Secure Trust Group PLC

ANNUAL REPORT 1990

Contents

	Page
Corporate statement	2
Highlights and 10 year record	3
Chairman's statement	4
Review of activities	5-7
Directors and advisers	8-9
Directors' report	10-11
Consolidated profit and loss account	12
Consolidated balance sheet	13
Company balance sheet	14
Consolidated statement of source and application of funds	15
Accounting policies	16
Notes to the financial statements	17-22
Auditors' report	23
Notice of meeting	24

COMPANIES
27 JUN

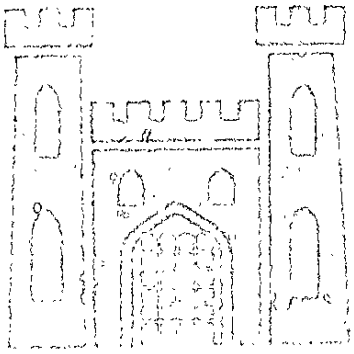
Corporate Statement

SECURE TRUST GROUP PLC is the holding company for a group of businesses engaged in a range of personal financial services.

The core business, which carries a banking licence and trades under the name of Secure Homes, provides a cash management service for households.

The Group's other activities include Auto and General, a chain of motor and general insurance brokers. A further division concentrates on life assurance, pensions and mortgages. Heathfield Finance, the lending operation, provides secured and unsecured personal loans. Arbuthnot Fund Managers specialises in investment management for private clients and institutions.

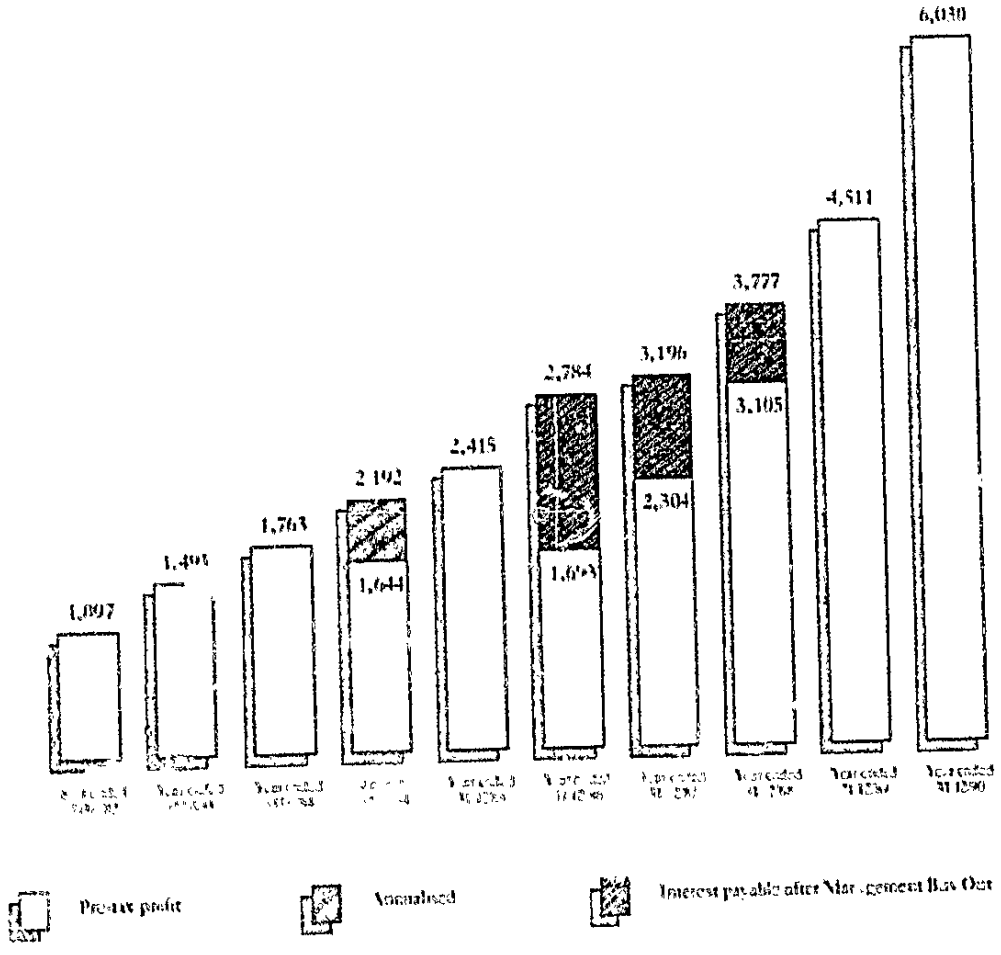
It is the strategic aim of the Group to expand both organically — through new product development and geographical expansion — and by the acquisition of businesses either with complementary products or which extend the Group's customer base.



