

SECURE TRUST GROUP PLC 19-4085

Corporate Profile



The Group operates through two divisions, personal financial services and private and merchant banking, each of which offers its customers individual attention and consistently high standards of service.



Secure Trust Bank is the cornerstone of the personal financial services division. It has long been established as the United Kingdom market leader in household cash management and also provides personal loans and banking services. In addition, the division supplies a range of insurance products for the consumer market.

*Secure Trust Group provides a range
of banking and other financial
services to personal and business
customers*



The private and merchant banking division, operating under the **Arbuthnot** name, serves private clients, professional firms, owner-managed companies, charities and pension schemes. It provides banking services, investment management, offshore services, pension planning, insurances and factoring.

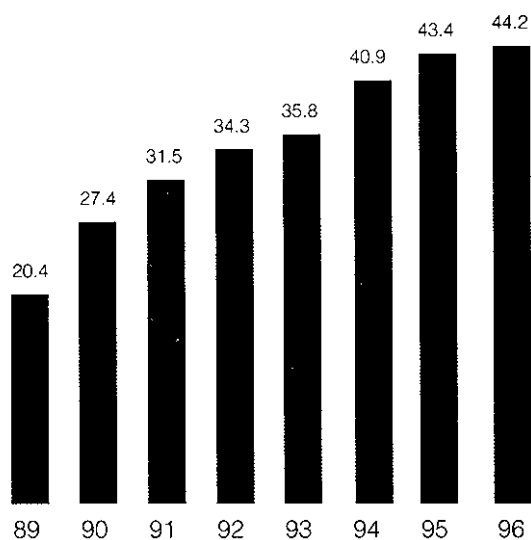
Secure Trust's objective is steady year-on-year growth in both profits and earnings per share. To achieve this objective its strategy is to expand the customer base, extend geographic coverage and add new products, principally within areas similar to the existing operations. As in the past, this strategy will encompass both organic development and acquisitions.

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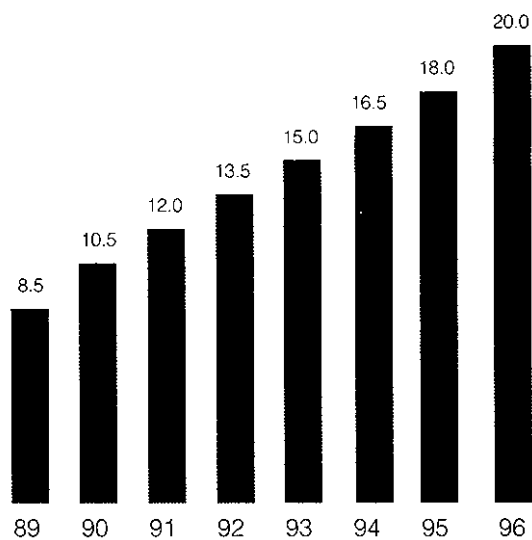
Track Record

Earnings per share — since flotation (pence)

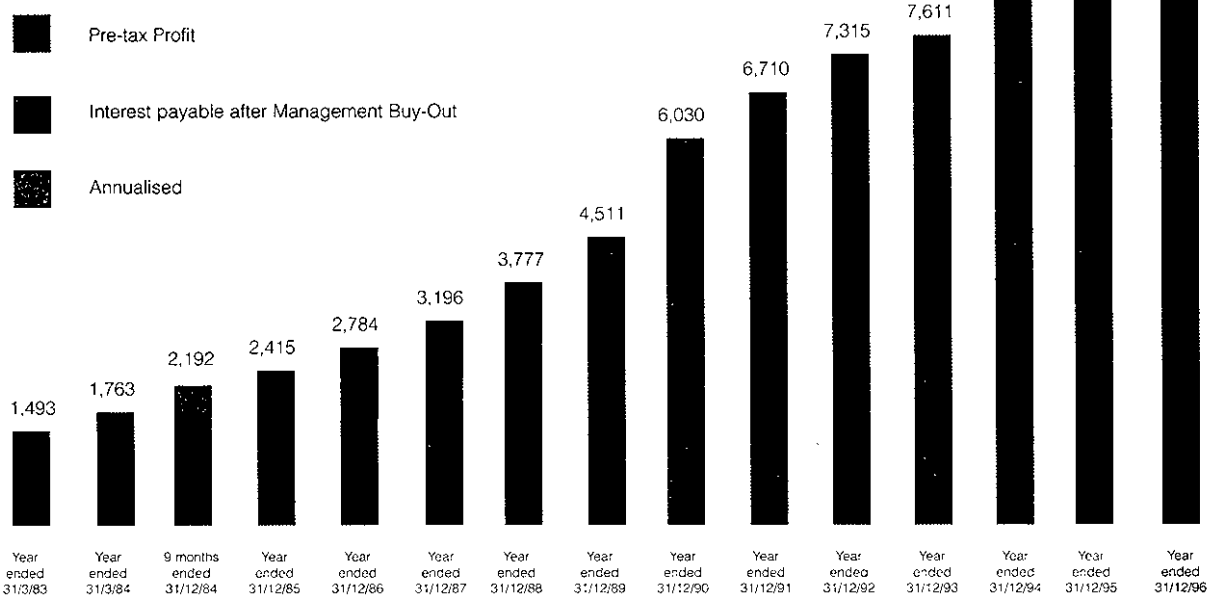


Dividend per share — since flotation (pence)

(excluding 1995 special dividend of 10p)



15 year Record of Pre-Tax Profit (£000s)



Group Directors and Advisers

Directors

Henry Angest

Chairman and Chief Executive of the Group since 1985 and Chairman of Secure Trust Bank PLC since 1982. He is also Chairman of Arbuthnot Latham & Co., Limited and other Group companies. A member of the Government's Deregulation Task Force and the Banking Committee of the London Investment Banking Association.

Ron Paston

Executive Director of Secure Trust Group PLC since 1985 and Chief Executive of Secure Trust Bank PLC since 1973, having joined in 1962. He has been instrumental in the Company's development over the past 35 years and is also Chairman of the Group's motor insurance subsidiaries.

Stephen Lockley

Group Finance Director since 1994 and Chief Executive of Arbuthnot Latham & Co., Limited since 1995. He is a Chartered Accountant and was previously a director of Charterhouse Bank Limited.

Robert Wickham

Non-executive Director. He was the London General Manager of Bank of Scotland until his retirement in December 1993. He is also a non-executive director of Graystone PLC, Northern Leisure PLC and Rutland Trust Plc.

Secretary

Jeremy Robin Kaye, F.C.I.S.

Addresses

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Facsimile: (0121) 693 9124

London Office

Royex House, Aldermanbury Square,
London EC2V 7HR
Telephone: (0171) 374 0417

Advisers

Auditors

Coopers & Lybrand
Chartered Accountants and Registered Auditors
Temple Court, 35 Bull Street, Birmingham B4 6JT

Financial Advisers

Hambros Bank Limited
41 Tower Hill, London EC3N 4HA

Principal Bankers

Barclays Bank PLC
38 Hagley Road, Edgbaston,
Birmingham B16 8NY

Joint Stockbrokers

Charterhouse Tilney Securities Limited
1 Paternoster Row, St Paul's, London EC4M 7DH
Albert E Sharp
Temple Court, 35 Bull Street, Birmingham B4 6ES

Registrars

Independent Registrars Group Limited
Balfour House, 390-398 High Road, Ilford,
Essex IG1 1NQ

Banking Subsidiaries' Directors

Secure Trust Bank PLC

Group directors

Henry Angest *Chairman*
Ron Paston *Chief Executive*
Stephen Lockley

Executive directors

Keith Deakin *Information Technology*
Patricia Fielding *Administration*
Ronald Middleton *Branch Operations*
Derek Pearson *Marketing*
John Shipley *Finance*

Non-executive directors

Robert Dauncey
Edward Pearson

Arbuthnot Latham & Co., Limited

Group directors

Henry Angest *Chairman*
Stephen Lockley *Chief Executive*
Ron Paston
Robert Wickham *Non-executive*

Executive directors

Brian Collis *Risk Management*
Allan James *Banking*
Wayne Mathews *Finance*
Andrew Whitton *Private Banking*

Non-executive directors

Bill Brown CBE
Robert Erith TD
Roger Keast
Colin Wakelin

Non-executive directors' biographies

Bill Brown

Former Deputy Group Chairman and Deputy Group Chief Executive of Standard Chartered Plc and Chairman of Aitken Hume Bank PLC. He is a non-executive director of Kexim Bank (UK) Limited and Atlantis Japan Growth Fund Limited.

Robert Dauncey

A consultant with Edge & Ellison, Solicitors, and a non-executive director of a number of West Midlands companies engaged in a wide range of activities.

Robert Erith

High Sheriff of Essex and previously Chairman of the Equities division of Swiss Bank Corporation. He is a non-executive director of Graham Group plc, Crest Nicholson plc, Matheson Lloyd's Investment Trust plc, The International Shakespeare Globe Centre Limited and Essex Community Foundation.

Roger Keast

Senior Partner of Stephens & Scown, Solicitors, a non-executive director of South West Enterprise Limited and a former Mayor of Exeter. He has been a regional director of Arbuthnot Latham & Co., Limited in the South West since March 1996.

Edward Pearson

Formerly Managing Director of Bradford Pennine Insurance Company Limited. He is also a director of West Yorkshire Insurance Company Limited and has over 35 years' experience in the insurance industry.

Colin Wakelin

Formerly Chief Executive and Deputy Chairman of Allied Trust Bank Limited, where he still holds a non-executive directorship.

Chairman's Statement

Over many years Secure Trust Group has been able to reward shareholders with increases in profitability, earnings and dividends and I am pleased to report that 1996 has seen a continuation of this trend with pre-tax profits of £9.4 million. This has been achieved despite the very difficult market conditions faced by our motor insurance operations and, therefore, reflects good performances from all other areas of the Group.

At the beginning of the year, we made further progress in developing our broad range of financial service businesses through the acquisition of the MPW Group, which provides specialist expertise in pensions, investments and insurances to owner-managed companies, professional firms and high net worth clients. The acquisition forms an important addition to the Group's private and merchant banking division.

Results and Dividends

Profits before tax for the year ended 31 December 1996 were £9.4 million (1995: £9.2 million) and earnings per share were 44.2p (1995: 43.4p). The Board proposes to pay a final dividend of 14p per share which, together with the interim dividend of 6p, makes a total for the year of 20p compared with 18p last year (excluding the 1995 special dividend), an increase of 11 per cent. The dividend will be paid on 20 May 1997 to all shareholders on the register at 3 April 1997.

Within the personal financial services division, income from the household cash management business rose by 10 per cent as customer numbers continued to grow and the sickness, accident and redundancy insurance scheme once again had a successful year. Interest income from customer lending increased by 4 per cent, whilst bad debts remain firmly under control.

Motor insurance presented a very mixed picture. On the positive side, the insurance consultancy operations saw some greater stability in premium levels during the latter part of the year and also achieved

further efficiency gains from a greater emphasis on telephone selling. As a result, profits increased marginally over 1995. Conversely, the inadequate level of premium rates in the market, coupled with adverse claims experience across the industry, led to losses in West Yorkshire Insurance Company. In the light of the adverse market conditions, we took the decision to suspend new and renewal business in June to give us an opportunity to reassess the viability of motor underwriting within the context of the Group's overall insurance strategy. Excluding West Yorkshire Insurance Company, the personal financial services division increased profits by 15 per cent over 1995.

Profits of the private and merchant banking division rose by 57 per cent over 1995 to £1.4 million, helped by a first time contribution from the MPW Group. All areas of the division performed satisfactorily and it is now well placed to be able to offer a comprehensive range of banking and financial services which I am sure will prove attractive in winning further clients in the future. Since the year-end, we have launched a new range of Peacock Account private banking products, including a Visa Delta debit card, and an Arbuthnot Self-Invested Personal Pension. In recognition of the closer links being built within the division, MPW Pensions & Investment Management Limited and MPW (Trustees) Limited are changing their names respectively to Arbuthnot Pensions & Investments Limited and Arbuthnot Pension Trustees Limited. These are all positive developments which will enhance the long-term prospects for the division, although they will involve additional investment in both people and systems in 1997.

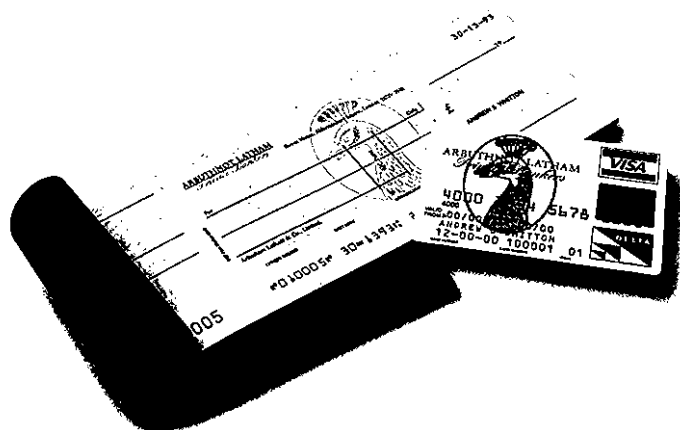
Financial Regulation and Corporate Governance

I commented last year on the growing burden of regulation in the financial services sector and the increased costs which this produces for the consumer.

I applaud government statements about the need for more deregulation and the reduction of red

tape, and I am encouraged to see that these pronouncements are gaining increasing acceptance. I particularly welcome measures such as mandatory assessment of the costs and benefits of complying with new regulations and the proposed introduction of "sunset" rules which will require positive action if the regulations affected by them are to remain in force beyond their prescribed periods of usefulness.

However, I am concerned that any beneficial reduction in bureaucracy arising from these deregulation initiatives is in danger of being eroded by the growing emphasis on so-called "best practice". We all support "good practice" but it seems to me that, in many cases, this approach simply represents a back-door way of imposing a new set of, often unwritten, requirements that go well beyond the standards needed to achieve adequate protection for consumers. "The best is the enemy of the good" (Voltaire).



With respect to corporate governance, I hope that the Hampel Committee will reinforce the original objective: to achieve good corporate governance within a flexible framework that leaves room to accommodate the diverse multitude of companies and recognises the increasingly held view that small companies do not require entirely the same approach as the top multinationals.



Staff and Management

Our staff and management have responded well to the many challenges the Group has faced during the past year and my fellow directors and I, once again, extend our thanks to them. Without the commitment of our people, Secure Trust Group would not have achieved the success that it has over the past years.

Outlook

The Group as a whole should continue to make progress over the coming twelve months, notwithstanding that the private and merchant banking division will incur the costs of investing in new products, to which I have already referred. The Board continues to believe that we have developed a sound base for the future and is confident of the Group's prospects.

Henry Angest

9 April 1997

Operating and Financial Review

Personal Financial Services

The personal financial services division includes Secure Trust Bank PLC, which provides household cash management, current and deposit accounts, cash cards and personal loans; the insurance consultancy operations, which trade from 34 retail outlets, under the names OBC Insurance Consultants, Auto & General Insurance Consultants, SecureDirect and Snowball; and motor insurance underwriting through West Yorkshire Insurance Company Limited. Profits from the personal financial services division of £8.0 million are stated after losses in West Yorkshire Insurance Company without which the division's profits rose by 15 per cent over 1995.

Household Cash Management

The household cash management service is a unique scheme enabling customers to enjoy the convenience of spreading their household bills over regular weekly or monthly payments and to relax in the knowledge that Secure Trust Bank will deal with all aspects of the administration of their household expenditure.

The 58,000 customers who use the service are located predominantly in the Midlands, Manchester and Bradford. The customer base continues to grow steadily and a net growth in customer numbers of some 4,000 has been achieved over the past four years, before eliminating some 1,000 "dormant" customer accounts during 1996. Fee income earned by the Group from this service rose by 7 per cent over the level achieved in 1995.

Customers are also offered the facility to insure their regular payments against sickness, accident and redundancy and add the premiums to their household cash management account. The scheme continues to prove popular with customers and commission earnings from this source remain buoyant, rising by 22 per cent over last year.

Personal Lending and Banking

For many years the Group has offered personal loans to customers on both a secured and an unsecured basis, with repayments usually being

channelled through a household cash management account. Over recent years, the banking activities have been enhanced by the introduction of a savings account and a short-term cash advance, "SecureCash", available to established customers.

