509</u></u>	<u><u>131,805</u></u>

**Notes to the financial statements**  
for the year ended 31 December 2001 (Continued)

**5 Information on Employees including Executive Directors**

	2001 £	2000 £
Staff costs:		
Wages and salaries	941,314	848,201
Social security costs	93,074	80,606
Pension costs	<u>66,539</u>	<u>63,645</u>
	<u><u>1,100,927</u></u>	<u><u>992,452</u></u>

Pension costs relate to both Group and individual defined contribution schemes. At 31st December 2001, pension contributions totalling £nil had been accrued but not yet paid to the Group Scheme. The average number of employees (including executive directors) during the year was 19 (2000: 18).

**6 Taxation (credit)/charge**

	2001 £	2000 £
Corporation tax at 30% (2000: 30%)		
Current year charge	-	22,342
Group relief	(61,853)	-
Adjustment in respect of a prior year	(1,134)	(190)
	<u><u>(62,987)</u></u>	<u><u>22,152</u></u>

**7 Tangible fixed assets**

	Computer & other equipment £
<b>Cost</b>	
At 1 January 2001	146,827
Additions at cost	4,959
Disposals	-
	<u>151,786</u>
At 31 December 2001	
<b>Depreciation</b>	
At 1 January 2001	104,475
Charge for the year	18,238
Disposals	-
	<u>122,713</u>
At 31 December 2001	
<b>Net book value</b>	
31 December 2001	<u><u>29,073</u></u>
At 1 January 2001	<u><u>42,352</u></u>

**Notes to the financial statements**  
for the year ended 31 December 2001 (Continued)

**8 Investment in subsidiaries**

	£
As at 31 December 2000 and 31 December 2001	<u>25,202</u>

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**

	2001 £	2000 £
Amounts owed by group companies	11,525	19,380
Group relief receivable	61,853	-
Other debtors	72,863	67,757
Prepayments and accrued income	336,196	504,178
	<u>482,437</u>	<u>591,315</u>

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

	2001 £	2000 £
Amounts owed to group companies	102,974	372,603
Dividend payable	-	30,000
Other creditors including taxation and social security	9,035	18,197
Accruals and deferred income	32,301	7,500
	<u>144,310</u>	<u>428,300</u>

**Notes to the financial statements**  
for the year ended 31 December 2001 (Continued)

**11 Operating lease obligations**

	2001 £	2000 £
At the year end, annual commitments under non-cancellable operating leases on land and buildings were:		
Expiring:		
- within one year	-	-
- between one and five years	145,406	145,406
	<u>145,406</u>	<u>145,406</u>

A proportion of the above commitment will be charged to other Group companies.

**12 Called up share capital**

	2001 £	2000 £
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>

**13 Profit and loss account**

	2001 £	2000 £
Retained profit at 1 January	11,089	8,815
Loss/(profit) for the year	(175,392)	2,274
	<u>(164,303)</u>	<u>11,089</u>
Retained (loss)/profit at 31 December	<u>(164,303)</u>	<u>11,089</u>

**14 Reconciliation of movement in shareholders' funds**

	2001 £	2000 £
(Loss)/profit for the year	(175,392)	2,274
Opening shareholders' funds	825,690	823,416
	<u>825,690</u>	<u>823,416</u>
Closing shareholders' funds	<u>650,298</u>	<u>825,690</u>

**Notes to the financial statements**  
for the year ended 31 December 2001 (Continued)

**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 31 December 2001 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.