Highlights

	1990	1989
	£000	£000
Pre-tax profits	6,030	4,511
Earnings per share	27.4p	20.4p

10 YEAR RECORD OF PRE-TAX PROFIT (£000)



Chairman's Statement

1990 was an excellent year for Secure Trust Group. Profits before tax for the year ended 31 December 1990 rose to £6.0m, an increase of 34% over last year and earnings per share also grew by 34% to 27.4p. In accordance with our stated aim that shareholders should participate in the success of the company, the Board proposes a final dividend of 7.5p per share, making a total of 10.5p for the year, up 23.5%

Our ten year record illustrates that our policy of tight financial control and prudent management ensures that we are able to achieve stable profits growth despite changing economic conditions. The record results of 1990 reflect continuing healthy organic growth from the core business, Household Cash Management, and the company's ability to maximise the benefits to be derived from high interest rates. In addition, in October 1990, the Group enlarged its client base by more than 2,000 customers through the acquisition of Moneycare and in December, our potential range of banking services was augmented by the acquisition of Arbuthnot Fund Managers.

Household Cash Management saw a net growth of approximately 3,700 customers during 1990 – considerably above the 2,000 clients per annum averaged in recent years. The increase is a result of an exceptional promotional campaign undertaken in 1990. This, together with the Moneycare customers, has increased our client base by some 6,000 taking the total to about 54,000.

All three areas of Secure Trust's insurance broking business – sickness & accident, motor and life – performed satisfactorily. The travel and retail business continued its decline in relation to the overall results but it maintained its importance as a contributor to customer satisfaction. In total, the commission income increased by 19%.

Throughout the credit operations, Secure Trust continued its policy of responsible lending which resulted in loan losses remaining minimal. In addition, the company decided to limit the provision of loans for weekly-paid motor insurance and the purchase of motor cars to established customers only.

In October we acquired Moneycare for a cost of £750,000. The business is identical to that of Secure Homes and consequently the client base can be serviced by the Group without its previously associated overhead costs. As a result, the Group is seeing a most satisfactory return on the capital employed in the Moneycare business.

In December we acquired both Arbuthnot Fund Managers and the Arbuthnot Latham name for a consideration of £625,000. Arbuthnot is a strategic investment intended to form the focal point for Secure Trust's expansion in the field of banking. However, in the tradition of Secure's cautious approach to the conduct of business, the expansion through Arbuthnot of our banking services will occur only when we believe the marketing opportunities and timing are right. We are confident that Arbuthnot Fund Managers has the potential to make a positive contribution to Secure Trust's profits in the medium term.

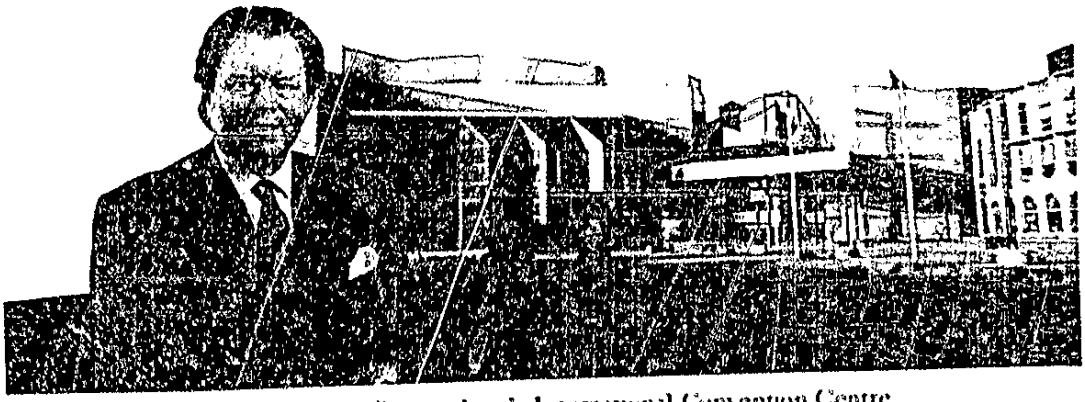
With the acquisition [illegible] Arlington Holdings acquired Clarence Finance, which [illegible] Secure Homes, the main operating subsidiary of Secure Trust Group. After the 1988 management buy-out of Secure Homes from Arlington, the Group subsequently obtained a full listing on the London Stock Exchange in December 1988.