In 1993, the range of personal banking products was further expanded through the acquisition of Peoples Bank, now the Bradford branch of Secure Trust Bank. In addition to providing a base for our expansion in Yorkshire, the Bradford branch acts as the administrative centre for a range of banking services which are now also being marketed successfully to the customer base in the Midlands and Manchester. The services provided include chequebook accounts, deposit accounts, cash cards, loans and overdrafts for personal and small business customers. By expanding the range of services offered to customers, Secure Trust Bank aims to build on the relationship with them and thereby increase customer satisfaction and loyalty. Since the relaunch of the Bradford operation in 1994 under the Secure Trust Bank name, over 1,900 new bank accounts have been gained, of which over 800 were added in 1996.

During 1996, the Group experienced slower demand for new personal loans than in 1995. Nevertheless, the aggregate balances outstanding to customers at the year end grew by 5 per cent. At the same time, the quality of the lending has not been jeopardised and the charge for bad and doubtful debts remains very modest.

Insurance

Over recent years the Group achieved a substantial presence in the insurance consultancy market in the West Midlands, particularly in motor insurance. Many of Secure Trust Bank's customers make use of the Group's insurance services and pay for their policies through household cash management accounts. Over recent years, the growth in direct insurers has led to significant reductions in motor insurance premium rates and increased pressures on consultancy operations generally. Nevertheless, the Group's insurance consultancies have remained profitable due to a combination of effective marketing and strict cost control. During the latter part of 1996, the

effect of the substantial underwriting losses incurred by many motor insurers, including the direct writers, has at last been reflected in some greater stability in premium levels. Together with a continued emphasis on efficiency gains, this has enabled the Group's insurance consultancies to increase profits over 1995.

In May 1995, the Group acquired West Yorkshire Insurance Company, a specialist motor insurance underwriter, in order to broaden the range of its insurance skills in the face of the growing importance of direct insurers. During the course of 1996, a combination of adverse claims experience and inadequate premium rates available in the market led to unacceptable underwriting losses. In response, the Group suspended the writing of new and renewal motor policies in June and the future strategy for West Yorkshire Insurance Company will be kept under review in the light of developing market conditions.

Private and Merchant Banking

The private and merchant banking division was formed during 1994 and now offers banking, investment management, offshore trust management, factoring, pensions and investment advice and general insurance to professional firms, owner-managed companies, charities, pension schemes and private clients. Profits from the division rose by 57 per cent over 1995 to £1.4 million.

Arbuthnot Latham & Co. continues to develop satisfactorily. Deposits placed with the bank by its clients have grown from £43 million at the end of 1995 to £51 million at the end of 1996, representing a virtual doubling since the acquisition by the Group in April 1994. Arbuthnot Latham & Co. aims to develop close banking relationships with its clients based on trust and personal contact, from which it can promote the use of a range of the Group's services. Since the year-end, Arbuthnot Latham & Co. has launched a new range of private banking services incorporating a Visa Delta debit card accepted in cash machines and retail outlets worldwide.

The approach to risk management at Arbuthnot Latham & Co. continues to be conservative and a cautious stance is adopted on new lending. The bank's treasury function operates solely to provide a service to clients and does not take significant unmatched positions

in any markets for its own account. The balance sheet is managed in such a way that interest rate risks and exchange rate risks are both reduced to minimum levels.

Arbuthnot Fund Managers and Arbuthnot Commercial Finance have both achieved improved profit levels in 1996. It is particularly pleasing that the latter is now operating consistently in surplus, having only been formed in 1994.

The private and merchant banking division was further strengthened at the beginning of the year by the acquisition of the MPW Group, which specialises in pensions and investment advice; administration of Small Self-Administered Pension Schemes and Self Invested Personal Pensions; and general insurance broking for high net worth clients and owner-managed businesses. The initial profit contribution from the MPW Group exceeded expectations at the time of the acquisition.

Finances

Profit before tax for the year amounted to £9.4 million (1995: £9.2 million) and the profit before tax from continuing activities was £8.9 million. The effective rate of taxation for the year is 28.9 per cent which reflects the utilisation of tax losses brought forward in Arbuthnot Latham & Co. After dividends totalling £3.0 million, the retained profit of £3.6 million has been added to reserves. There were no other recognised gains and losses.

During the year the Group's cash resources increased by £4.4 million, of which £0.5 million represented the cash balances of businesses acquired. The increase in cash resources is stated after making payments of £1.3 million in respect of investments and acquisitions, and deferred consideration payments of £0.8 million. The acquisition of the MPW Group has been accounted for in accordance with Financial Reporting Standard 6 and Financial Reporting Standard 7, and has given rise to an addition to premiums on acquisitions written off amounting to £1.3 million. Shareholders' funds increased to £15.0 million at the year end and total assets rose from £111.3 million to £117.1 million. Bank borrowings of Secure Trust Group PLC at 31 December 1996 amounted to £5.2 million.

Directors' Report

The directors submit their annual report and the audited consolidated financial statements for the year ended 31 December 1996.

Principal Activities and Review

The principal activities of the Group are banking and financial services. This report should be read in conjunction with the Chairman's Statement and Operating and Financial Review which contain comments on the Group's performance.

Results and Dividends

The results for the year are shown on page 14. The retained profit for the year of £3.6 million has been transferred to reserves.

The directors recommend the payment of a final dividend of 14p on the ordinary shares which, together with the interim dividend of 6p paid on 8 November 1996, represents a total dividend for the year of 20p. The final dividend, if approved by members at the Annual General Meeting, will be paid on 20 May 1997 to shareholders on the register at close of business on 3 April 1997.

Acquisitions

As previously reported, on 2 January 1996, the Company acquired the entire issued share capitals of MPW Pensions & Investment Management Limited and MPW (Trustees) Limited and 51 per cent of the issued share capital of MPW Insurance Brokers Limited ("the MPW Companies"). Further details are shown in note 29 to the financial statements.

Share Capital

The Company established an Executive Share Option Scheme in 1988. In 1995 this Scheme was replaced by new Approved and Unapproved Executive Share Option Schemes.

To date options granted to 19 employees and 1 director between 12 March 1990 and 31 October 1995 at prices varying between 220p and 540p and not yet exercised cover 433,000 shares.

The Company issued 46,000 ordinary shares to satisfy options exercised during the year. On 2 January 1996 9,524 ordinary shares were issued as part consideration for the acquisition of interests in the MPW Companies. On 16 October 1996 the Company issued 11,850 ordinary shares in connection with deferred consideration for the acquisition of A & R Equity Limited.

At the Annual General Meeting shareholders will be asked to approve two Special Resolutions; the authority granted by each of them will expire at the conclusion of the Annual General Meeting in 1998.

The first continues the authority of the directors to issue shares in nominal value equal to 5% of the existing share capital for cash, otherwise than to existing shareholders pro rata to their holdings. Except as stated herein, the directors have no present intention of issuing any shares and will not issue shares which would effectively change the control of the Company without the prior approval of shareholders in General Meeting.

The second renews the authority of the directors to make market purchases of shares not exceeding 10% of the issued share capital. The directors have no present intention to purchase the Company's shares, but will keep the position under review in order to maximise the Company's resources in the best interests of the shareholders.

Substantial Shareholders

The Company was aware at 31 March 1997 of the following substantial holdings in the ordinary shares of the Company, other than those held by the two directors shown below:

Holder	Ordinary Shares	%
Mercury Asset Management Limited	1,423,200	9.5
Prudential Assurance Co. Limited	768,117	5.1

Directors

H. Angest	Chairman	S. J. Lockley
R. Paston		R. J. J. Wickham

All the directors served throughout the year.

Mr. Wickham retires under Article 109 of the Articles of Association and, being eligible, offers himself for re-election. He does not have a service agreement.

According to the register maintained under Section 325 of the Companies Act 1985, the interests of directors and their families in the ordinary 1p shares of the Company were as follows:

Beneficial Interests

	1 January 96	31 December 96	%
H. Angest	5,894,185	5,943,735	39.6
R. Paston	692,130	692,130	4.6
S. J. Lockley	3,832	3,832	—
R. J. J. Wickham	505	505	—

There have been no changes in beneficial interests between 1 January and 31 March 1997.

On 7 October 1994 Mr. Lockley was granted options to subscribe between October 1997 and October 2004 for 100,000 shares in the Company at 485 pence each. On 16 October 1995 he was granted options to subscribe between October 1998 and October 2002 for a further 100,000 shares at 540 pence each, subject to the increase in the Company's earnings per share over a three year period exceeding the change in the retail price index over the same period by at least 2% per annum. All of these options remain outstanding. During the year to 31 December 1996 the share price ranged between 493 pence and 565 pence. The middle market closing share price at 31 December 1996 was 527½ pence.

Apart from the interests disclosed above, no director was interested at any time in the year in the share capital of Group companies.

No director, either during or at the end of the financial year, was materially interested in any contract with the Company or any of its subsidiaries which was

significant in relation to the Group's business. One director has a loan from Secure Trust Bank PLC of £200,000 on normal commercial terms as disclosed in note 31 to the financial statements.

The Company maintains insurance to provide liability cover for directors and officers of the Company.

Employees

The Group gives due consideration to the employment of disabled persons and is an equal opportunities employer. It also regularly provides employees with information on matters of concern to them, consults on decisions likely to affect their interests and encourages their involvement in the performance of the Group through share participation and in other ways.

Supplier payment policy

The Group's policy is to make payment in line with terms agreed with individual suppliers.

Status

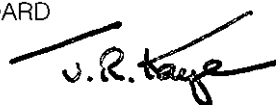
The Company is not a close company as defined in the Income and Corporation Taxes Act 1988.

Auditors

A resolution to reappoint Coopers & Lybrand 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
9 April 1997



Corporate Governance

The Board fully endorses the principles of openness, integrity and accountability advocated by the Code of Best Practice issued in 1992 by the Cadbury Committee on Financial Aspects of Corporate Governance and has at all times conducted its affairs within the spirit of the Cadbury Report. The Group contains two Authorised Institutions regulated by the Bank of England and its other significant businesses are subject to regulation by appropriate bodies. Accordingly, the Group operates to the high standards of corporate accountability appropriate for such businesses. Furthermore, the Boards of the Group's two banking subsidiaries contain a total of seven independent non-executive directors.

The directors, acting through the Audit Committee of which Mr. R. J. J. Wickham, a non-executive director, is Chairman, have examined how far the current practice of the Company conforms with the recommendations made in the Cadbury Report. This review has been undertaken in the light of a Company that is proprietorial in nature (two of the executive directors are substantial shareholders in the Company) and a strong belief by your Board that it should act as a unitary Board. Splitting the Board into subcommittees and making non-executives watchdogs over executives will not achieve enhancement of profitability or shareholder value.

As a result of operating as a unitary Board, the Company has not constituted a Nomination Committee as it believes the matters that would be dealt with by this committee are better dealt with by the Board as a whole. A list has been formally approved of matters reserved to the Board as a whole. There is an agreed procedure for directors to take independent professional advice, if necessary, at the Company's expense. Apart from the requirement under the Articles for one-third of the non-executive directors to retire at each Annual General Meeting, there are no specific terms of appointment for non-executive directors.

The Board of directors, which meets regularly, is responsible for the management of the Company's business and for overall Group strategy. Mr. H. Angest performs the roles of both Chairman and Group Chief Executive but the close involvement in all operational matters of the other executive directors, who are the Chief Executives of the two major operating divisions, ensures that there is an appropriate balance of power and authority.

The whole Board acts as the Audit Committee although on these occasions the chair is taken by Mr. Wickham. The Audit Committee meets on a minimum of two occasions a year at which the external auditors are present. The auditors have access to the Chairman of the Audit Committee at all times.

Remuneration Committee

The Remuneration Committee comprises the whole Board under the Chairmanship of Mr. H. Angest. In view of the significant proportion of share capital of the Company held by executive directors, although this is a departure from Section A of the best practice provisions annexed to the Listing Rules, it is felt to be the most appropriate structure for a business of this size. Individual directors do not vote on their own remuneration. In framing its remuneration policy, the Committee has given full consideration to Section B of the best practice provisions annexed to the Listing Rules.

The Remuneration Committee determines the remuneration of individual directors having regard to the size and nature of the business; the importance of attracting, retaining and motivating management of the appropriate calibre; remuneration data for comparable positions; the need to align the interests of executives with those of shareholders; and an appropriate balance between current remuneration and longer-term performance related rewards. The remuneration package can comprise a combination of basic annual salary and benefits (including pension), a discretionary annual bonus award related to the Committee's assessment of the contribution made by the executive during the year and executive share options, which are not capable of being exercised for at least three years after the date of grant. The rules of the share option scheme were amended in May 1995 to include an appropriate performance condition for all options granted after that date. Information in relation to share options granted to directors is set out in the Directors' Report. Pension benefits take the form of annual contributions paid by the Company to individual money purchase schemes. The executive directors' service contracts are all terminable by the Company on one year's notice. The Remuneration Committee awards salary increases each year based on the performance of the Group during the preceding financial period. Thus, the directors' remuneration levels disclosed in the 1996 Annual Report reflect increases over the previous year based on the results for 1995. In the case of each of the directors, the percentage increases in salaries were considerably less than the percentage increase in the Group's profits in 1995. Mr. S. J. Lockley was awarded an additional payment in 1996 to recognise his dual responsibilities as Group Finance Director and Chief Executive of Arbutnot Latham & Co., Limited. In view of the Group's results for 1996, the Remuneration Committee has decided that no salary increases will be awarded to directors in 1997. Details of directors' remuneration are set out in note 5 to the financial statements.

Internal Financial Control

The Board of directors has overall responsibility for the Group's system of internal financial control. Such a system can provide only reasonable and not absolute assurance against material misstatement or loss. The directors have reviewed the effectiveness of the Group's system of internal financial control during the year ended 31 December 1996. The key procedures in place are:

Control environment — the Board exercises its responsibility for internal financial control through an organisation structure with clearly defined levels of responsibility and authority and appropriate reporting procedures. Experienced and suitably qualified staff take responsibility for important business functions. Standards of performance are maintained through appraisal and disciplinary procedures.

Risk assessment — the identification of major business risks is carried out on an ongoing basis by operating management and steps are taken to mitigate or eliminate these where possible. All key risks facing the Group are formally reviewed and assessed at least once a year by the Board and this assessment is reinforced by the work of internal audit. Significant risk areas arising from the development of new activities are subject to consideration by the Board.

Information systems — there is a comprehensive budgeting system and the annual budget is approved by the Board. Monthly management accounts are prepared showing comparisons against corresponding figures for the

budget and the previous year covering financial results, balance sheets, liquidity, capital adequacy and key indicators of operating performance. The reasons for variances are analysed and commented upon and the results are discussed in detail at Board meetings.

Control procedures — financial controls and procedures are operated throughout the Group which include authorisation limits, formal credit and other risk approval procedures, segregation of incompatible duties and management review of the operation of key controls.

Monitoring systems — The Group's system of internal financial control is monitored on an ongoing basis through all of the foregoing procedures and in addition is subject to regular reviews by the external auditors (to the extent necessary to express their audit opinion), by internal audit, by regulatory inspectors and by independent accountants in compliance with the requirements of the Banking Act 1987. The main findings contained in reports on these reviews are presented to the Audit Committee.

Going Concern

The directors confirm that they are satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

The auditors' report in respect of Corporate Governance matters is set out on page 33.

Statement of Directors' Responsibilities

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit and cash flows of the Group for the year.

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.

In addition, the directors are responsible for maintaining adequate accounting records, and taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud or any other irregularities.

