

Registered No: 1404439

Secure Homes Services Limited
Annual Report
for the year ended 31 December 2006



**Directors' report
for the year ended 31 December 2006**

The directors present their report and the audited financial statements for the year ended 31 December 2006

Principal activity and business review

The principal activities of the company during the year were -

- the subletting of freehold premises, on an open market rental, to its parent company
- receipt of commissions from utility providers supplying customers of its parent company

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 change in the principal activities in the ensuing year

Results for the year

The directors do not recommend the payment of a dividend (2005 £Nil) The profit for the year of £119,867 (2005 Loss £27,444) has been transferred to reserves

Directors and their interests

The directors who served during the year were as follows

KNF Deakin
D Pearson
J Shipley

Mr G A Jennison and Mr N M Fielden were appointed directors on 12 February 2007

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, who resigned as directors of the company on 5 February 2007, were also directors of the ultimate parent company, Arbuthnot Banking Group PLC, at 31 December 2006 and their interests in group companies are shown in the directors' report of that company

Statement of 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, consistently applied and supported by reasonable and prudent judgements and estimates, have been used 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

Directors' report (continued)

Statement of directors' responsibilities (continued)

The directors are responsible for maintaining adequate accounting records and taking reasonable steps to safeguard the assets of the company and detect fraud or any other irregularities

So far as the directors' are aware, there is no relevant audit information of which the Company's auditors are unaware, and the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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

A handwritten signature in black ink, appearing to read 'J R Kaye', with a long horizontal stroke extending to the right.

J R Kaye
Secretary
27 April 2007

**Independent auditors' report to the members of
Secure Homes Services Limited**

We have audited the financial statements of Secure Homes Services Limited for the year ended 31 December 2006 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 International Standards on Auditing (UK and Ireland). 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2006 and of its profit and cash flows for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985
- the information given in the Directors' Report is consistent with the financial statements



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
3 May 2007

Secure Homes Services Limited

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**Income statement
for the year ended 31 December 2006**

	Notes	2006 £	2005 £
Turnover	2	578,925	360,000
Gross profit		578,925	360,000
Administrative expenses		(116,020)	(116,020)
Interest payable		(245,328)	(239,445)
Profit/(loss) before income tax	4	217,577	4,535
Income tax expense	5	(97,710)	(31,979)
Profit/(loss) for the year	11	119,867	(27,444)

The above results relate wholly to continuing operations

The company has no recognised income or expenses other than those included in the result above, and therefore no separate statement of total recognised income and expenses has been presented

**Note of Historical cost profits and losses for the
year ended 31 December 2006**

	2006 £	2005 £
Reported profit on ordinary activities before income tax expense	217,577	4,535
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	49,449	49,449
Historical cost profit on ordinary activities before income tax expense	267,026	53,984
Historical cost profit on ordinary activities after income tax expense	169,316	22,005

Balance sheet
at 31 December 2006

	Notes	2006 £	2005 £
Tangible fixed assets	6	6,000,087	6,115,087
Current assets			
Cash at bank		5,765	5,765
Creditors amounts falling due within one year	7	(4,115,842)	(4,350,709)
Net Current liabilities		(4,110,077)	(4,344,944)
Deferred taxation	8	(517,595)	(517,595)
Net assets		1,372,415	1,252,548
Capital and reserves			
Called up share capital	9	2	2
Revaluation reserve	10	1,158,273	1,207,722
Profit and loss account	11	214,140	44,824
Equity shareholders' funds	12	1,372,415	1,252,548

The financial statements on pages 4 to 12 were approved by the board of directors on 27 April 2007 and were signed on its behalf by



J Shipley
Director

Statement of changes in equity

For the year ended 31 December 2006

	Share capital	Revaluation reserve	Retained earnings	Total
	£	£	£	£
Balance at 31 December 2004/1 January 2005	2	1,257,171	22,819	1,279,992
Loss for 2005	-	-	(27,444)	(27,444)
Transfers	-	(49,449)	49,449	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2005/ 1 January 2006	2	1,207,722	44,824	1,252,548
Profit for 2006	-		119,867	119,867
Transfers	-	(49,449)	49,449	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2006	2	1,158,273	214,140	1,372,415
	<hr/>	<hr/>	<hr/>	<hr/>

Cash Flow Statement

For the year ended 31 December 2006

	2006	2005
	£	£
Cash inflows from operating activities		
Rent receivable	360,000	360,000
Commissions received	218,925	-
Interest payable	(245,328)	(239,445)
Cash payments to suppliers	(1,020)	(1,020)
Taxation paid	-	(84,258)
	<hr/>	<hr/>
Cash flows from operating activities before changes in operating assets and liabilities	332,577	35,277
	<hr/>	<hr/>
Changes in operating assets and liabilities		
- Net decrease in group company balances	(360,092)	14,812
- Increase in accruals and deferred income	27,515	(2)
	<hr/>	<hr/>
Net cash from operating activities	-	14,810
	<hr/>	<hr/>
Cash used in investing activities		
Additions to property	-	(50,087)
	<hr/>	<hr/>
Changes in cash and cash equivalents	-	-
	<hr/>	<hr/>
Cash and cash equivalents at beginning of year	5,765	5,765
	<hr/>	<hr/>
Cash and cash equivalents at end of year	5,765	5,765
	<hr/>	<hr/>

**Notes to the financial statements
for the year ended 31 December 2006****1 Principal accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention, modified to include freehold property at valuation.