At the forthcoming AGM shareholders will be asked to approve two special resolutions. The first is extending the authority granted last year allowing the company to issue a limited number of shares for cash. The second will authorise the company to repurchase up to 10% of its share capital within the limits contained in the resolution. This will give the company greater flexibility in managing its resources in the best interest of its shareholders.

Before closing, I wish to thank my colleagues and all employees of the Group for their efforts and commitment on behalf of the company. I believe that our success, in no small way, is due to our policy of sound, conservative management coupled with tight financial and administrative controls. The company is reaping the reward of its traditional and continuing policy of prudent management of resources and operations while pursuing a planned, controlled expansion programme. Our aim is to sustain our long record of continuing increased profits, not only in the short term but also over the longer term future. It is to be hoped that as we move into the [illegible] such objectives and performance will increasingly be afforded the value which they deserve.

Based on our proven ability to perform well under changing economic conditions, I remain confident that 1991 will be another good year for the Secure Trust Group.

Henry Angest
11 April 1991



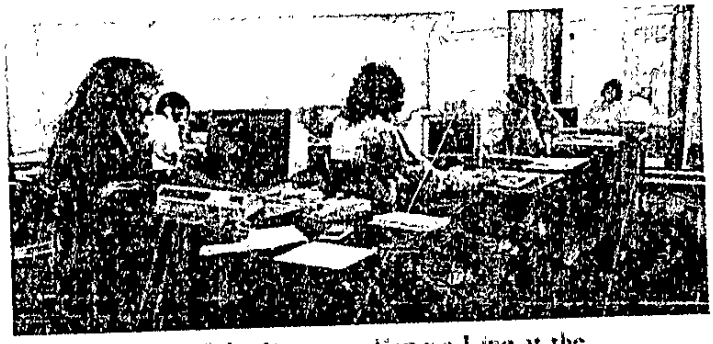
Background Birmingham's International Convention Centre

Review of Activities

Secure Trust Group, based in Birmingham, offers a wide range of personal financial services to individuals and businesses in the West Midlands. From small beginnings, dating back to [illegible], the Group has seen its activities spread into surrounding counties and has established a significant and growing presence in the East Midlands and Greater Manchester. The core business, promoted through the main operating subsidiary, Secure Homes, provides a specialist cash management service designed to relieve families of the administrative burden of household budgeting and bill-paying, and attempt them both convenience and peace of mind.

The foundation of the present Group was laid in 1952 with a concept introduced by a Birmingham firm of estate agents. In order to help weekly-paid home owners to budget for their rates and mortgage payments, they set up a savings scheme to spread these annual costs evenly throughout the year. This business was separately incorporated in 1954 as Secure Homes Limited. Gradually, this service has been expanded to its present scope which encompasses payment of the full range of household bills, as well as special arrangements for holidays and home shopping and facilities to pay insurance premiums and cash loan repayments. Secure Homes has for some years held a Banking Licence and alongside the development of that business the Group has expanded into insurance broking and lending.

In May 1989, following a management buyout, the company's name was changed to Secure Trust Group PLC. Since its flotation later that year, the company has made a series of acquisitions extending both its customer base and its range of financial services. The Group now operates from 17 offices



Part of the Customer Service Line at the Kings Heath Head Office.

throughout the Midlands and in the North of England. Several small household budgeting businesses in the Birmingham area have been acquired for cash and integrated within the Group including Moneycare in October 1990. The Group has also moved into the broader banking sector with the purchase of Arbuthnot Fund Managers in December 1990.