Consolidated Profit and Loss Account

	Notes	1996 £000	1995 £000
For the year ended 31 December 1996			
Interest receivable from loans and advances		9,822	9,730
Less: interest payable		(2,452)	(2,367)
Net interest income — continuing activities		7,370	7,363
Fees and commissions receivable:			
Continuing activities		19,052	17,548
Acquisitions		1,792	—
Less: fees and commissions payable:			
Continuing activities		(216)	(124)
Acquisitions		(187)	—
Earned insurance premiums — continuing activities		7,746	4,778
Insurance claims — continuing activities		(6,786)	(2,821)
Operating income		28,771	26,744
Administrative expenses	2	17,968	16,382
Depreciation	16	971	843
Provisions for bad and doubtful debts	12	405	332
Operating expenses	3	19,344	17,557
Profit on ordinary activities before tax	4		
Continuing activities		8,907	9,187
Acquisitions		520	—
		9,427	9,187
Tax on profit on ordinary activities	6	2,720	2,718
Profit on ordinary activities after tax	7	6,707	6,469
Minority interests	25	86	—
Profit attributable to shareholders of Secure Trust Group PLC		6,621	6,469
Dividends	8	3,001	4,180
Retained profit for the year	24	3,620	2,289
Earnings per ordinary share	9	44.2p	43.4p

The profit on ordinary activities before tax and retained profit on a historical cost basis are not different from the profit on ordinary activities before tax and retained profit for the financial years above.

The Group has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

Consolidated Balance Sheet

At 31 December 1996	Notes	1996 £000	1995 £000
Assets			
Cash and balances at central banks		337	271
Loans and advances to banks and building societies	10	55,984	54,255
Loans and advances to customers	11	49,209	44,814
Loans and advances subject to non-recourse finance arrangements	11	—	1,213
Less: non-recourse financing	11	—	(1,115)
	11	—	98
Debt securities	14	1,000	—
Tangible fixed assets	16	3,084	3,365
Other assets	17	5,853	6,294
Prepayments and accrued income		1,587	2,201
Total assets		117,054	111,298
Liabilities			
Deposits by banks	18	361	4,498
Customer accounts	19	72,914	65,572
Insurance reserves	20	12,748	12,243
Other liabilities	21	13,670	13,840
Accruals and deferred income		2,274	2,086
Provisions for liabilities and charges:			
Deferred taxation	22	—	7
Minority interests	25	40	37
		102,007	98,283
Called up share capital	23	150	149
Share premium account	24	13,075	12,868
Premiums on acquisitions written off	24	(23,643)	(21,847)
Profit and loss account	24	25,465	21,845
Equity shareholders' funds	26	15,047	13,015
Total liabilities		117,054	111,298
Memorandum items			
	35		
Contingent liabilities			
Guarantees		364	395
Other contingent liabilities		33	306
		397	701
Commitments		1,424	2,748

The financial statements on pages 14 to 32 were approved by the Board of Directors on 9 April 1997 and were signed on its behalf by:

H. Angest }
S. J. Lockley } Directors

ag-t
SS Lockley

Company Balance Sheet

At 31 December 1996	Notes	1996 £000	1995 £000
Fixed assets			
Shares in subsidiary undertakings	15	26,721	27,337
Current assets			
Debtors:			
Due from subsidiary undertakings		7,401	6,417
Prepayments		655	93
Cash at bank and in hand		218	1,218
Current taxation		259	185
		8,533	7,913
Creditors: Amounts falling due within one year			
Bank loan	21	1,304	—
Due to subsidiary undertakings		—	83
Dividend payable		2,100	3,360
Accruals		187	363
Deferred consideration		—	753
		3,591	4,559
Net current assets		4,942	3,354
Total assets less current liabilities		31,663	30,691
Creditors: Amounts falling due after more than one year			
Bank loan	21	3,861	3,950
Net assets		27,802	26,741
Capital and reserves			
Called up share capital	23	150	149
Share premium account	24	13,075	12,868
Profit and loss account	24	14,577	13,724
Equity shareholders' funds		27,802	26,741

The financial statements on pages 14 to 32 were approved by the Board of Directors on 9 April 1997 and were signed on its behalf by:

H. Angest
S. J. Lockley } Directors

ag-t
S J Lockley

Consolidated Cash Flow Statement

	Notes	1996 £000	1995 £000
For the year ended 31 December 1996			
Net cash inflow/(outflow) from operating activities	28(i)	12,991	(4,145)
Returns on investments and servicing of finance			
Dividends paid to minority shareholders of subsidiary undertaking		(83)	—
Taxation		(3,032)	(2,047)
Capital expenditure and financial investment	28(ii)	(1,661)	10,829
		8,215	4,637
Acquisitions and disposals	28(iii)	(813)	(3,202)
Equity dividends paid		(4,261)	(2,532)
		3,141	(1,097)
Financing	28(iv)	1,308	3,984
Increase in cash	28(v)	4,449	2,877

Accounting Policies

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 except as shown in note 1, is set out below.

(a) Basis of accounting

The consolidated financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to banking groups and in accordance with the historical cost convention. The financial statements of the Company have been prepared in accordance with Section 226 of, and Schedule 4 to, the Companies Act 1985.

The Company has taken advantage of Section 230(3) of the Companies Act 1985 and has not published a separate profit and loss account.

(b) Basis of consolidation

The financial statements include the results of the Company and its subsidiaries for the year ended 31 December 1996 or from the date at which control passes.

(c) Fees and commissions receivable

Fees and commissions receivable represent the value of management fees, banking fees and commissions and agency commissions for services supplied to customers exclusive of value added tax.

(d) Insurance premiums and claims

Earned insurance premiums represent premiums written during the year less the proportion relating to the unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis. Claims incurred comprise claims paid in the year and changes in provisions for outstanding claims, including an estimate for claims incurred but not yet reported.

(e) Depreciation

Depreciation is charged on a straight line basis, from the month of purchase, to write down the cost of tangible fixed assets over their estimated useful lives, applying the following annual rates:

Freehold buildings	—	2%
Office equipment	—	5% to 15%
Computer equipment	—	20% to 33%
Motor vehicles	—	25%

(f) Deferred taxation

Deferred taxation is provided, at the current rate of corporation tax, to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

(g) Premiums on acquisitions

Premiums arising on acquisitions, which represent the difference between the fair value of consideration given and the fair value of the separable net assets acquired, are dealt with as a negative reserve in the consolidated balance sheet.

(h) Pensions

The Group's pension scheme arrangements were changed during the year as described in note 36.

The Group now contributes to a defined contribution scheme and to individual defined contribution schemes for the benefit of certain employees. Contributions are charged against profits, at the contribution rates agreed with individual employees, in the year in which they are made. There are no post-retirement benefits other than pensions.

(i) Operating leases

Operating lease rentals are charged to the profit and loss account as incurred.

(j) Provision for bad and doubtful debts

Specific provisions are made against advances which are recognised to be bad or doubtful. In addition, general provisions are maintained to cover bad and doubtful debts which may be present at the year end in the portfolio of advances but which have not been specifically identified. Interest of doubtful collectability is excluded from the profit and loss account and credited to a suspense account.

(k) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at exchange rates ruling at the balance sheet date. Foreign currency transactions during the year are translated at exchange rates ruling at the date of the transaction. Translation differences are dealt with in the profit and loss account.

Notes to the Financial Statements

1 Changes in presentation of financial information

Financial Reporting Standard No. 5

In presenting the 1995 balance sheet the directors took advantage of the amendment to FRS 5 "Reporting the substance of transactions: Insurance broking transactions and financial reinsurance" which deferred the implementation of the offset requirements of FRS 5, to the extent that they related to insurance transactions. The 1996 balance sheet presentation now complies with these requirements and the 1995 comparatives have been restated accordingly. The impact is to gross up Other assets and Insurance reserves by £2,437,000 for 1996 (1995: £2,498,000).

Financial Reporting Standard No. 1

FRS 1 "Cash flow statements" has been revised in 1996 to change the format for reporting cash flows. The revised standard comes into effect for accounting periods ending on or after 23 March 1997. Early adoption of the revised FRS is encouraged and the directors have decided to present the cash flow statement under the new format.

2 Administrative expenses

	1996 £000	1995 £000
Staff costs, including directors		
Wages and salaries	7,286	6,579
Social security costs	672	555
Other pension costs (note 36)	373	356
Other administrative expenses	9,637	8,892
	17,968	16,382

3 Operating expenses

	Continuing Activities £000	1996 Acquisitions £000	Total £000	1995 Total £000
Administrative expenses	16,894	1,074	17,968	16,382
Depreciation	960	11	971	843
Provisions for bad and doubtful debts	405	—	405	332
	18,259	1,085	19,344	17,557

4 Profit on ordinary activities before tax

	1996 £000	1995 £000
is stated after:		
Income		
Profit on disposals of tangible fixed assets	10	52
Rent from sub-letting of premises	34	28
Charges		
Equipment rentals	52	70
Other operating lease rentals	620	519

The auditors' remuneration was **£141,000** (1995: £122,000) of which **£3,000** (1995: £3,000) related to the Company.

Remuneration of the auditors for the provision of non-audit services to the Group was **£93,000** (1995: £206,000). This comprises taxation compliance and advisory fees of **£45,000** (1995: £44,000), other regulatory services required under the Banking Act 1987 and by other Regulatory bodies of **£31,000** (1995: £32,000) and other services of **£17,000** (1995: £130,000).

Notes to the Financial Statements

5 Emoluments of directors

						1996	1995
						£000	£000
Fees						17	28
Salary payments (including benefits in kind)						683	555
Pension contributions						52	79
						752	662

	Salary	Bonus	Benefits	Pension	Fees	Total	Total
	£000	£000	£000	contributions	£000	1996	1995
				£000		£000	£000
Executive							
H. Angest	155	—	47	27	—	229	213
R. Paston	205	—	21	—	—	226	226
S. J. Lockley	140	100	15	25	—	280	195
Non-executive							
R. J. J. Wickham					17	17	16
T. A. O'Malley					—	—	12
	<u>500</u>	<u>100</u>	<u>83</u>	<u>52</u>	<u>17</u>	752	662

The emoluments of the Chairman were **£229,000** (1995: £213,000) including pension contributions of **£27,000** (1995: £25,000). The emoluments of the highest paid director were **£280,000** (1995: £226,000) including pension contributions of **£25,000** (1995: £30,000).

The following table shows the number of directors of Secure Trust Group PLC receiving emoluments, excluding pension contributions, within the bands stated. Details of directors' share options are set out in the Directors' Report on page 11.

Emoluments	1996	1995
£ 10,001 — £ 15,000	—	1
£ 15,001 — £ 20,000	1	1
£170,001 — £175,000	—	1
£185,001 — £190,000	—	1
£195,001 — £200,000	—	1
£200,001 — £205,000	1	—
£225,001 — £230,000	1	—
£250,001 — £255,000	1	—

Mr. R. J. J. Wickham is a director of Broughfame Limited which received an annual fee of **£17,000** (1995: £16,000) in respect of his services to the Group, which is included in the above figures.

6 Tax on profit on ordinary activities

	1996	1995
	£000	£000
United Kingdom corporation tax at 33%		
Current	2,935	2,730
Deferred	(7)	(17)
	2,928	2,713
(Over)/under provided in previous years		
Current	(208)	5
	2,720	2,718

The tax charge for the year has been reduced by approximately £250,000 in respect of losses brought forward in a subsidiary company.

7 Profit dealt with in the accounts of Secure Trust Group PLC

£3,854,000 (1995: £5,832,000) of the profit attributable to ordinary shareholders has been dealt with in the accounts of Secure Trust Group PLC.

8 Dividends

	1996	1995	1996	1995
	pence per share	pence per share	£000	£000
Interim (paid)	6.0	5.5	901	820
Final (proposed)	14.0	12.5	2,100	1,867
Special (proposed)	—	10.0	—	1,493
	20.0	28.0	3,001	4,180

9 Earnings per ordinary share

Earnings per ordinary share are calculated on the net basis by dividing the profit attributable to shareholders of **£6,621,000** (1995: £6,469,000) by the weighted average number of ordinary shares **14,967,043** (1995: 14,906,050) in issue during the year.

10 Loans and advances to banks and building societies

	1996	1995
	Group	Group
	£000	£000
Repayable on demand	11,890	7,399
Remaining maturity:		
5 years or less but over 1 year	4,850	5,995
1 year or less but over 3 months	5,750	6,388
3 months or less	33,494	34,473
	55,984	54,255

Notes to the Financial Statements

11 Loans and advances to customers

	1996 Group £000	1995 Group £000
Remaining maturity:		
Over 5 years	2,420	4,697
5 years or less but over 1 year	13,196	8,312
1 year or less but over 3 months	11,386	9,340
3 months or less	27,206	32,422
	54,208	54,771
Non-recourse financing	—	(1,115)
General and specific bad and doubtful debt provisions (note 12)	(4,577)	(7,805)
Suspended interest (note 13)	(422)	(939)
	49,209	44,912
Of which		
Loans and advances subject to non-recourse finance arrangements	—	98
Other loans and advances	49,209	44,814
Of which repayable on demand or at short notice	12,083	14,614

At 31 December 1995 a subsidiary company had loans with a gross value of £1.2 million assigned to its former parent company. During the year these were repurchased at a discount of £418,000. This has been credited to specific provisions for bad and doubtful debts as shown in note 12.

12 Provisions for bad and doubtful debts

	Specific £000	1996 General £000	Total £000	Specific £000	1995 General £000	Total £000
Group:						
At 1 January	6,877	928	7,805	7,756	828	8,584
Charge against profits	228	177	405	232	100	332
Other (note 11)	418	—	418	—	—	—
Amounts written off	(4,110)	—	(4,110)	(1,279)	—	(1,279)
Recoveries	59	—	59	168	—	168
At 31 December	3,472	1,105	4,577	6,877	928	7,805

13 Interest in suspense

	1996 Group £000	1995 Group £000
At 1 January	939	788
Net interest suspended	519	388
Interest written off	(1,036)	(237)
At 31 December	422	939

14 Debt securities

Debt securities represent certificates of deposit, with maturity dates less than 6 months but greater than 3 months. These instruments are held in the balance sheet at their net book values which equate to market value.

15 Shares in subsidiary undertakings

	Shares at cost £000	Provisions £000	Net £000
Secure Trust Group PLC			
At 1 January 1996	27,337	—	27,337
Acquisitions	2,676	—	2,676
Profit and loss account	—	(3,292)	(3,292)
At 31 December 1996	30,013	(3,292)	26,721
		1996	1995
		£000	£000
Subsidiary undertakings			
Banks		21,168	21,168
Other		5,553	6,169
Total unlisted		26,721	27,337

The principal subsidiary undertakings of Secure Trust Group PLC at 31 December 1996 were:

Name	Interest %	Principal activity
Secure Trust Bank PLC	100	Household cash management
and its wholly owned subsidiaries		and banking
Auto and General Insurance Consultants Limited		Motor and general insurance
Heathfield Finance Limited		Personal loans
Secure Homes Services Limited		General retailing
Secure Travel Limited		Travel operator
OBC Insurance Consultants Limited	100	Motor and general insurance
West Yorkshire Insurance Company Limited	100	Insurance underwriting
Arbuthnot Latham & Co., Limited	100	Banking
Arbuthnot Fund Managers Limited	100	Fund management
Arbuthnot Commercial Finance Limited	90	Factoring
MPW Insurance Brokers Limited	51	Insurance broking
MPW Pensions & Investment Management Limited	100	Life assurance and pensions
MPW (Trustees) Limited	100	Trustees and pensions consultants

- (i) All the above subsidiary undertakings are incorporated in Great Britain and have their respective registered offices in England and Wales and operate within the United Kingdom.
- (ii) All the above subsidiary undertakings are included in the consolidated accounts and have an accounting reference date of 31 December.
- (iii) All the above interests relate wholly to ordinary shares.
- (iv) During the year the Company subscribed for additional share capital in West Yorkshire Insurance Company Limited at a cost of £1.2 million and made provision to reduce the net book value of its resulting investment to an amount equal to West Yorkshire Insurance Company Limited's net assets.
- (v) On 2 January 1996 the Company acquired the whole of the issued share capitals of MPW Pensions & Investment Management Limited and MPW (Trustees) Limited and 51% of the issued share capital of MPW Insurance Brokers Limited.
- (vi) On 16 October 1996 the company issued a further 11,850 ordinary shares in connection with the acquisition, in 1994, of A & R Equity Limited.