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 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.

Depreciation

Depreciation on freehold buildings is provided on a straight line basis at 2% per annum, which is calculated to write off those assets over their estimated useful lives.

Operating lease income

Operating lease income is accounted for on a straight line basis with any increases recognised during the period to which they relate.

**Notes to the financial statements
for the year ended 31 December 2006**

2. Turnover

Turnover represents the rental income from the parent company in the United Kingdom and commissions receivable, excluding value added tax

3. Directors' emoluments and employee information

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 Profit on ordinary activities before taxation

	2006 £	2005 £
Profit on ordinary activities before income tax expense is stated after charging/(crediting)		
Auditors' remuneration	1,020	1,020
Depreciation of tangible fixed assets	115,000	115,000
Rent receivable under an operating lease	(360,000)	(360,000)
	<u> </u>	<u> </u>

5 Income tax expense

	2006 £	2005 £
Current tax		
The taxation charge comprises		
United Kingdom corporation tax at 30% (2005 30%)		
Current	99,773	35,861
Over provision in respect of prior years	(2,063)	(3,882)
	<u> </u>	<u> </u>
	<u>97,710</u>	<u>31,979</u>

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

	2006 £	2005 £
Profit on ordinary activities before income tax expense	217,577	4,535
	<u> </u>	<u> </u>
Profit/(loss) on ordinary activities multiplied by standard rate in the UK 30% (2005 30%)	65,273	1,361
Effects of		
Non qualifying depreciation	34,500	34,500
Prior year adjustment	(2,063)	(3,882)
	<u> </u>	<u> </u>
	<u>97,710</u>	<u>31,979</u>

6 Tangible fixed assets

	Freehold Property £
Cost/Valuation	
At 1 January 2006 and 31 December 2006	6,230,087
Depreciation	
At 1 January 2006	115,000
Charge for the year	115,000
At 31 December 2006	230,000
Net book values	
At 31 December 2006	6,000,087
At 31 December 2005	6,115,087

The value of freehold land not subject to depreciation is £500,000 (2005 £500,000)

All freehold property is held for use by the company's parent company under an operating lease

The freehold property was revalued by Grenville, Smith & Duncan, Chartered Surveyors, in December 2004, on an existing use basis. The valuation was undertaken in accordance with the R I C S appraisal valuation manual. The directors are not aware of any material change in value since December 2004 and therefore the valuation has not been updated.

The net book value, on an historical cost basis, of freehold property included at valuation is as follows -

	2006 £	2005 £
Cost	3,777,536	3,777,536
Accumulated depreciation	(522,726)	(447,175)
Net book value	3,254,810	3,330,361

7 Creditors' amounts falling due within one year

	2006 £	2005 £
Amounts owed to group undertakings	3,954,756	4,314,848
Corporation tax	133,571	35,861
Accruals	27,515	-
	<u>4,115,842</u>	<u>4,350,709</u>

8 Deferred taxation

	£
At 1 January 2006 and 31 December 2006	<u>517,595</u>

The deferred tax liability wholly relates to the revaluation gain made on the freehold property revaluation

9 Called up share capital

	2006 £	2005 £
Authorised		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

10 Revaluation reserve

	£
At 1 January 2006	1,207,722
Transfer to profit and loss account	<u>(49,449)</u>
As at 31 December 2006	<u>1,158,273</u>

Secure Homes Services Limited

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11 Profit and loss account

£

At 1 January 2006	44,824
Profit for the year	119,867
Transfer from revaluation reserve	49,449

At 31 December 2006 **214,140**

12 Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Opening equity shareholders' funds	1,252,548	1,279,992
Profit/(loss) for the year	119,867	(27,444)
Closing equity shareholders' funds	1,372,415	1,252,548

13 Ultimate parent undertaking and controlling party

The directors regard Arbuthnot Banking Group PLC, a company registered in England and Wales, as the ultimate parent company. Henry Angest the Group Chairman and Chief Executive has a beneficial interest in 50.6% of the issued share capital of Arbuthnot Banking Group PLC and is regarded by the directors as the ultimate controlling party.

Copies of the parent company's consolidated financial statements may be obtained from the Secretary, Arbuthnot Banking Group PLC, One Arleston Way, Solihull, B90 4LH.