Household Cash Management

Careful management of their domestic budgets continues to be valued highly by our customers in a year when high interest rates prevailed and the Community Charge was introduced. This was evidenced by a year of strong growth for Secure Homes. 1990 thus represents our 37th consecutive year of growth which underlines the lasting appeal and inherent quality of our service. Our highly efficient and unique computer system administers accounts individually and enables us to enforce strict credit controls

In 1990 the customer base in this division saw a net organic growth of more than 5,700 customers. In addition, more than 2,000 customers joined Secure Homes with the acquisition of Moneycare, bringing the total to approximately 54,000.

Heathfield Finance provides both secured and unsecured loan facilities. The majority of loans are extended to our existing Secure Homes customer base where detailed knowledge of their financial circumstances enables us to minimise our risk. At the same time, we are able to advise our customers as to appropriate levels of borrowings. Loans are repayable over periods ranging from one to five years with repayments normally being made through customers' weekly or monthly Household Cash Management Accounts.

Insurance Broking

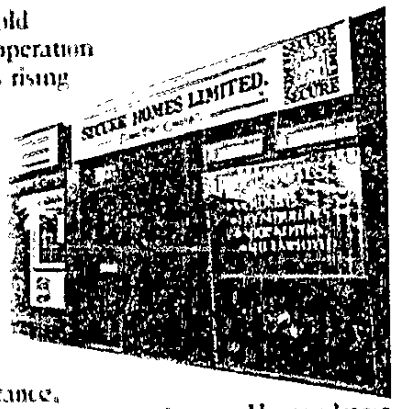
The Group owns a chain of specialist High Street motor insurance brokers operating as Auto and General Insurance Brokers. This business continued to perform well in 1990 expanding its customer base to some 24,000. Half of these are also customers of Secure Homes and are thus able to pay for their motor insurance through their Household Cash Management accounts.

Auto and General has opened two additional offices during the last year and now has 12 branches operating throughout the Midlands and in the North-West of England. Some premises are exclusive to the brokerage, while others are shared with Secure Homes.

Secure Homes customers continue to protect their regular household payments through our sickness & accident insurance scheme. This operation expands pro rata to the number of account holders and also grows as rising household costs warrant increased levels of individual cover.

Travel and Retail

In 1990 customers continued to take advantage of the ability to spread the cost of their Pickfords holidays and Secure Homes retail purchases by budgeted payments through their accounts. In addition, a strong demand continued for the tours offered by the Secure Homes Travel Club.



Secure Homes latest Branch Office situated in Redditch.

Mortgage, Life Assurance, Pensions

Complementing the range of personal financial services, life assurance, pensions and mortgages were introduced to the product range in 1988 through a tied agency with Royal Life Assurance. This specialist division has shown steady growth and is continuing to attract non-Secure Homes customers as well.

To counteract slowness in the mortgage market caused by high interest rates, the provision of remortgages, low-start mortgages and equity release schemes continues.