Notes to the Financial Statements

16 Tangible fixed assets

	Freehold land and buildings £000	Computer and other equipment £000	Motor Vehicles £000	Total £000
Group:				
Cost				
At 1 January 1996	916	4,599	1,142	6,657
Acquisition of subsidiary undertaking	—	93	—	93
Additions	—	481	332	813
Disposals	(5)	(241)	(283)	(529)
At 31 December 1996	911	4,932	1,191	7,034
Accumulated depreciation				
At 1 January 1996	69	2,843	380	3,292
Acquisition of subsidiary undertaking	—	64	—	64
Disposals	—	(227)	(150)	(377)
Charge for year	24	670	277	971
At 31 December 1996	93	3,350	507	3,950
Net book value at 31 December 1996	818	1,582	684	3,084
Net book value at 31 December 1995	847	1,756	762	3,365

All freehold land and buildings are occupied by and used by Group companies.

17 Other assets

	1996 Group £000	1995 Group £000
Amounts falling due within one year:		
Trade debtors	2,891	2,956
Reinsurers' share of claims outstanding	2,437	2,498
Amounts falling due after one year:		
ACT recoverable	525	840
	5,853	6,294

18 Deposits by banks

	1996 Group £000	1995 Group £000
With agreed periods of notice:		
1 year or less but over 3 months	—	2,311
3 months or less but not repayable on demand	—	1,821
Repayable on demand	361	366
	361	4,498

Included in the above are deposits with a value of £0.3m (1995: £0.6m), which support the guarantee given to a subsidiary undertaking for loans made.

19 Customer accounts

	1996 Group £000	1995 Group £000
With agreed periods of notice:		
Over 5 years	1,683	1,799
1 year or less but over 3 months	23,873	23,256
3 months or less but not repayable on demand	23,608	22,154
Repayable on demand	23,750	18,363
	72,914	65,572

20 Insurance reserves

	1996 Group £000	1995 Group £000
Claims outstanding	11,899	9,578
Unearned premium reserve	849	2,665
	12,748	12,243

21 Other liabilities

	1996 Group £000	1995 Group £000
Amounts falling due within one year:		
Bank overdraft	400	292
Bank loan (Group and Company)	1,304	—
Trade creditors	4,196	2,334
Dividends payable	2,100	3,360
Corporation tax	1,809	3,003
Deferred consideration	—	753
Other creditors	—	148
	9,809	9,890
Amounts falling due after one year:		
Bank loan (Group and Company)	3,861	3,950
	13,670	13,840

The loan is secured by a charge on the share capital of Secure Trust Bank PLC and of West Yorkshire Insurance Company Limited and is repayable as follows:

	1996	1995
Within one year	1,304	—
Between one and two years	2,607	1,000
Between two and five years	1,254	2,950
	5,165	3,950

Notes to the Financial Statements

22 Deferred taxation

	1996 Group £000
At 1 January 1996	7
Arising during the year	(7)
At 31 December 1996	—

23 Called up share capital

	£000
Authorised (at 31 December 1995 and 1996): 418,439,000 ordinary shares of 1p each	4,184
Allotted, called up and fully paid	
At 1 January 1996: 14,928,830 ordinary shares of 1p each	149
At 31 December 1996: 14,996,204 ordinary shares of 1p each	150

On 2 January 1996 9,524 shares were issued, credited as fully paid up, for a premium of £50,000 in connection with the acquisition of the issued share capital of the MPW Group (see note 29).

On 16 October 1996 11,850 further shares were issued, credited as fully paid up, for a premium of £65,000 in connection with further consideration payable on the acquisition of the issued share capital of A & R Equity Limited in 1994.

Additionally, during the year 46,000 ordinary shares were issued for cash under the Executive Share Option Scheme for a total premium of £92,000.

At 31 December 1996, options to subscribe for 433,000 ordinary shares were outstanding exercisable by employees between 1997 and 2005 at prices between 220p and 540p.

24 Reserves

	Group £000	Company £000
Share premium account		
At 1 January 1996	12,868	12,868
Arising in the year (note 23)	207	207
At 31 December 1996	13,075	13,075
Premiums on acquisitions written off		
At 1 January 1996	(21,847)	
Arising in the year (note 29)	(1,796)	
At 31 December 1996	(23,643)	
Profit and loss account		
At 1 January 1996	21,845	13,724
Retained profit for the year	3,620	853
At 31 December 1996	25,465	14,577

25 Minority interests

	1996 Group £000	1995 Group £000
At 1 January	37	40
Profit and loss account	86	—
Dividends paid	(83)	—
Less: share of loss after tax included in other liabilities	—	(3)
At 31 December	40	37

26 Reconciliation of movements in equity shareholders' funds

	1996 Group £000	1995 Group £000
Profit for the financial year	6,621	6,469
Dividends	(3,001)	(4,180)
	3,620	2,289
New share capital issued	208	122
Premiums on acquisitions arising	(1,796)	(1,749)
Opening equity shareholders' funds	13,015	12,353
Closing equity shareholders' funds	15,047	13,015

27 Assets and liabilities denominated in foreign currencies

	1996 Group £000	1995 Group £000
Assets denominated in sterling	105,818	101,073
Assets denominated in currencies other than sterling	11,236	10,225
Total assets	117,054	111,298
Liabilities denominated in sterling	105,837	101,058
Liabilities denominated in currencies other than sterling	11,217	10,240
Total liabilities	117,054	111,298

Notes to the Financial Statements

28 Consolidated cash flow statement

	1996 £000	1995 £000	
(i) Reconciliation of operating profit to net cash inflow/(outflow) from operations			
Operating profits	9,427	9,187	
Decrease in accrued income and prepayments	614	(1,108)	
Decrease in accruals and deferred income	(102)	195	
Provisions for bad and doubtful debts	405	332	
Depreciation and amortisation	971	791	
Decrease in insurance reserves	(482)	665	
Net cash flow from trading activities	10,833	10,062	
Net increase in loans and advances to banks and customers	(1,940)	(13,366)	
Net increase in deposits by banks and customer accounts	3,205	3,401	
Net decrease in other assets	1,286	(1,554)	
Net decrease in other liabilities	(393)	(2,688)	
	2,158	(14,207)	
Net cash inflow/(outflow) from operating activities	12,991	(4,145)	
(ii) Capital expenditure and financial investment			
Purchase of debt securities	(1,000)	—	
Sale of debt securities	—	12,002	
Purchase of tangible fixed assets	(813)	(1,351)	
Sale of tangible fixed assets	152	178	
	(1,661)	10,829	
(iii) Acquisitions and disposals			
Investment in subsidiary undertakings	(1,319)	(3,972)	
Cash acquired	506	770	
	813	(3,202)	
(iv) Financing			
Issue of ordinary share capital for cash	93	34	
Bank loan	1,215	3,950	
	1,308	3,984	
(v) Analysis of the balances of cash as shown in the balance sheet			
	1995 £000	Cash flow £000	1996 £000
Cash and balances at central banks	271	66	337
Bank overdrafts	(292)	(108)	(400)
Loans and advances to other banks repayable on demand	7,399	4,491	11,890
	7,378	4,449	11,827

The Group is required to maintain balances with the Bank of England which, at 31 December 1996, amounted to £155,000 (1995: £40,000).

28 Consolidated cash flow statement (continued)

	Share capital (including premium) £000	Loans £000
(vi) Analysis of changes in financing during the year		
At 1 January 1996	13,017	3,950
Cash inflow from financing	93	1,215
Shares issued fully paid up	115	—
At 31 December 1996	13,225	5,165

29 Summary of the effect of acquisitions

	Book value and Fair value at date of acquisition £000
(i) MPW Group	
Tangible fixed assets	29
Liquid and short-term assets	1,666
Total assets	1,695
Total liabilities	1,677
Net assets	18
Premium on acquisition written off	1,351
Total consideration	1,369

The MPW Group comprises MPW Pensions & Investment Management Limited, MPW (Trustees) Limited and 51% of MPW Insurance Brokers Limited. The effective date of the acquisition, which has been accounted for using the acquisition method, was 2 January 1996. The consideration was satisfied by the issue of 9,524 shares of 1p each having a value of 525p each and cash amounting to £1,165,000. Further consideration will be paid dependent on future profitability. Total consideration for 100 per cent ownership by the Company is capped at £3 million. Future consideration may be settled at the Company's option by cash or by issue of shares. Expenses amounted to £154,000. For the year to 31 December 1996 the MPW Group's operating profit was £520,000 and its profit after taxation was £332,000. It contributed £318,000 to the Group's net operating cash flows. It utilised £54,000 for investing activities.

For the year ended 31 December 1995 its audited profit after taxation was £323,000. No other gains or losses were recognised during this period.

(ii) Analysis of net cash outflow in respect of the purchase of the MPW Group

	£000
Cash consideration	(1,319)
Cash acquired	506
Net outflow	(813)

(iii) A & R Equity Limited

On 16 October 1996 11,850 ordinary shares were issued, credited as fully paid, to satisfy further consideration payable, resulting in an additional premium on acquisition written off amounting to £65,000.

(iv) West Yorkshire Insurance Company Limited

In accordance with FRS 7 additional liabilities have been identified during the year in respect of insurance claims outstanding at the date of acquisition which are the subject of ongoing litigation. Further fair value adjustments have therefore been made to reflect these liabilities and related taxation, giving rise to an increase in premiums on acquisitions written off of £380,000.

Notes to the Financial Statements

30 Segmental information

	Personal financial services		Private and merchant banking		Group total	
	1996	1995	1996	1995	1996	1995
	£000	£000	£000	£000	£000	£000
Segment profit before taxation	7,994	8,274	1,433	913	9,427	9,187
Segment Net Assets	28,998	26,733	9,692	8,129	38,690	34,862
Premiums on acquisitions written off					(23,643)	(21,847)
Total Net Assets					15,047	13,015
Segment Total Assets	48,301	50,175	68,753	61,123	117,054	111,298

All trading activities are carried out in the United Kingdom.

The directors consider it appropriate to divide the Group's business into two business segments, personal financial services and private and merchant banking.

31 Directors' and officers' loans

The aggregate amount outstanding at 31 December 1996 under transactions, arrangements and agreements, on normal commercial terms, made by authorised institutions within the Group with those who were directors (including connected persons) or officers of Secure Trust Group PLC during the year, and the number of persons concerned, were as follows:

	Aggregate amount outstanding	Number of persons
Director's loan	£200,000	1

32 Capital commitments

	1996	1995
	£000	£000
Capital commitments for the Group (Company £Nil), which have been contracted for but for which no provision has been made in the financial statements	108	101

33 Average number of employees

The average number of persons employed by the Group during the year was made up as follows:

	1996	1995
Personal financial services	346	366
Private and merchant banking	94	62
	440	428

34 Operating lease commitments

	1996		1995	
	Land and buildings £000	Computer and other equipment £000	Land and buildings £000	Computer and other equipment £000
At the year end, annual commitments under non-cancellable operating leases were:				
Group				
Expiring				
— within one year	93	60	45	8
— between one and five years	294	15	233	71
— in five years or more	219	—	227	—
	606	75	505	79
Company				
Expiring				
— between one and five years	20	—	20	—

35 Memorandum items, foreign exchange and interest rate contracts

The tables below give the nominal principal amounts and risk weighted amounts of off-balance sheet transactions. The nominal principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts of risk. The risk weighted amounts have been calculated in accordance with the Bank of England's guidelines implementing the Basle agreement on capital adequacy. Exchange rate and interest rate contracts are entered into on behalf of customers or for hedging purposes.

	1996		1995	
	Contract amount £000	Risk weighted amount £000	Contract amount £000	Risk weighted amount £000
Contingent liabilities				
Guarantees	364	244	395	76
Other contingent liabilities	33	7	306	67
	397	251	701	143
Commitments				
Documentary letters of credit	94	19	602	120
Credit lines and other commitments to lend less than one year	1,330	—	2,146	—
	1,424	19	2,748	120
Exchange rate contracts	—	—	218	—
Interest rate contracts	—	—	500	1

Notes to the Financial Statements

36 Pension commitments

Prior to 1 October 1996 the Group contributed to individual defined contribution schemes for certain employees and to a defined benefit scheme. The latter scheme, whose assets were held independently in a separate trustee administered fund, was converted into a defined contribution scheme on 1 October 1996.

During the conversion of the scheme, the Group was advised by independent actuaries. The actuaries determined that, after securing the benefits of both pensioners and deferred pensioners in accordance with their wishes, on conversion, the fund had sufficient assets to meet its obligations to current members of the scheme. All current employees who were members transferred to the new scheme. In addition, certain members of the other defined contribution schemes have subsequently transferred to the new scheme. The assets of this scheme are held in a separate trustee administered fund.

As a result of the conversion of the defined benefit scheme, the remaining provision of £60,000 resulting from the contribution holiday from 1 October 1990 to 30 November 1991 was eliminated by credit to the profit and loss account.

The total pension cost is shown in note 2.

Report of the Auditors

To the members of Secure Trust Group PLC

We have audited the financial statements on pages 14 to 32.

Respective responsibilities of directors and auditors

As described on page 13, the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

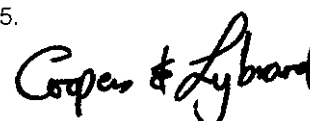
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 affairs of the Company and the Group at 31 December 1996 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

COOPERS & LYBRAND



Chartered Accountants and Registered Auditors
Birmingham
9 April 1997

Report by the Auditors to Secure Trust Group PLC on Corporate Governance Matters

In addition to our audit of the financial statements, we have reviewed the directors' statement on pages 12 and 13 on the Company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v).

Basis of opinion

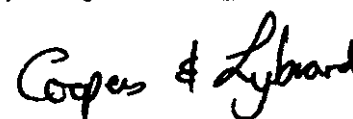
We carried out our review in accordance with guidance issued by the Auditing Practices Board. The guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or its corporate governance procedures, nor on the ability of the Group or Company to continue in operational existence.

Opinion

With respect to the directors' statements on internal financial control on page 13 and going concern on page 13, in our opinion the directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the Company, and examination of relevant documents, in our opinion the directors' statement on page 13 appropriately reflects the Company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

COOPERS & LYBRAND



Chartered Accountants
Birmingham
9 April 1997

Notice of Meeting

NOTICE IS HEREBY GIVEN that the eleventh Annual General Meeting of the Company will be held at Temple Court, 35 Bull Street, Birmingham B4 6JT, on Wednesday, 14 May 1997 at 12.30 pm for the following purposes:

1. To receive and adopt the Directors' Report and the Financial Statements for the year ended 31 December 1996.
2. To declare a dividend on the ordinary shares which the directors recommend should be 14p per ordinary share.
3. To elect Mr. R. J. J. Wickham as a director.
4. To reappoint Coopers & Lybrand as Auditors and to authorise the directors to fix their remuneration.

Special Business

To consider and, if thought fit, to approve the passing of the following Resolutions which will be proposed as Special Resolutions:

5. That the directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (as defined in Subsection (2) of Section 94 of the Companies Act 1985) as if Subsection (1) of Section 89 of the Companies Act did not apply to any such allotment PROVIDED THAT such power shall be limited:
 - (i) to the allotment of equity securities in connection with any rights issue in favour of or general offer to holders of ordinary shares in the capital of the Company where the equity securities respectively attributable to the interests of all the shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with problems in connection with fractional entitlements, record dates, overseas shareholders or otherwise; and
 - (ii) to the allotment (otherwise than pursuant to subparagraph (i) above) of equity securities up to an aggregate nominal value of £7,490and shall expire at the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry.
6. That the Company be and is hereby generally and unconditionally authorised, pursuant to section 166 of the Companies Act 1985 and Article 50(b) of the Articles of Association, to make market purchases (as defined in Section 163 of the Companies Act 1985) of its own ordinary shares on The London Stock Exchange on such terms and in such manner as the directors shall determine, provided that the general authority conferred by this resolution shall:
 - (i) be limited to a maximum of 1,499,600 ordinary shares of 1p each;
 - (ii) not permit payment of a price per ordinary share more than 105% of the average of the middle market quotations for such shares derived from the London Stock Exchange Daily Official List for the ten business days immediately preceding the date on which the shares are contracted to be purchased or less than 1p, exclusive of expenses;
 - (iii) expire on the conclusion of the next Annual General Meeting of the Company save that the Company may before such expiry contract to purchase its own shares on terms which will or may provide for completion to take place in whole or in part after such expiry.

23-27 Heathfield Road
Kings Heath
Birmingham B14 7BY
18 April 1997



BY ORDER OF THE BOARD
J. R. Kaye
Secretary

Notes:

1. A member entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.
2. There are no service contracts of directors other than ones which may be terminated on 12 months' notice at any time. Copies of these service agreements will be available for inspection at the registered office during usual business hours on any weekday (Saturdays and public holidays excepted) from the date of this Notice until the date of the meeting and at the place of meeting for 15 minutes prior to and during the meeting.

