

Registered no: 941616

Secure Trust Financial Services Limited
Annual report
for the year ended 31 December 2003



**Directors' report
for the year ended 31 December 2003**

The directors present their report and the financial statements for the year ended 31 December 2003.

Principal activity

The company refers customers to a third party independent financial advisor for which it receives a commission.

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 recommend the payment of a final dividend of £113,000 (2002: Nil). The loss for the year of £59,502 has been deducted from reserves.

Directors

The directors who served during the year were as follows:

KNF Deakin
D Pearson
J Shipley

Mr Shipley is also a director of the immediate parent company, Secure Trust Bank PLC, and his interests in group companies are shown in the directors' report of that company.

Mr Deakin and Mr Pearson are also directors of the ultimate parent company, Secure Trust Banking Group 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.

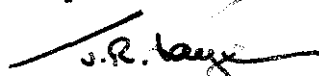
The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements. The directors also confirm that applicable accounting standards have been followed and that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

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 2004

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.

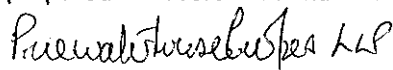
Basis of audit opinion

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 2003 and of its loss 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 2004

Secure Trust Financial Services Limited

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Profit and loss account for the year ended 31 December 2003

	Notes	2003 Total £	2002 Total £
Turnover	2		
Continuing		94,206	30,163
Discontinued		-	159,122
		<hr/>	<hr/>
		94,206	189,285
		<hr/>	<hr/>
Administrative expenses			
Continuing		21,674	13,294
Discontinued		-	144,602
		<hr/>	<hr/>
		21,674	157,896
		<hr/>	<hr/>
Profit on ordinary activities before taxation	5		
Continuing		72,532	16,869
Discontinued		-	14,520
		<hr/>	<hr/>
		72,532	31,389
		<hr/>	<hr/>
Taxation	6	(19,034)	(3,856)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		53,498	27,533
		<hr/>	<hr/>
Dividend		(113,000)	-
		<hr/>	<hr/>
Deficit for the year	12	(59,502)	27,533
		<hr/>	<hr/>

The profit on ordinary activities before tax and the deficit 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.

Balance sheet

at 31 December 2003

	Note	2003 £	2002 £
Tangible fixed assets	7	3,067	5,110
Current assets			
Cash at bank		26,278	22,563
Debtors	8	116,824	41,460
		<u>143,102</u>	<u>64,023</u>
Current liabilities	9	(144,906)	(8,368)
Net current (liabilities)/assets		<u>(1,804)</u>	<u>55,655</u>
Net Assets		<u>1,263</u>	<u>60,765</u>
Capital and reserves			
Called up share capital	11	1,000	1,000
Profit and loss account	12	263	59,765
Equity shareholders' funds	13	<u>1,263</u>	<u>60,765</u>

The financial statements on pages 4 to 12 were approved by the board of directors on 26 March 2004 and were signed on its behalf by:



J. Shipley
Director

**Notes to the financial statements
for the year ended 31 December 2003**

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 set out below.

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 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:

	2003 Number	2002 Number
Administration	0	2

	2003 £	2002 £
Staff costs:		
Wages and salaries	5,111	28,938
Social security and taxation	-	-
	<u>5,111</u>	<u>28,938</u>

5 Profit on ordinary activities before taxation

	2003 £	2002 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets	2,043	7,908
Auditors' remuneration - audit fees	500	500
	<u>2,543</u>	<u>8,408</u>

6 Taxation

	2003 £	2002 £
Current tax:		
The taxation charge comprises:		
United Kingdom corporation tax at 30% (2002: 30%)		
Current	21,214	12,239
Under/(over) provision in respect of prior years	(1,677)	(3,871)
	<hr/>	<hr/>
Total current tax	19,537	8,368
	<hr/>	<hr/>
Deferred tax		
Origination and reversal of timing differences (ACA and other)	1,158	(1,382)
Under/(over) provision in respect of prior years	(1,661)	(3,130)
	<hr/>	<hr/>
Total deferred tax	(503)	(4,512)
	<hr/>	<hr/>
Tax on profit on ordinary activities	19,034	3,856
	<hr/>	<hr/>

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

	2003 £	2002 £
Profit on ordinary activities before tax	<u>72,532</u>	<u>31,389</u>
Profit on ordinary activities multiplied by standard rate in the UK 30% (2002:30%)	21,759	9,417
Effects of:		
Accelerated capital allowances and other timing differences	613	1,440
Prior year adjustment	(3,338)	(7,001)
Deferred Tax	503	4,512
	<hr/>	<hr/>
	19,537	8,368
	<hr/>	<hr/>

7 Tangible fixed assets

	Equipment
Cost	£
At 1 January 2003 and 31 December 2003	6,129
	<hr/>
Depreciation	
At 1 January 2003	1,019
Charge for the year	2,043
	<hr/>
At 31 December 2003	3,062
	<hr/>
Net book value	
At 31 December 2003	3,067
	<hr/>
At 31 December 2002	5,110
	<hr/>

8 Debtors

	2003	2002
	£	£
Amounts falling due within one year		
Amounts owed by group undertakings	111,809	28,948
Prepayments	-	8,000
Deferred Tax	5,015	4,512
	<hr/>	<hr/>
	116,824	41,460
	<hr/>	<hr/>

9 Creditors: amounts falling due within one year

	2003	2002
	£	£
Proposed Dividend	113,000	-
Corporation tax	27,906	8,368
Accruals	4,000	-
	<hr/>	<hr/>
	144,906	8,368
	<hr/>	<hr/>

10 Deferred Taxation

The movement in deferred taxation comprises:

	Recognised £
Asset at the beginning of the year	4,512
Credited to the profit and loss account	503
	<hr/>
At 31 December 2003	5,015
	<hr/>

The elements of deferred tax are as follows:

	Provided £
Origination and reversal of timing differences (ACA and other)	5,015
	<hr/>
At 31 December 2003	5,015
	<hr/>

11 Called up share capital

	2003 £	2002 £
Authorised, allotted, called up and fully paid		
100 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>

12 Profit and loss account

	£
At 1 January 2003	59,765
Deficit for the year	(59,502)
	<hr/>
At 31 December 2003	263
	<hr/>

13 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
(Loss)/Profit for the year	(59,502)	27,533
Opening equity shareholders' funds	60,765	33,232
	<hr/>	<hr/>
Closing equity shareholders' funds	1,263	60,765
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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.