

Registered no: 941616

Secure Trust Financial Services Limited
Annual report
for the year ended 31 December 2002



**Directors' report
for the year ended 31 December 2002**

The directors present their report and the financial statements for the year ended 31 December 2002.

Principal activity

The company recommenced trading as an independent financial advisor in January 2001, in July 2002 all activities were outsourced to a third party independent financial advisor Squirrel Financial Services Limited, which shares commission earnings on referrals with the company.

Review of business

The profit and loss account of the year is set out on page 4.

The directors are satisfied with the performance of the company during the year and do not envisage any significant change in the principal activities in the ensuing year.

Results and dividends

The directors do not recommend the payment of a final dividend (2001: Nil). The profit for the year of £27,533 has been transferred to reserves.

Directors

The directors who served during the year were as follows:

KNF Deakin
D Pearson
J Shipley

The directors are also directors of the immediate parent company, Secure Trust Bank PLC, and their interests in group companies are shown in the directors' report of that company.

Directors' report (continued)

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

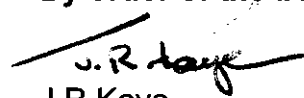
The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 26 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the board


J R Kaye
Secretary

26 March 2003

Independent auditors' report to the members of Secure Trust Financial Services Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Companies Act 1985. 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 the 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. The other information comprises only the directors' report.

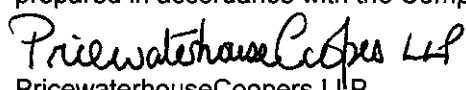
Basis of audit opinion

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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
26 March 2003

**Profit and loss account
for the year ended 31 December 2002**

	Notes	2002 Continuing £	2002 Discontinued £	2002 Total £	2001 Discontinued £
Turnover	2	30,163	159,122	189,285	300,654
Administrative expenses		(13,294)	(144,602)	(157,896)	(252,429)
Profit on ordinary activities before taxation	6	16,869	14,520	31,389	48,225
Taxation	7			(3,856)	(15,893)
Retained profit for the year	12			27,533	32,332

The profit on ordinary activities before tax and the retained profit for the year as stated above, are not materially different from their historical cost equivalents.

The company has no recognised gains and losses other than those included in the profits above, and therefore no separate statement of recognised gains and losses has been presented.

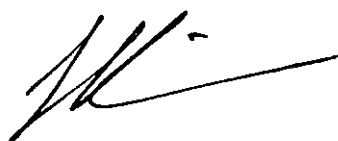
Secure Trust Financial Services Limited

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Balance sheet at 31 December 2002

	Note	2002 £	2001 £
Tangible fixed assets	8	5,110	14,273
Current assets			
Cash at bank		22,563	6,225
Debtors	9	41,460	62,994
		<hr/>	<hr/>
		64,023	69,219
		<hr/>	<hr/>
Current liabilities	10	(8,368)	(50,260)
		<hr/>	<hr/>
		60,765	33,232
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	11	1,000	1,000
Profit and loss account	12	59,765	32,232
		<hr/>	<hr/>
Equity shareholders' funds		60,765	33,232
		<hr/>	<hr/>

The financial statements on pages 4 to 11 were approved by the board of directors on 26 March 2003 and were signed on its behalf by:



J. Shipley
Director

**Notes to the financial statements
for the year ended 31 December 2002**

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, with the exception of the change of accounting policy resulting from the adoption of FRS 19, is set out below.

Adoption of FRS 19

FRS 19 "deferred tax" has been adopted which requires deferred tax to be recognised on all timing differences. Previously provision was only made to the extent that a liability or asset was expected to crystallise. This represents a change in accounting policy, however as no deferred tax has arisen in previous periods, no restatement of the prior year's financial statements is required.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing difference can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Cash flow statement

The company is a wholly owned subsidiary of Secure Trust Bank PLC, which is itself a wholly owned subsidiary of Secure Trust Banking Group PLC, and the cash flows of the company are included in the consolidated group cash flow statement of Secure Trust Banking Group PLC. Consequently, the company is exempt under the terms of Financial Reporting Standard No.1 (Revised) from publishing a cash flow statement.

Related party transactions

The company is a wholly owned subsidiary of Secure Trust Bank PLC, which itself is a wholly owned subsidiary of Secure Trust Banking Group PLC. The company is therefore exempt from disclosing transactions with the parent company under the terms of Financial Reporting Standard No.8.