Form of Proxy

For use at the Annual General Meeting 1997

SECURE TRUST GROUP PLC

I/We (Block capitals, please)
a member/members of the above-named Company, hereby appoint the chairman of the meeting
.....
as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at
12.30pm on Wednesday, 14 May 1997 and at any adjournment thereof.

Dated Signature

Please indicate with an X in the spaces below how you wish your vote to be cast.

- 1 To receive the Directors' Report and Financial Statements.
- 2 To declare a dividend.
- 3 To elect Mr Wickham* as a director.
- 4 To reappoint Coopers & Lybrand as auditors and to authorise the directors to fix their remuneration.
- 5 Special Resolution to give the directors authority to issue equity securities for cash.
- 6 Special Resolution to give the directors authority to purchase shares.

For	Against

* Member of the Audit and Remuneration Committees

Notes:

- 1 A member may appoint a proxy of his own choice. If such an appointment is made, delete the words 'the chairman of the meeting' and insert the full name of the person appointed proxy in the space provided (any alterations to this form must be initialled). A proxy need not be a member of the Company but must attend the meeting to represent you.
- 2 If the appointor is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.
- 3 In the case of joint holders, the signature of any one holder will be sufficient, but the names of all the joint holders should be stated. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes by the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
- 4 If this form is returned without any indication as to how the person appointed proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting.
- 5 To be valid, this form must be completed and deposited at the office of the Registrars, Independent Registrars Group Limited, Balfour House, 390-398 High Road, Ilford, Essex, IG1 1BR not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.
- 6 Completion of this form of proxy will not preclude the member from attending and voting at the meeting in person.

Second fold

BUSINESS REPLY SERVICE
Licence No. IY592

2



**INDEPENDENT REGISTRARS GROUP LIMITED
BALFOUR HOUSE
390-398 HIGH ROAD
ILFORD
ESSEX
IG1 1BR**

First fold

Third fold
and tuck in flap opposite

Second fold

BUSINESS REPLY SERVICE
Licence No. IY592

2



**INDEPENDENT REGISTRARS GROUP LIMITED
BALFOUR HOUSE
390-398 HIGH ROAD
ILFORD
ESSEX
IG1 1BR**

First fold

Third fold
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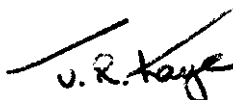
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 - (i) to the allotment of equity securities in connection with any rights issue in favour of or general offer to holders of ordinary shares in the capital of the Company where the equity securities respectively attributable to the interests of all the shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with problems in connection with fractional entitlements, record dates, overseas shareholders or otherwise; and
 - (ii) to the allotment (otherwise than pursuant to subparagraph (i) above) of equity securities up to an aggregate nominal value of £7,490and shall expire at the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry.
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 - (ii) not permit payment of a price per ordinary share more than 105% of the average of the middle market quotations for such shares derived from the London Stock Exchange Daily Official List for the ten business days immediately preceding the date on which the shares are contracted to be purchased or less than 1p, exclusive of expenses;
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23-27 Heathfield Road
Kings Heath
Birmingham B14 7BY
18 April 1997



BY ORDER OF THE BOARD
J. R. Kaye
Secretary

Notes:

1. A member entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.
2. There are no service contracts of directors other than ones which may be terminated on 12 months' notice at any time. Copies of these service agreements will be available for inspection at the registered office during usual business hours on any weekday (Saturdays and public holidays excepted) from the date of this Notice until the date of the meeting and at the place of meeting for 15 minutes prior to and during the meeting.

Report of the Auditors

To the members of Secure Trust Group PLC

We have audited the financial statements on pages 14 to 32.

Respective responsibilities of directors and auditors

As described on page 13, the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

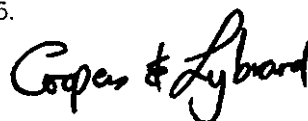
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 affairs of the Company and the Group at 31 December 1996 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

COOPERS & LYBRAND



Chartered Accountants and Registered Auditors
Birmingham
9 April 1997

Report by the Auditors to Secure Trust Group PLC on Corporate Governance Matters

In addition to our audit of the financial statements, we have reviewed the directors' statement on pages 12 and 13 on the Company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v).

Basis of opinion

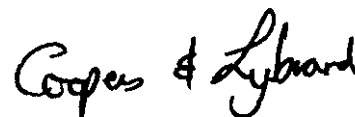
We carried out our review in accordance with guidance issued by the Auditing Practices Board. The guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or its corporate governance procedures, nor on the ability of the Group or Company to continue in operational existence.

Opinion

With respect to the directors' statements on internal financial control on page 13 and going concern on page 13, in our opinion the directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the Company, and examination of relevant documents, in our opinion the directors' statement on page 13 appropriately reflects the Company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

COOPERS & LYBRAND



Chartered Accountants
Birmingham
9 April 1997

Notes to the Financial Statements

36 Pension commitments

Prior to 1 October 1996 the Group contributed to individual defined contribution schemes for certain employees and to a defined benefit scheme. The latter scheme, whose assets were held independently in a separate trustee administered fund, was converted into a defined contribution scheme on 1 October 1996.

During the conversion of the scheme, the Group was advised by independent actuaries. The actuaries determined that, after securing the benefits of both pensioners and deferred pensioners in accordance with their wishes, on conversion, the fund had sufficient assets to meet its obligations to current members of the scheme. All current employees who were members transferred to the new scheme. In addition, certain members of the other defined contribution schemes have subsequently transferred to the new scheme. The assets of this scheme are held in a separate trustee administered fund.

As a result of the conversion of the defined benefit scheme, the remaining provision of £60,000 resulting from the contribution holiday from 1 October 1990 to 30 November 1991 was eliminated by credit to the profit and loss account.

The total pension cost is shown in note 2.

34 Operating lease commitments

	1996		1995	
	Land and buildings £000	Computer and other equipment £000	Land and buildings £000	Computer and other equipment £000
At the year end, annual commitments under non-cancellable operating leases were:				
Group				
Expiring				
— within one year	93	60	45	8
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— in five years or more	219	—	227	—
	606	75	505	79
Company				
Expiring				
— between one and five years	20	—	20	—

35 Memorandum items, foreign exchange and interest rate contracts

The tables below give the nominal principal amounts and risk weighted amounts of off-balance sheet transactions. The nominal principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts of risk. The risk weighted amounts have been calculated in accordance with the Bank of England's guidelines implementing the Basle agreement on capital adequacy. Exchange rate and interest rate contracts are entered into on behalf of customers or for hedging purposes.

	1996		1995	
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Commitments				
Documentary letters of credit	94	19	602	120
Credit lines and other commitments to lend less than one year	1,330	—	2,146	—
	1,424	19	2,748	120
Exchange rate contracts	—	—	218	—
Interest rate contracts	—	—	500	1

Notes to the Financial Statements

30 Segmental information

	Personal financial services		Private and merchant banking		Group total	
	1996	1995	1996	1995	1996	1995
	£000	£000	£000	£000	£000	£000
Segment profit before taxation	7,994	8,274	1,433	913	9,427	9,187
Segment Net Assets	28,998	26,733	9,692	8,129	38,690	34,862
Premiums on acquisitions written off					(23,643)	(21,847)
Total Net Assets					15,047	13,015
Segment Total Assets	48,301	50,175	68,753	61,123	117,054	111,298

All trading activities are carried out in the United Kingdom.

The directors consider it appropriate to divide the Group's business into two business segments, personal financial services and private and merchant banking.

31 Directors' and officers' loans

The aggregate amount outstanding at 31 December 1996 under transactions, arrangements and agreements, on normal commercial terms, made by authorised institutions within the Group with those who were directors (including connected persons) or officers of Secure Trust Group PLC during the year, and the number of persons concerned, were as follows:

	Aggregate amount outstanding	Number of persons
Director's loan	<u>£200,000</u>	<u>1</u>

32 Capital commitments

Capital commitments for the Group (Company £Nil), which have been contracted for but for which no provision has been made in the financial statements

1996	1995
£000	£000
108	101

33 Average number of employees

The average number of persons employed by the Group during the year was made up as follows:

	1996	1995
Personal financial services	346	366
Private and merchant banking	94	62
	440	428

28 Consolidated cash flow statement (continued)

	Share capital (including premium) £000	Loans £000
(vi) Analysis of changes in financing during the year		
At 1 January 1996	13,017	3,950
Cash inflow from financing	93	1,215
Shares issued fully paid up	115	—
At 31 December 1996	13,225	5,165

29 Summary of the effect of acquisitions

	Book value and Fair value at date of acquisition £000
(i) MPW Group	
Tangible fixed assets	29
Liquid and short-term assets	1,666
Total assets	1,695
Total liabilities	1,677
Net assets	18
Premium on acquisition written off	1,351
Total consideration	1,369

The MPW Group comprises MPW Pensions & Investment Management Limited, MPW (Trustees) Limited and 51% of MPW Insurance Brokers Limited. The effective date of the acquisition, which has been accounted for using the acquisition method, was 2 January 1996. The consideration was satisfied by the issue of 9,524 shares of 1p each having a value of 525p each and cash amounting to £1,165,000. Further consideration will be paid dependent on future profitability. Total consideration for 100 per cent ownership by the Company is capped at £3 million. Future consideration may be settled at the Company's option by cash or by issue of shares. Expenses amounted to £154,000. For the year to 31 December 1996 the MPW Group's operating profit was £520,000 and its profit after taxation was £332,000. It contributed £318,000 to the Group's net operating cash flows. It utilised £54,000 for investing activities.

For the year ended 31 December 1995 its audited profit after taxation was £323,000. No other gains or losses were recognised during this period.

(ii) Analysis of net cash outflow in respect of the purchase of the MPW Group

	£000
Cash consideration	(1,319)
Cash acquired	506
Net outflow	(813)

(iii) A & R Equity Limited

On 16 October 1996 11,850 ordinary shares were issued, credited as fully paid, to satisfy further consideration payable, resulting in an additional premium on acquisition written off amounting to £65,000.

(iv) West Yorkshire Insurance Company Limited

In accordance with FRS 7 additional liabilities have been identified during the year in respect of insurance claims outstanding at the date of acquisition which are the subject of ongoing litigation. Further fair value adjustments have therefore been made to reflect these liabilities and related taxation, giving rise to an increase in premiums on acquisitions written off of £380,000.

Notes to the Financial Statements

28 Consolidated cash flow statement

	1996 £000	1995 £000
(i) Reconciliation of operating profit to net cash inflow/(outflow) from operations		
Operating profits	9,427	9,187
Decrease in accrued income and prepayments	614	(1,108)
Decrease in accruals and deferred income	(102)	195
Provisions for bad and doubtful debts	405	332
Depreciation and amortisation	971	791
Decrease in insurance reserves	(482)	665
Net cash flow from trading activities	10,833	10,062
Net increase in loans and advances to banks and customers	(1,940)	(13,366)
Net increase in deposits by banks and customer accounts	3,205	3,401
Net decrease in other assets	1,286	(1,554)
Net decrease in other liabilities	(393)	(2,688)
	2,158	(14,207)
Net cash inflow/(outflow) from operating activities	12,991	(4,145)
(ii) Capital expenditure and financial investment		
Purchase of debt securities	(1,000)	—
Sale of debt securities	—	12,002
Purchase of tangible fixed assets	(813)	(1,351)
Sale of tangible fixed assets	152	178
	(1,661)	10,829
(iii) Acquisitions and disposals		
Investment in subsidiary undertakings	(1,319)	(3,972)
Cash acquired	506	770
	813	(3,202)
(iv) Financing		
Issue of ordinary share capital for cash	93	34
Bank loan	1,215	3,950
	1,308	3,984
	1995	1996
	£000	£000
(v) Analysis of the balances of cash as shown in the balance sheet		
Cash and balances at central banks	271	66
Bank overdrafts	(292)	(108)
Loans and advances to other banks repayable on demand	7,399	4,491
	7,378	4,449
	1995	1996
	£000	£000

The Group is required to maintain balances with the Bank of England which, at 31 December 1996, amounted to £155,000 (1995: £40,000).

25 Minority interests

	1996 Group £000	1995 Group £000
At 1 January	37	40
Profit and loss account	86	—
Dividends paid	(83)	—
Less: share of loss after tax included in other liabilities	—	(3)
At 31 December	40	37

26 Reconciliation of movements in equity shareholders' funds

	1996 Group £000	1995 Group £000
Profit for the financial year	6,621	6,469
Dividends	(3,001)	(4,180)
	3,620	2,289
New share capital issued	208	122
Premiums on acquisitions arising	(1,796)	(1,749)
Opening equity shareholders' funds	13,015	12,353
Closing equity shareholders' funds	15,047	13,015

27 Assets and liabilities denominated in foreign currencies

	1996 Group £000	1995 Group £000
Assets denominated in sterling	105,818	101,073
Assets denominated in currencies other than sterling	11,236	10,225
Total assets	117,054	111,298
Liabilities denominated in sterling	105,837	101,058
Liabilities denominated in currencies other than sterling	11,217	10,240
Total liabilities	117,054	111,298

Notes to the Financial Statements

22 Deferred taxation

	1996 Group £000
At 1 January 1996	7
Arising during the year	(7)
At 31 December 1996	—

23 Called up share capital

	£000
Authorised (at 31 December 1995 and 1996): 418,439,000 ordinary shares of 1p each	4,184
Allotted, called up and fully paid At 1 January 1996: 14,928,830 ordinary shares of 1p each	149
At 31 December 1996: 14,996,204 ordinary shares of 1p each	150

On 2 January 1996 9,524 shares were issued, credited as fully paid up, for a premium of £50,000 in connection with the acquisition of the issued share capital of the MPW Group (see note 29).

On 16 October 1996 11,850 further shares were issued, credited as fully paid up, for a premium of £65,000 in connection with further consideration payable on the acquisition of the issued share capital of A & R Equity Limited in 1994.

Additionally, during the year 46,000 ordinary shares were issued for cash under the Executive Share Option Scheme for a total premium of £92,000.

At 31 December 1996, options to subscribe for 433,000 ordinary shares were outstanding exercisable by employees between 1997 and 2005 at prices between 220p and 540p.

24 Reserves

	Group £000	Company £000
Share premium account		
At 1 January 1996	12,868	12,868
Arising in the year (note 23)	207	207
At 31 December 1996	13,075	13,075
Premiums on acquisitions written off		
At 1 January 1996	(21,847)	
Arising in the year (note 29)	(1,796)	
At 31 December 1996	(23,643)	
Profit and loss account		
At 1 January 1996	21,845	13,724
Retained profit for the year	3,620	853
At 31 December 1996	25,465	14,577

19 Customer accounts

	1996 Group £000	1995 Group £000
With agreed periods of notice:		
Over 5 years	1,683	1,799
1 year or less but over 3 months	23,873	23,256
3 months or less but not repayable on demand	23,608	22,154
Repayable on demand	23,750	18,363
	72,914	65,572

20 Insurance reserves

	1996 Group £000	1995 Group £000
Claims outstanding	11,899	9,578
Unearned premium reserve	849	2,665
	12,748	12,243

21 Other liabilities

	1996 Group £000	1995 Group £000
Amounts falling due within one year:		
Bank overdraft	400	292
Bank loan (Group and Company)	1,304	—
Trade creditors	4,196	2,334
Dividends payable	2,100	3,360
Corporation tax	1,809	3,003
Deferred consideration	—	753
Other creditors	—	148
	9,809	9,890
Amounts falling due after one year:		
Bank loan (Group and Company)	3,861	3,950
	13,670	13,840

The loan is secured by a charge on the share capital of Secure Trust Bank PLC and of West Yorkshire Insurance Company Limited and is repayable as follows:

	1996	1995
Within one year	1,304	—
Between one and two years	2,607	1,000
Between two and five years	1,254	2,950
	5,165	3,950

Notes to the Financial Statements

16 Tangible fixed assets

	Freehold land and buildings £000	Computer and other equipment £000	Motor Vehicles £000	Total £000
Group:				
Cost				
At 1 January 1996	916	4,599	1,142	6,657
Acquisition of subsidiary undertaking	—	93	—	93
Additions	—	481	332	813
Disposals	(5)	(241)	(283)	(529)
At 31 December 1996	911	4,932	1,191	7,034
Accumulated depreciation				
At 1 January 1996	69	2,843	380	3,292
Acquisition of subsidiary undertaking	—	64	—	64
Disposals	—	(227)	(150)	(377)
Charge for year	24	670	277	971
At 31 December 1996	93	3,350	507	3,950
Net book value at 31 December 1996	818	1,582	684	3,084
Net book value at 31 December 1995	847	1,756	762	3,365

All freehold land and buildings are occupied by and used by Group companies.

17 Other assets

	1996 Group £000	1995 Group £000
Amounts falling due within one year:		
Trade debtors	2,891	2,956
Reinsurers' share of claims outstanding	2,437	2,498
Amounts falling due after one year:		
ACT recoverable	525	840
	5,853	6,294

18 Deposits by banks

	1996 Group £000	1995 Group £000
With agreed periods of notice:		
1 year or less but over 3 months	—	2,311
3 months or less but not repayable on demand	—	1,821
Repayable on demand	361	366
	361	4,498

Included in the above are deposits with a value of £0.3m (1995: £0.6m), which support the guarantee given to a subsidiary undertaking for loans made.

15 Shares in subsidiary undertakings

	Shares at cost £000	Provisions £000	Net £000
Secure Trust Group PLC			
At 1 January 1996	27,337	—	27,337
Acquisitions	2,676	—	2,676
Profit and loss account	—	(3,292)	(3,292)
At 31 December 1996	30,013	(3,292)	26,721
		1996	1995
		£000	£000
Subsidiary undertakings			
Banks		21,168	21,168
Other		5,553	6,169
Total unlisted		26,721	27,337

The principal subsidiary undertakings of Secure Trust Group PLC at 31 December 1996 were:

Name	Interest %	Principal activity
Secure Trust Bank PLC	100	Household cash management
and its wholly owned subsidiaries		and banking
Auto and General Insurance Consultants Limited		Motor and general insurance
Heathfield Finance Limited		Personal loans
Secure Homes Services Limited		General retailing
Secure Travel Limited		Travel operator
OBC Insurance Consultants Limited	100	Motor and general insurance
West Yorkshire Insurance Company Limited	100	Insurance underwriting
Arbuthnot Latham & Co., Limited	100	Banking
Arbuthnot Fund Managers Limited	100	Fund management
Arbuthnot Commercial Finance Limited	90	Factoring
MPW Insurance Brokers Limited	51	Insurance broking
MPW Pensions & Investment Management Limited	100	Life assurance and pensions
MPW (Trustees) Limited	100	Trustees and pensions consultants

- (i) All the above subsidiary undertakings are incorporated in Great Britain and have their respective registered offices in England and Wales and operate within the United Kingdom.
- (ii) All the above subsidiary undertakings are included in the consolidated accounts and have an accounting reference date of 31 December.
- (iii) All the above interests relate wholly to ordinary shares.
- (iv) During the year the Company subscribed for additional share capital in West Yorkshire Insurance Company Limited at a cost of £1.2 million and made provision to reduce the net book value of its resulting investment to an amount equal to West Yorkshire Insurance Company Limited's net assets.
- (v) On 2 January 1996 the Company acquired the whole of the issued share capitals of MPW Pensions & Investment Management Limited and MPW (Trustees) Limited and 51% of the issued share capital of MPW Insurance Brokers Limited.
- (vi) On 16 October 1996 the company issued a further 11,850 ordinary shares in connection with the acquisition, in 1994, of A & R Equity Limited.

Notes to the Financial Statements

11 Loans and advances to customers

	1996 Group £000	1995 Group £000
Remaining maturity:		
Over 5 years	2,420	4,697
5 years or less but over 1 year	13,196	8,312
1 year or less but over 3 months	11,386	9,340
3 months or less	27,206	32,422
	54,208	54,771
Non-recourse financing	—	(1,115)
General and specific bad and doubtful debt provisions (note 12)	(4,577)	(7,805)
Suspended interest (note 13)	(422)	(939)
	49,209	44,912
Of which		
Loans and advances subject to non-recourse finance arrangements	—	98
Other loans and advances	49,209	44,814
Of which repayable on demand or at short notice	12,083	14,614

At 31 December 1995 a subsidiary company had loans with a gross value of £1.2 million assigned to its former parent company. During the year these were repurchased at a discount of £418,000. This has been credited to specific provisions for bad and doubtful debts as shown in note 12.

12 Provisions for bad and doubtful debts

	1996				1995	
	Specific £000	General £000	Total £000	Specific £000	General £000	Total £000
Group:						
At 1 January	6,877	928	7,805	7,756	828	8,584
Charge against profits	228	177	405	232	100	332
Other (note 11)	418	—	418	—	—	—
Amounts written off	(4,110)	—	(4,110)	(1,279)	—	(1,279)
Recoveries	59	—	59	168	—	168
At 31 December	3,472	1,105	4,577	6,877	928	7,805

13 Interest in suspense

	1996 Group £000	1995 Group £000
At 1 January	939	788
Net interest suspended	519	388
Interest written off	(1,036)	(237)
At 31 December	422	939

14 Debt securities

Debt securities represent certificates of deposit, with maturity dates less than 6 months but greater than 3 months. These instruments are held in the balance sheet at their net book values which equate to market value.

6 Tax on profit on ordinary activities

	1996 £000	1995 £000
United Kingdom corporation tax at 33%		
Current	2,935	2,730
Deferred	(7)	(17)
	2,928	2,713
(Over)/under provided in previous years		
Current	(208)	5
	2,720	2,718

The tax charge for the year has been reduced by approximately £250,000 in respect of losses brought forward in a subsidiary company.

7 Profit dealt with in the accounts of Secure Trust Group PLC

£3,854,000 (1995: £5,832,000) of the profit attributable to ordinary shareholders has been dealt with in the accounts of Secure Trust Group PLC.

8 Dividends

	1996 pence per share	1995 pence per share	1996 £000	1995 £000
Interim (paid)	6.0	5.5	901	820
Final (proposed)	14.0	12.5	2,100	1,867
Special (proposed)	—	10.0	—	1,493
	20.0	28.0	3,001	4,180

9 Earnings per ordinary share

Earnings per ordinary share are calculated on the net basis by dividing the profit attributable to shareholders of **£6,621,000** (1995: £6,469,000) by the weighted average number of ordinary shares **14,967,043** (1995: 14,906,050) in issue during the year.

10 Loans and advances to banks and building societies

	1996 Group £000	1995 Group £000
Repayable on demand	11,890	7,399
Remaining maturity:		
5 years or less but over 1 year	4,850	5,995
1 year or less but over 3 months	5,750	6,388
3 months or less	33,494	34,473
	55,984	54,255

Notes to the Financial Statements

5 Emoluments of directors

	1996 £000	1995 £000
Fees	17	28
Salary payments (including benefits in kind)	683	555
Pension contributions	52	79
	752	662

	Salary £000	Bonus £000	Benefits £000	Pension contributions £000	Fees £000	Total 1996 £000	Total 1995 £000
Executive							
H. Angest	155	—	47	27	—	229	213
R. Paston	205	—	21	—	—	226	226
S. J. Lockley	140	100	15	25	—	280	195
Non-executive							
R. J. J. Wickham					17	17	16
T. A. O'Malley					—	—	12
	500	100	83	52	17	752	662

The emoluments of the Chairman were **£229,000** (1995: £213,000) including pension contributions of **£27,000** (1995: £25,000). The emoluments of the highest paid director were **£280,000** (1995: £226,000) including pension contributions of **£25,000** (1995: £30,000).

The following table shows the number of directors of Secure Trust Group PLC receiving emoluments, excluding pension contributions, within the bands stated. Details of directors' share options are set out in the Directors' Report on page 11.

Emoluments	1996	1995
£ 10,001 — £ 15,000	—	1
£ 15,001 — £ 20,000	1	1
£170,001 — £175,000	—	1
£185,001 — £190,000	—	1
£195,001 — £200,000	—	1
£200,001 — £205,000	1	—
£225,001 — £230,000	1	—
£250,001 — £255,000	1	—

Mr. R. J. J. Wickham is a director of Broughfame Limited which received an annual fee of **£17,000** (1995: £16,000) in respect of his services to the Group, which is included in the above figures.

Notes to the Financial Statements

1 Changes in presentation of financial information

Financial Reporting Standard No. 5

In presenting the 1995 balance sheet the directors took advantage of the amendment to FRS 5 "Reporting the substance of transactions: Insurance broking transactions and financial reinsurance" which deferred the implementation of the offset requirements of FRS 5, to the extent that they related to insurance transactions. The 1996 balance sheet presentation now complies with these requirements and the 1995 comparatives have been restated accordingly. The impact is to gross up Other assets and Insurance reserves by £2,437,000 for 1996 (1995: £2,498,000).

Financial Reporting Standard No. 1

FRS 1 "Cash flow statements" has been revised in 1996 to change the format for reporting cash flows. The revised standard comes into effect for accounting periods ending on or after 23 March 1997. Early adoption of the revised FRS is encouraged and the directors have decided to present the cash flow statement under the new format.

2 Administrative expenses

	1996 £000	1995 £000
Staff costs, including directors		
Wages and salaries	7,286	6,579
Social security costs	672	555
Other pension costs (note 36)	373	356
Other administrative expenses	9,637	8,892
	17,968	16,382

3 Operating expenses

	Continuing Activities £000	1996 Acquisitions £000	Total £000	1995 Total £000
Administrative expenses	16,894	1,074	17,968	16,382
Depreciation	960	11	971	843
Provisions for bad and doubtful debts	405	—	405	332
	18,259	1,085	19,344	17,557

4 Profit on ordinary activities before tax

	1996 £000	1995 £000
is stated after:		
Income		
Profit on disposals of tangible fixed assets	10	52
Rent from sub-letting of premises	34	28
Charges		
Equipment rentals	52	70
Other operating lease rentals	620	519

The auditors' remuneration was **£141,000** (1995: £122,000) of which **£3,000** (1995: £3,000) related to the Company.

Remuneration of the auditors for the provision of non-audit services to the Group was **£93,000** (1995: £206,000). This comprises taxation compliance and advisory fees of **£45,000** (1995: £44,000), other regulatory services required under the Banking Act 1987 and by other Regulatory bodies of **£31,000** (1995: £32,000) and other services of **£17,000** (1995: £130,000).

Accounting Policies

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 except as shown in note 1, is set out below.

(a) Basis of accounting

The consolidated financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to banking groups and in accordance with the historical cost convention. The financial statements of the Company have been prepared in accordance with Section 226 of, and Schedule 4 to, the Companies Act 1985.

The Company has taken advantage of Section 230(3) of the Companies Act 1985 and has not published a separate profit and loss account.

(b) Basis of consolidation

The financial statements include the results of the Company and its subsidiaries for the year ended 31 December 1996 or from the date at which control passes.

(c) Fees and commissions receivable

Fees and commissions receivable represent the value of management fees, banking fees and commissions and agency commissions for services supplied to customers exclusive of value added tax.

(d) Insurance premiums and claims

Earned insurance premiums represent premiums written during the year less the proportion relating to the unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis. Claims incurred comprise claims paid in the year and changes in provisions for outstanding claims, including an estimate for claims incurred but not yet reported.

(e) Depreciation

Depreciation is charged on a straight line basis, from the month of purchase, to write down the cost of tangible fixed assets over their estimated useful lives, applying the following annual rates:

Freehold buildings	—	2%
Office equipment	—	5% to 15%
Computer equipment	—	20% to 33%
Motor vehicles	—	25%

(f) Deferred taxation

Deferred taxation is provided, at the current rate of corporation tax, to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

(g) Premiums on acquisitions

Premiums arising on acquisitions, which represent the difference between the fair value of consideration given and the fair value of the separable net assets acquired, are dealt with as a negative reserve in the consolidated balance sheet.

(h) Pensions

The Group's pension scheme arrangements were changed during the year as described in note 36.

The Group now contributes to a defined contribution scheme and to individual defined contribution schemes for the benefit of certain employees. Contributions are charged against profits, at the contribution rates agreed with individual employees, in the year in which they are made. There are no post-retirement benefits other than pensions.

(i) Operating leases

Operating lease rentals are charged to the profit and loss account as incurred.

(j) Provision for bad and doubtful debts

Specific provisions are made against advances which are recognised to be bad or doubtful. In addition, general provisions are maintained to cover bad and doubtful debts which may be present at the year end in the portfolio of advances but which have not been specifically identified. Interest of doubtful collectability is excluded from the profit and loss account and credited to a suspense account.

(k) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at exchange rates ruling at the balance sheet date. Foreign currency transactions during the year are translated at exchange rates ruling at the date of the transaction. Translation differences are dealt with in the profit and loss account.

Consolidated Cash Flow Statement

For the year ended 31 December 1996	Notes	1996 £000	1995 £000
Net cash inflow/(outflow) from operating activities	28(i)	12,991	(4,145)
Returns on investments and servicing of finance			
Dividends paid to minority shareholders of subsidiary undertaking		(83)	—
Taxation		(3,032)	(2,047)
Capital expenditure and financial investment	28(ii)	(1,661)	10,829
		8,215	4,637
Acquisitions and disposals	28(iii)	(813)	(3,202)
Equity dividends paid		(4,261)	(2,532)
		3,141	(1,097)
Financing	28(iv)	1,308	3,984
Increase in cash	28(v)	4,449	2,877

Company Balance Sheet

	Notes	1996 £000	1995 £000
At 31 December 1996			
Fixed assets			
Shares in subsidiary undertakings	15	26,721	27,337
Current assets			
Debtors:			
Due from subsidiary undertakings		7,401	6,417
Prepayments		655	93
Cash at bank and in hand		218	1,218
Current taxation		259	185
		8,533	7,913
Creditors: Amounts falling due within one year			
Bank loan	21	1,304	—
Due to subsidiary undertakings		—	83
Dividend payable		2,100	3,360
Accruals		187	363
Deferred consideration		—	753
		3,591	4,559
Net current assets		4,942	3,354
Total assets less current liabilities		31,663	30,691
Creditors: Amounts falling due after more than one year			
Bank loan	21	3,861	3,950
Net assets		27,802	26,741
Capital and reserves			
Called up share capital	23	150	149
Share premium account	24	13,075	12,868
Profit and loss account	24	14,577	13,724
Equity shareholders' funds		27,802	26,741

The financial statements on pages 14 to 32 were approved by the Board of Directors on 9 April 1997 and were signed on its behalf by:

H. Angest
S. J. Lockley } Directors

ag-t
S J Lockley

Consolidated Balance Sheet

At 31 December 1996	Notes	1996 £000	1995 £000
Assets			
Cash and balances at central banks		337	271
Loans and advances to banks and building societies	10	55,984	54,255
Loans and advances to customers	11	49,209	44,814
Loans and advances subject to non-recourse finance arrangements	11	—	1,213
Less: non-recourse financing	11	—	(1,115)
	11	—	98
Debt securities	14	1,000	—
Tangible fixed assets	16	3,084	3,365
Other assets	17	5,853	6,294
Prepayments and accrued income		1,587	2,201
Total assets		117,054	111,298
Liabilities			
Deposits by banks	18	361	4,498
Customer accounts	19	72,914	65,572
Insurance reserves	20	12,748	12,243
Other liabilities	21	13,670	13,840
Accruals and deferred income		2,274	2,086
Provisions for liabilities and charges:			
Deferred taxation	22	—	7
Minority interests	25	40	37
		102,007	98,283
Called up share capital	23	150	149
Share premium account	24	13,075	12,868
Premiums on acquisitions written off	24	(23,643)	(21,847)
Profit and loss account	24	25,465	21,845
Equity shareholders' funds	26	15,047	13,015
Total liabilities		117,054	111,298
Memorandum items	35		
Contingent liabilities			
Guarantees		364	395
Other contingent liabilities		33	306
		397	701
Commitments		1,424	2,748

The financial statements on pages 14 to 32 were approved by the Board of Directors on 9 April 1997 and were signed on its behalf by:

H. Angest }
S. J. Lockley } Directors

Signature of S. J. Lockley

Consolidated Profit and Loss Account

	Notes	1996 £000	1995 £000
For the year ended 31 December 1996			
Interest receivable from loans and advances		9,822	9,730
Less: interest payable		(2,452)	(2,367)
Net interest income — continuing activities		7,370	7,363
Fees and commissions receivable:			
Continuing activities		19,052	17,548
Acquisitions		1,792	—
Less: fees and commissions payable:			
Continuing activities		(216)	(124)
Acquisitions		(187)	—
Earned insurance premiums — continuing activities		7,746	4,778
Insurance claims — continuing activities		(6,786)	(2,821)
Operating income		28,771	26,744
Administrative expenses	2	17,968	16,382
Depreciation	16	971	843
Provisions for bad and doubtful debts	12	405	332
Operating expenses	3	19,344	17,557
Profit on ordinary activities before tax	4		
Continuing activities		8,907	9,187
Acquisitions		520	—
		9,427	9,187
Tax on profit on ordinary activities	6	2,720	2,718
Profit on ordinary activities after tax	7	6,707	6,469
Minority interests	25	86	—
Profit attributable to shareholders of Secure Trust Group PLC		6,621	6,469
Dividends	8	3,001	4,180
Retained profit for the year	24	3,620	2,289
Earnings per ordinary share	9	44.2p	43.4p

The profit on ordinary activities before tax and retained profit on a historical cost basis are not different from the profit on ordinary activities before tax and retained profit for the financial years above.