2. Turnover

Turnover from discontinued activities represent amounts received during the year in respect of fees and insurance commissions in the United Kingdom. For continuing activities, turnover relates to commission income earned from Squirrel Financial Services Limited, a company incorporated in the United Kingdom. A breakdown of turnover by activity is given in the profit and loss account.

3. Directors' emoluments

The emoluments of the directors are paid by the immediate parent company which makes no recharge to the company. Their total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the parent company.

4 Employee information

The average weekly number of persons (including executive directors) employed by the company during the year was:

	2002 Number	2001 Number
Administration	<u>2</u>	<u>2</u>
	2002 £	2001 £
Staff costs:		
Wages and salaries	28,938	38,336
Social security and taxation	<u>-</u>	<u>-</u>
	28,938	38,336

5 Administrative expenses

Notes	2002 Continuing £	2002 Discontinued £	2002 Total £	2001 Discontinued £
Other expenses	<u>1,744</u>	<u>127,214</u>	<u>128,958</u>	<u>214,093</u>

6 Profit on ordinary activities before taxation

	2002 £	2001 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets	7,908	5,000
Auditors' remuneration - audit fees	<u>500</u>	<u>500</u>

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7 Taxation

	2002 £	2001 £
Current tax:		
The taxation charge comprises:		
United Kingdom corporation tax at 30% (2001: 30%)		
Current	12,239	15,893
Under/(over) provision in respect of prior years	(3,871)	-
Total current tax	8,368	15,893
Deferred tax		
Origination and reversal of timing differences (ACA and other)	(1,382)	-
Under/(over) provision in respect of prior years	(3,130)	-
Total deferred tax	(4,512)	-
Tax on profit on ordinary activities	3,856	15,893

The tax assessed for the period is lower than the standard rate in the UK 30%. The differences are explained below:

	2002 £	2001 £
Profit on ordinary activities before tax	<u>31,389</u>	<u>48,225</u>
Profit on ordinary activities multiplied by standard rate in the UK 30% (2001:30%)	9,417	14,468
Effects of:		
Accelerated capital allowances and other timing differences	1,440	(3,075)
Prior year adjustment	(7,001)	4,500
	<u>3,856</u>	<u>15,893</u>

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8 Tangible fixed assets

	Equipment
Cost	£
At 1 January 2002	33,273
Additions	6,129
Disposals	(33,273)
	<hr/>
At 31 December 2002	6,129
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Depreciation	
At 1 January 2002	19,000
Charge for the year	7,908
Disposals	(25,889)
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At 31 December 2002	1,019
	<hr/>
Net book value	
	<hr/>
At 31 December 2002	5,110
	<hr/>
At 31 December 2001	14,273
	<hr/>

9 Debtors

	2002 £	2001 £
Amounts falling due within one year		
Amounts owed by group undertakings	28,948	62,994
Prepayments	8,000	-
Deferred Tax	4,512	-
	<hr/>	<hr/>
	41,460	62,994
	<hr/>	<hr/>

10 Creditors: amounts falling due within one year

	2002 £	2001 £
Trade creditors	-	34,367
Corporation tax	8,368	15,893
	<hr/>	<hr/>
	8,368	50,260
	<hr/>	<hr/>

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11 Called up share capital

	2002 £	2001 £
Authorised, allotted, called up and fully paid		
100 ordinary shares of £1 each	1,000	1,000
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12 Profit and loss account

	£
At 1 January 2002	32,232
Profit for the year	27,533
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At 31 December 2002	59,765
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13 Reconciliation of movements in shareholders' funds

	2002 £	2001 £
Profit for the year	27,533	32,332
Opening equity shareholders' funds	33,232	900
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Closing equity shareholders' funds	60,765	33,232
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14 Ultimate parent undertaking

The immediate parent undertaking is Secure Trust Bank PLC.

The directors regard Secure Trust Banking Group PLC, a company registered in England and Wales, as the ultimate parent undertaking and ultimate controlling party.

A copy of the consolidated financial statements of Secure Trust Banking Group PLC may be obtained from The Secretary, Secure Trust Banking Group PLC, One Arlestone Way, Solihull, B90 4LH.