The Group has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

Internal Financial Control

The Board of directors has overall responsibility for the Group's system of internal financial control. Such a system can provide only reasonable and not absolute assurance against material misstatement or loss. The directors have reviewed the effectiveness of the Group's system of internal financial control during the year ended 31 December 1996. The key procedures in place are:

Control environment — the Board exercises its responsibility for internal financial control through an organisation structure with clearly defined levels of responsibility and authority and appropriate reporting procedures. Experienced and suitably qualified staff take responsibility for important business functions. Standards of performance are maintained through appraisal and disciplinary procedures.

Risk assessment — the identification of major business risks is carried out on an ongoing basis by operating management and steps are taken to mitigate or eliminate these where possible. All key risks facing the Group are formally reviewed and assessed at least once a year by the Board and this assessment is reinforced by the work of internal audit. Significant risk areas arising from the development of new activities are subject to consideration by the Board.

Information systems — there is a comprehensive budgeting system and the annual budget is approved by the Board. Monthly management accounts are prepared showing comparisons against corresponding figures for the

budget and the previous year covering financial results, balance sheets, liquidity, capital adequacy and key indicators of operating performance. The reasons for variances are analysed and commented upon and the results are discussed in detail at Board meetings.

Control procedures — financial controls and procedures are operated throughout the Group which include authorisation limits, formal credit and other risk approval procedures, segregation of incompatible duties and management review of the operation of key controls.

Monitoring systems — The Group's system of internal financial control is monitored on an ongoing basis through all of the foregoing procedures and in addition is subject to regular reviews by the external auditors (to the extent necessary to express their audit opinion), by internal audit, by regulatory inspectors and by independent accountants in compliance with the requirements of the Banking Act 1987. The main findings contained in reports on these reviews are presented to the Audit Committee.

Going Concern

The directors confirm that they are satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

The auditors' report in respect of Corporate Governance matters is set out on page 33.

Statement of Directors' Responsibilities

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit and cash flows of the Group for the year.

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.

In addition, the directors are responsible for maintaining adequate accounting records, and taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud or any other irregularities.

Corporate Governance

The Board fully endorses the principles of openness, integrity and accountability advocated by the Code of Best Practice issued in 1992 by the Cadbury Committee on Financial Aspects of Corporate Governance and has at all times conducted its affairs within the spirit of the Cadbury Report. The Group contains two Authorised Institutions regulated by the Bank of England and its other significant businesses are subject to regulation by appropriate bodies. Accordingly, the Group operates to the high standards of corporate accountability appropriate for such businesses. Furthermore, the Boards of the Group's two banking subsidiaries contain a total of seven independent non-executive directors.

The directors, acting through the Audit Committee of which Mr. R. J. J. Wickham, a non-executive director, is Chairman, have examined how far the current practice of the Company conforms with the recommendations made in the Cadbury Report. This review has been undertaken in the light of a Company that is proprietorial in nature (two of the executive directors are substantial shareholders in the Company) and a strong belief by your Board that it should act as a unitary Board. Splitting the Board into subcommittees and making non-executives watchdogs over executives will not achieve enhancement of profitability or shareholder value.

As a result of operating as a unitary Board, the Company has not constituted a Nomination Committee as it believes the matters that would be dealt with by this committee are better dealt with by the Board as a whole. A list has been formally approved of matters reserved to the Board as a whole. There is an agreed procedure for directors to take independent professional advice, if necessary, at the Company's expense. Apart from the requirement under the Articles for one-third of the non-executive directors to retire at each Annual General Meeting, there are no specific terms of appointment for non-executive directors.

The Board of directors, which meets regularly, is responsible for the management of the Company's business and for overall Group strategy. Mr. H. Angest performs the roles of both Chairman and Group Chief Executive but the close involvement in all operational matters of the other executive directors, who are the Chief Executives of the two major operating divisions, ensures that there is an appropriate balance of power and authority.

The whole Board acts as the Audit Committee although on these occasions the chair is taken by Mr. Wickham. The Audit Committee meets on a minimum of two occasions a year at which the external auditors are present. The auditors have access to the Chairman of the Audit Committee at all times.

Remuneration Committee

The Remuneration Committee comprises the whole Board under the Chairmanship of Mr. H. Angest. In view of the significant proportion of share capital of the Company held by executive directors, although this is a departure from Section A of the best practice provisions annexed to the Listing Rules, it is felt to be the most appropriate structure for a business of this size. Individual directors do not vote on their own remuneration. In framing its remuneration policy, the Committee has given full consideration to Section B of the best practice provisions annexed to the Listing Rules.

The Remuneration Committee determines the remuneration of individual directors having regard to the size and nature of the business; the importance of attracting, retaining and motivating management of the appropriate calibre; remuneration data for comparable positions; the need to align the interests of executives with those of shareholders; and an appropriate balance between current remuneration and longer-term performance related rewards. The remuneration package can comprise a combination of basic annual salary and benefits (including pension), a discretionary annual bonus award related to the Committee's assessment of the contribution made by the executive during the year and executive share options, which are not capable of being exercised for at least three years after the date of grant. The rules of the share option scheme were amended in May 1995 to include an appropriate performance condition for all options granted after that date. Information in relation to share options granted to directors is set out in the Directors' Report. Pension benefits take the form of annual contributions paid by the Company to individual money purchase schemes. The executive directors' service contracts are all terminable by the Company on one year's notice. The Remuneration Committee awards salary increases each year based on the performance of the Group during the preceding financial period. Thus, the directors' remuneration levels disclosed in the 1996 Annual Report reflect increases over the previous year based on the results for 1995. In the case of each of the directors, the percentage increases in salaries were considerably less than the percentage increase in the Group's profits in 1995. Mr. S. J. Lockley was awarded an additional payment in 1996 to recognise his dual responsibilities as Group Finance Director and Chief Executive of Arbuthnot Latham & Co., Limited. In view of the Group's results for 1996, the Remuneration Committee has decided that no salary increases will be awarded to directors in 1997. Details of directors' remuneration are set out in note 5 to the financial statements.

Directors

H. Angest	Chairman	S. J. Lockley
R. Paston		R. J. J. Wickham

All the directors served throughout the year. Mr. Wickham retires under Article 109 of the Articles of Association and, being eligible, offers himself for re-election. He does not have a service agreement.

According to the register maintained under Section 325 of the Companies Act 1985, the interests of directors and their families in the ordinary 1p shares of the Company were as follows:

Beneficial Interests

	1 January 96	31 December 96	%
H. Angest	5,894,185	5,943,735	39.6
R. Paston	692,130	692,130	4.6
S. J. Lockley	3,832	3,832	—
R. J. J. Wickham	505	505	—

There have been no changes in beneficial interests between 1 January and 31 March 1997.

On 7 October 1994 Mr. Lockley was granted options to subscribe between October 1997 and October 2004 for 100,000 shares in the Company at 485 pence each. On 16 October 1995 he was granted options to subscribe between October 1998 and October 2002 for a further 100,000 shares at 540 pence each, subject to the increase in the Company's earnings per share over a three year period exceeding the change in the retail price index over the same period by at least 2% per annum. All of these options remain outstanding. During the year to 31 December 1996 the share price ranged between 493 pence and 565 pence. The middle market closing share price at 31 December 1996 was 527½ pence.

Apart from the interests disclosed above, no director was interested at any time in the year in the share capital of Group companies.

No director, either during or at the end of the financial year, was materially interested in any contract with the Company or any of its subsidiaries which was

significant in relation to the Group's business. One director has a loan from Secure Trust Bank PLC of £200,000 on normal commercial terms as disclosed in note 31 to the financial statements.

The Company maintains insurance to provide liability cover for directors and officers of the Company.

Employees

The Group gives due consideration to the employment of disabled persons and is an equal opportunities employer. It also regularly provides employees with information on matters of concern to them, consults on decisions likely to affect their interests and encourages their involvement in the performance of the Group through share participation and in other ways.

Supplier payment policy

The Group's policy is to make payment in line with terms agreed with individual suppliers.

Status

The Company is not a close company as defined in the Income and Corporation Taxes Act 1988.

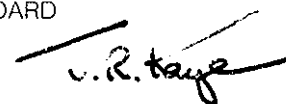
Auditors

A resolution to reappoint Coopers & Lybrand 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

9 April 1997



Directors' Report

The directors submit their annual report and the audited consolidated financial statements for the year ended 31 December 1996.

Principal Activities and Review

The principal activities of the Group are banking and financial services. This report should be read in conjunction with the Chairman's Statement and Operating and Financial Review which contain comments on the Group's performance.

Results and Dividends

The results for the year are shown on page 14. The retained profit for the year of £3.6 million has been transferred to reserves.

The directors recommend the payment of a final dividend of 14p on the ordinary shares which, together with the interim dividend of 6p paid on 8 November 1996, represents a total dividend for the year of 20p. The final dividend, if approved by members at the Annual General Meeting, will be paid on 20 May 1997 to shareholders on the register at close of business on 3 April 1997.

Acquisitions

As previously reported, on 2 January 1996, the Company acquired the entire issued share capitals of MPW Pensions & Investment Management Limited and MPW (Trustees) Limited and 51 per cent of the issued share capital of MPW Insurance Brokers Limited ("the MPW Companies"). Further details are shown in note 29 to the financial statements.

Share Capital

The Company established an Executive Share Option Scheme in 1988. In 1995 this Scheme was replaced by new Approved and Unapproved Executive Share Option Schemes.

To date options granted to 19 employees and 1 director between 12 March 1990 and 31 October 1995 at prices varying between 220p and 540p and not yet exercised cover 433,000 shares.

The Company issued 46,000 ordinary shares to satisfy options exercised during the year. On 2 January 1996 9,524 ordinary shares were issued as part consideration for the acquisition of interests in the MPW Companies. On 16 October 1996 the Company issued 11,850 ordinary shares in connection with deferred consideration for the acquisition of A & R Equity Limited.

At the Annual General Meeting shareholders will be asked to approve two Special Resolutions; the authority granted by each of them will expire at the conclusion of the Annual General Meeting in 1998.

The first continues the authority of the directors to issue shares in nominal value equal to 5% of the existing share capital for cash, otherwise than to existing shareholders pro rata to their holdings. Except as stated herein, the directors have no present intention of issuing any shares and will not issue shares which would effectively change the control of the Company without the prior approval of shareholders in General Meeting.

The second renews the authority of the directors to make market purchases of shares not exceeding 10% of the issued share capital. The directors have no present intention to purchase the Company's shares, but will keep the position under review in order to maximise the Company's resources in the best interests of the shareholders.

Substantial Shareholders

The Company was aware at 31 March 1997 of the following substantial holdings in the ordinary shares of the Company, other than those held by the two directors shown below:

Holder	Ordinary Shares	%
Mercury Asset Management Limited	1,423,200	9.5
Prudential Assurance Co. Limited	768,117	5.1

effect of the substantial underwriting losses incurred by many motor insurers, including the direct writers, has at last been reflected in some greater stability in premium levels. Together with a continued emphasis on efficiency gains, this has enabled the Group's insurance consultancies to increase profits over 1995.

In May 1995, the Group acquired West Yorkshire Insurance Company, a specialist motor insurance underwriter, in order to broaden the range of its insurance skills in the face of the growing importance of direct insurers. During the course of 1996, a combination of adverse claims experience and inadequate premium rates available in the market led to unacceptable underwriting losses. In response, the Group suspended the writing of new and renewal motor policies in June and the future strategy for West Yorkshire Insurance Company will be kept under review in the light of developing market conditions.

Private and Merchant Banking

The private and merchant banking division was formed during 1994 and now offers banking, investment management, offshore trust management, factoring, pensions and investment advice and general insurance to professional firms, owner-managed companies, charities, pension schemes and private clients. Profits from the division rose by 57 per cent over 1995 to £1.4 million.

Arbuthnot Latham & Co. continues to develop satisfactorily. Deposits placed with the bank by its clients have grown from £43 million at the end of 1995 to £51 million at the end of 1996, representing a virtual doubling since the acquisition by the Group in April 1994. Arbuthnot Latham & Co. aims to develop close banking relationships with its clients based on trust and personal contact, from which it can promote the use of a range of the Group's services. Since the year-end, Arbuthnot Latham & Co. has launched a new range of private banking services incorporating a Visa Delta debit card accepted in cash machines and retail outlets worldwide.

The approach to risk management at Arbuthnot Latham & Co. continues to be conservative and a cautious stance is adopted on new lending. The bank's treasury function operates solely to provide a service to clients and does not take significant unmatched positions

in any markets for its own account. The balance sheet is managed in such a way that interest rate risks and exchange rate risks are both reduced to minimum levels.

Arbuthnot Fund Managers and Arbuthnot Commercial Finance have both achieved improved profit levels in 1996. It is particularly pleasing that the latter is now operating consistently in surplus, having only been formed in 1994.

The private and merchant banking division was further strengthened at the beginning of the year by the acquisition of the MPW Group, which specialises in pensions and investment advice; administration of Small Self-Administered Pension Schemes and Self Invested Personal Pensions; and general insurance broking for high net worth clients and owner-managed businesses. The initial profit contribution from the MPW Group exceeded expectations at the time of the acquisition.

Finances

Profit before tax for the year amounted to £9.4 million (1995: £9.2 million) and the profit before tax from continuing activities was £8.9 million. The effective rate of taxation for the year is 28.9 per cent which reflects the utilisation of tax losses brought forward in Arbuthnot Latham & Co. After dividends totalling £3.0 million, the retained profit of £3.6 million has been added to reserves. There were no other recognised gains and losses.

During the year the Group's cash resources increased by £4.4 million, of which £0.5 million represented the cash balances of businesses acquired. The increase in cash resources is stated after making payments of £1.3 million in respect of investments and acquisitions, and deferred consideration payments of £0.8 million. The acquisition of the MPW Group has been accounted for in accordance with Financial Reporting Standard 6 and Financial Reporting Standard 7, and has given rise to an addition to premiums on acquisitions written off amounting to £1.3 million. Shareholders' funds increased to £15.0 million at the year end and total assets rose from £111.3 million to £117.1 million. Bank borrowings of Secure Trust Group PLC at 31 December 1996 amounted to £5.2 million.

Operating and Financial Review

Personal Financial Services

The personal financial services division includes Secure Trust Bank PLC, which provides household cash management, current and deposit accounts, cash cards and personal loans; the insurance consultancy operations, which trade from 34 retail outlets, under the names OBC Insurance Consultants, Auto & General Insurance Consultants, SecureDirect and Snowball; and motor insurance underwriting through West Yorkshire Insurance Company Limited. Profits from the personal financial services division of £8.0 million are stated after losses in West Yorkshire Insurance Company without which the division's profits rose by 15 per cent over 1995.

Household Cash Management

The household cash management service is a unique scheme enabling customers to enjoy the convenience of spreading their household bills over regular weekly or monthly payments and to relax in the knowledge that Secure Trust Bank will deal with all aspects of the administration of their household expenditure.

The 58,000 customers who use the service are located predominantly in the Midlands, Manchester and Bradford. The customer base continues to grow steadily and a net growth in customer numbers of some 4,000 has been achieved over the past four years, before eliminating some 1,000 "dormant" customer accounts during 1996. Fee income earned by the Group from this service rose by 7 per cent over the level achieved in 1995.

Customers are also offered the facility to insure their regular payments against sickness, accident and redundancy and add the premiums to their household cash management account. The scheme continues to prove popular with customers and commission earnings from this source remain buoyant, rising by 22 per cent over last year.

Personal Lending and Banking

For many years the Group has offered personal loans to customers on both a secured and an unsecured basis, with repayments usually being

channelled through a household cash management account. Over recent years, the banking activities have been enhanced by the introduction of a savings account and a short-term cash advance, "SecureCash", available to established customers.

In 1993, the range of personal banking products was further expanded through the acquisition of Peoples Bank, now the Bradford branch of Secure Trust Bank. In addition to providing a base for our expansion in Yorkshire, the Bradford branch acts as the administrative centre for a range of banking services which are now also being marketed successfully to the customer base in the Midlands and Manchester. The services provided include chequebook accounts, deposit accounts, cash cards, loans and overdrafts for personal and small business customers. By expanding the range of services offered to customers, Secure Trust Bank aims to build on the relationship with them and thereby increase customer satisfaction and loyalty. Since the relaunch of the Bradford operation in 1994 under the Secure Trust Bank name, over 1,900 new bank accounts have been gained, of which over 800 were added in 1996.

During 1996, the Group experienced slower demand for new personal loans than in 1995. Nevertheless, the aggregate balances outstanding to customers at the year end grew by 5 per cent. At the same time, the quality of the lending has not been jeopardised and the charge for bad and doubtful debts remains very modest.

Insurance

Over recent years the Group achieved a substantial presence in the insurance consultancy market in the West Midlands, particularly in motor insurance. Many of Secure Trust Bank's customers make use of the Group's insurance services and pay for their policies through household cash management accounts. Over recent years, the growth in direct insurers has led to significant reductions in motor insurance premium rates and increased pressures on consultancy operations generally. Nevertheless, the Group's insurance consultancies have remained profitable due to a combination of effective marketing and strict cost control. During the latter part of 1996, the

tape, and I am encouraged to see that these pronouncements are gaining increasing acceptance. I particularly welcome measures such as mandatory assessment of the costs and benefits of complying with new regulations and the proposed introduction of "sunset" rules which will require positive action if the regulations affected by them are to remain in force beyond their prescribed periods of usefulness.

However, I am concerned that any beneficial reduction in bureaucracy arising from these deregulation initiatives is in danger of being eroded by the growing emphasis on so-called "best practice". We all support "good practice" but it seems to me that, in many cases, this approach simply represents a back-door way of imposing a new set of, often unwritten, requirements that go well beyond the standards needed to achieve adequate protection for consumers. "The best is the enemy of the good" (Voltaire).



With respect to corporate governance, I hope that the Hampel Committee will reinforce the original objective: to achieve good corporate governance within a flexible framework that leaves room to accommodate the diverse multitude of companies and recognises the increasingly held view that small companies do not require entirely the same approach as the top multinationals.



Staff and Management

Our staff and management have responded well to the many challenges the Group has faced during the past year and my fellow directors and I, once again, extend our thanks to them. Without the commitment of our people, Secure Trust Group would not have achieved the success that it has over the past years.

Outlook

The Group as a whole should continue to make progress over the coming twelve months, notwithstanding that the private and merchant banking division will incur the costs of investing in new products, to which I have already referred. The Board continues to believe that we have developed a sound base for the future and is confident of the Group's prospects.

Henry Angest

9 April 1997

Chairman's Statement

Over many years Secure Trust Group has been able to reward shareholders with increases in profitability, earnings and dividends and I am pleased to report that 1996 has seen a continuation of this trend with pre-tax profits of £9.4 million. This has been achieved despite the very difficult market conditions faced by our motor insurance operations and, therefore, reflects good performances from all other areas of the Group.

At the beginning of the year, we made further progress in developing our broad range of financial service businesses through the acquisition of the MPW Group, which provides specialist expertise in pensions, investments and insurances to owner-managed companies, professional firms and high net worth clients. The acquisition forms an important addition to the Group's private and merchant banking division.

Results and Dividends

Profits before tax for the year ended 31 December 1996 were £9.4 million (1995: £9.2 million) and earnings per share were 44.2p (1995: 43.4p). The Board proposes to pay a final dividend of 14p per share which, together with the interim dividend of 6p, makes a total for the year of 20p compared with 18p last year (excluding the 1995 special dividend), an increase of 11 per cent. The dividend will be paid on 20 May 1997 to all shareholders on the register at 3 April 1997.

Within the personal financial services division, income from the household cash management business rose by 10 per cent as customer numbers continued to grow and the sickness, accident and redundancy insurance scheme once again had a successful year. Interest income from customer lending increased by 4 per cent, whilst bad debts remain firmly under control.

Motor insurance presented a very mixed picture. On the positive side, the insurance consultancy operations saw some greater stability in premium levels during the latter part of the year and also achieved

further efficiency gains from a greater emphasis on telephone selling. As a result, profits increased marginally over 1995. Conversely, the inadequate level of premium rates in the market, coupled with adverse claims experience across the industry, led to losses in West Yorkshire Insurance Company. In the light of the adverse market conditions, we took the decision to suspend new and renewal business in June to give us an opportunity to reassess the viability of motor underwriting within the context of the Group's overall insurance strategy. Excluding West Yorkshire Insurance Company, the personal financial services division increased profits by 15 per cent over 1995.

Profits of the private and merchant banking division rose by 57 per cent over 1995 to £1.4 million, helped by a first time contribution from the MPW Group. All areas of the division performed satisfactorily and it is now well placed to be able to offer a comprehensive range of banking and financial services which I am sure will prove attractive in winning further clients in the future. Since the year-end, we have launched a new range of Peacock Account private banking products, including a Visa Delta debit card, and an Arbuthnot Self-Invested Personal Pension. In recognition of the closer links being built within the division, MPW Pensions & Investment Management Limited and MPW (Trustees) Limited are changing their names respectively to Arbuthnot Pensions & Investments Limited and Arbuthnot Pension Trustees Limited. These are all positive developments which will enhance the long-term prospects for the division, although they will involve additional investment in both people and systems in 1997.

Financial Regulation and Corporate Governance

I commented last year on the growing burden of regulation in the financial services sector and the increased costs which this produces for the consumer.

I applaud government statements about the need for more deregulation and the reduction of red

Banking Subsidiaries' Directors

Secure Trust Bank PLC

Group directors

Henry Angest *Chairman*
Ron Paston *Chief Executive*
Stephen Lockley

Executive directors

Keith Deakin *Information Technology*
Patricia Fielding *Administration*
Ronald Middleton *Branch Operations*
Derek Pearson *Marketing*
John Shipley *Finance*

Non-executive directors

Robert Dauncey
Edward Pearson

Arbuthnot Latham & Co., Limited

Group directors

Henry Angest *Chairman*
Stephen Lockley *Chief Executive*
Ron Paston
Robert Wickham *Non-executive*

Executive directors

Brian Collis *Risk Management*
Allan James *Banking*
Wayne Mathews *Finance*
Andrew Whitton *Private Banking*

Non-executive directors

Bill Brown CBE
Robert Erith TD
Roger Keast
Colin Wakelin

Non-executive directors' biographies

Bill Brown

Former Deputy Group Chairman and Deputy Group Chief Executive of Standard Chartered Plc and Chairman of Aitken Hume Bank PLC. He is a non-executive director of Kexim Bank (UK) Limited and Atlantis Japan Growth Fund Limited.

Robert Dauncey

A consultant with Edge & Ellison, Solicitors, and a non-executive director of a number of West Midlands companies engaged in a wide range of activities.

Robert Erith

High Sheriff of Essex and previously Chairman of the Equities division of Swiss Bank Corporation. He is a non-executive director of Graham Group plc, Crest Nicholson plc, Matheson Lloyd's Investment Trust plc, The International Shakespeare Globe Centre Limited and Essex Community Foundation.

Roger Keast

Senior Partner of Stephens & Scown, Solicitors, a non-executive director of South West Enterprise Limited and a former Mayor of Exeter. He has been a regional director of Arbuthnot Latham & Co., Limited in the South West since March 1996.

Edward Pearson

Formerly Managing Director of Bradford Pennine Insurance Company Limited. He is also a director of West Yorkshire Insurance Company Limited and has over 35 years' experience in the insurance industry.

Colin Wakelin

Formerly Chief Executive and Deputy Chairman of Allied Trust Bank Limited, where he still holds a non-executive directorship.

Group Directors and Advisers

Directors

Henry Angest

Chairman and Chief Executive of the Group since 1985 and Chairman of Secure Trust Bank PLC since 1982. He is also Chairman of Arbuthnot Latham & Co., Limited and other Group companies. A member of the Government's Deregulation Task Force and the Banking Committee of the London Investment Banking Association.

Ron Paston

Executive Director of Secure Trust Group PLC since 1985 and Chief Executive of Secure Trust Bank PLC since 1973, having joined in 1962. He has been instrumental in the Company's development over the past 35 years and is also Chairman of the Group's motor insurance subsidiaries.

Secretary

Jeremy Robin Kaye, F.C.I.S.

Addresses

Registered Office

23-27 Heathfield Road, Kings Heath,
Birmingham B14 7BY
Telephone: (0121) 693 9100
Facsimile: (0121) 693 9124

Stephen Lockley

Group Finance Director since 1994 and Chief Executive of Arbuthnot Latham & Co., Limited since 1995. He is a Chartered Accountant and was previously a director of Charterhouse Bank Limited.

Robert Wickham

Non-executive Director. He was the London General Manager of Bank of Scotland until his retirement in December 1993. He is also a non-executive director of Graystone PLC, Northern Leisure PLC and Rutland Trust Plc.

Advisers

Auditors

Coopers & Lybrand
Chartered Accountants and Registered Auditors
Temple Court, 35 Bull Street, Birmingham B4 6JT

Financial Advisers

Hambros Bank Limited
41 Tower Hill, London EC3N 4HA

Principal Bankers

Barclays Bank PLC
38 Hagley Road, Edgbaston,
Birmingham B16 8NY

London Office

Royex House, Aldermanbury Square,
London EC2V 7HR
Telephone: (0171) 374 0417

Joint Stockbrokers

Charterhouse Tilney Securities Limited
1 Paternoster Row, St Paul's, London EC4M 7DH

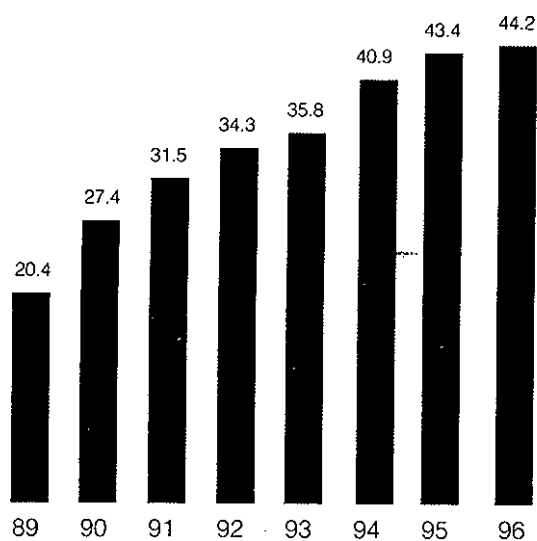
Albert E Sharp
Temple Court, 35 Bull Street, Birmingham B4 6ES

Registrars

Independent Registrars Group Limited
Balfour House, 390-398 High Road, Ilford,
Essex IG1 1NQ

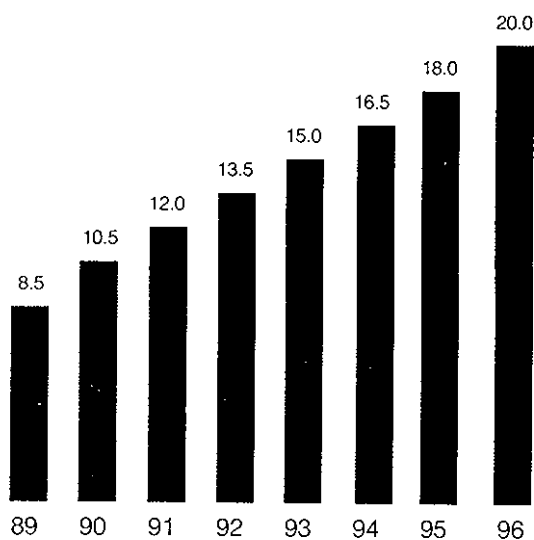
Track Record

Earnings per share — since flotation (pence)

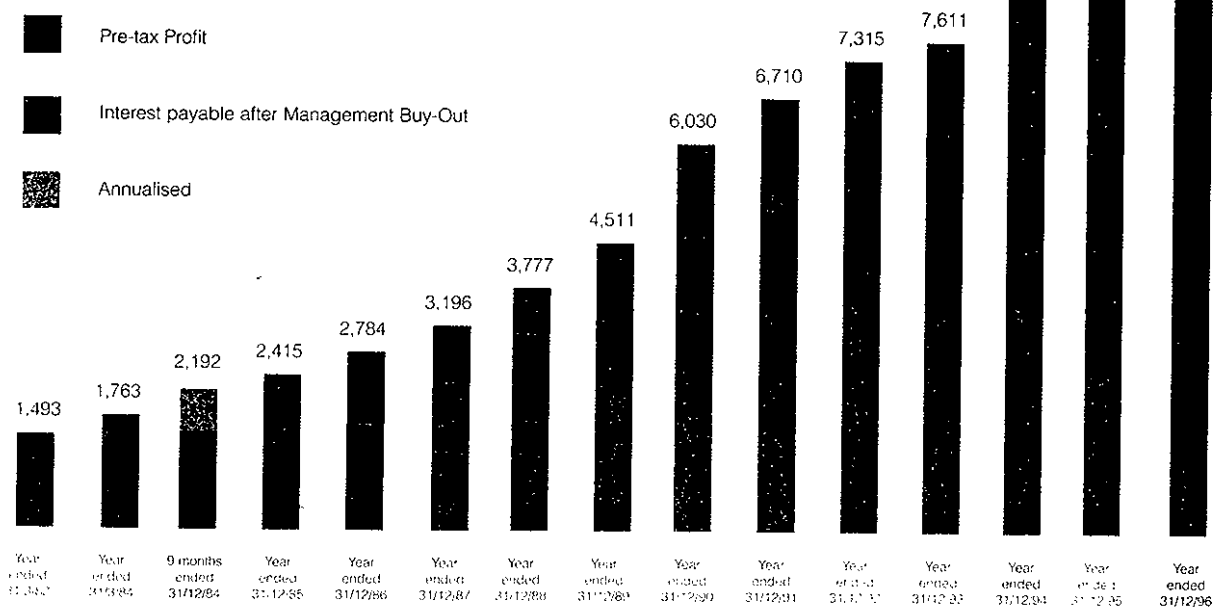


Dividend per share — since flotation (pence)

(excluding 1995 special dividend of 10p)



15 year Record of Pre-Tax Profit (£000s)



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SECURE TRUST GROUP PLC 1995

Corporate Profile



The Group operates through two divisions, personal financial services and private and merchant banking, each of which offers its customers individual attention and consistently high standards of service.

Secure Trust Bank is the cornerstone of the personal financial services division. It has long been established as the United Kingdom market leader in household cash management and also provides personal loans and banking services. In addition, the division supplies a range of insurance products for the consumer market.



Secure Trust Group provides a range
of banking and other financial
services to personal and business
customers



The private and merchant banking division, operating under the **Arbuthnot** name, serves private clients, professional firms, owner-managed companies, charities and pension schemes. It provides banking services, investment management, offshore services, pension planning, insurances and factoring.

Secure Trust's objective is steady year-on-year growth in both profits and earnings per share. To achieve this objective its strategy is to expand the customer base, extend geographic coverage and add new products, principally within areas similar to the existing operations. As in the past, this strategy will encompass both organic development and acquisitions.