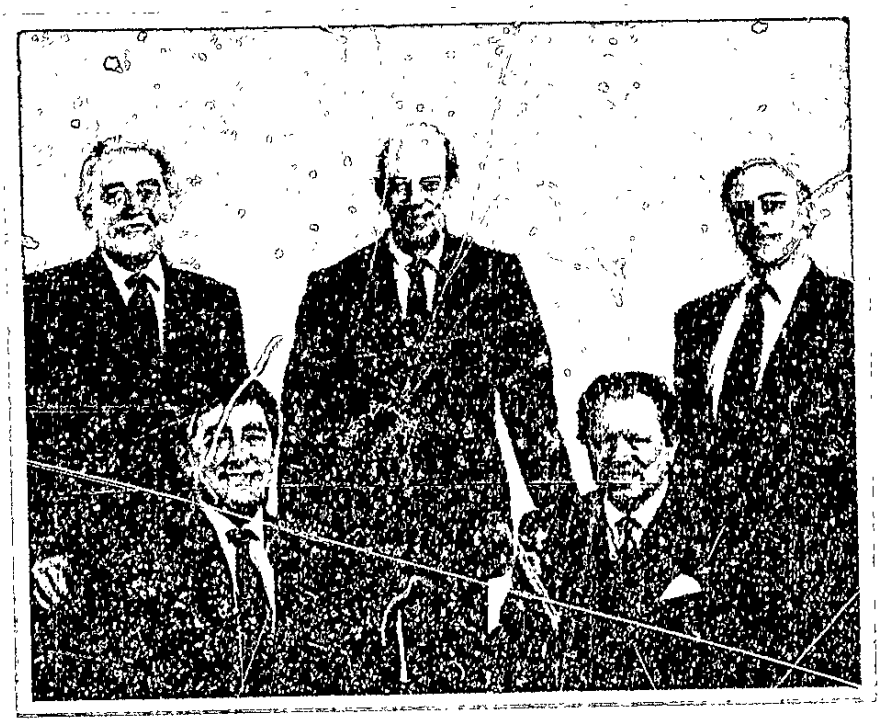
Arbuthnot Fund Managers

Arbuthnot Fund Managers Limited is a new subsidiary of Secure Trust Group and extends the Group's interests into fund management, particularly for small and large private clients, charitable funds, trusts and small pension schemes. Arbuthnot Fund Managers has sophisticated computer systems to give its clients a first class administration service and provides fund management skills which ensure that the needs of the individual client are met.

This summary of activities covers the full range of services currently provided. The product range is subject to constant review, improvement and expansion.

Directors and Advisers

Directors	Henry Angest, *Chairman and Chief Executive* Ronald Paston Thomas Anthony O'Malley *Non-executive* Robert Felix Erith, *Non-executive* Nicholas Charles Talbot Rice, *Non-executive*
Secretary	Jeremy Robin Kaye, F.C.I.S.
Registered Office	23-27 Heathfield Road, Kings Heath, Birmingham B14 7BY Telephone: 021-443 1188 Facsimile: 021-444 8551
Financial Advisers	Charterhouse Bank Limited 1 Paternoster Row, St Paul's, London EC4M 7DH
Joint Stockbrokers	Charterhouse Tilney 1 Paternoster Row, St Paul's, London EC4M 7DH Albert E. Sharp & Co. Edmund House, 12 Newhall Street, Birmingham B3 3ER
Auditors	Coopers & Lybrand Deloitte Chartered Accountants, 35 Newhall Street, Birmingham B3 3DX
Principal Bankers	Barclays Bank PLC 38 Hagley Road, Edgbaston, Birmingham B16 8NY
Registrars	Regis Registrars Limited Balfour House, 390-398 High Road, Ilford, Essex IG1 1NQ



Henry Angest

Ron Paston

Tom O'Malley

Bob Erith

Nick Talbot Rice

Principal Activities

Results and Dividends

Acquisitions

Share Capital

Date	Employees	No. of Shares	Price

Substantial Shareholders

Holder	Ordinary Shares	%

Directors

Beneficial Interests

	31 December 1990	%	1 January 1990

Non-beneficial Interests

	31 December 1990	1 January 1990

Employees

Status

Auditors

BY ORDER OF THE BOARD

J. R. Brand

J. R. BRAND

Secretary

11 March 1991

Consolidated Profit and Loss Account

		1990 £000	
Gross Income		12,501	
[illegible]		6,457	
Operating Profit		6,044	
[illegible]		(14)	
Profit on ordinary activities before taxation	3	6,030	
[illegible]	4	2,140	
Profit on ordinary activities after taxation		3,890	
Dividends	5	1,490	
Retained Profit for the year	14	2,400	
[illegible]	6	27.4p	

Consolidated Balance Sheet

		1999	
		4000	
		987	
Current Assets			
		7,645	
		12,822	
		4,431	
		24,098	
Current Liabilities			
Creditors		20,826	
Net Current Assets		**3,272**	
Total Assets Less Current Liabilities		**4,239**	
Creditors			
		25	
		4,214	
Provision for Liabilities and Charges			
		306	
		3,908	
Capital and Reserves			
		142	142
		9,360	
	14	5,555	
Shareholders' Funds Gross		**15,057**	
		11,149	11,149
Shareholders' Funds Net		**3,908**	

[illegible] approved by the Board of directors on 11 April 1999 and [illegible]

[illegible]

[illegible]

4/99

Company Balance Sheet

		1990	
		£000	
Fixed Assets			
[illegible]		13,625	
Current Assets			
[illegible]		2,147	
[illegible]		343	
[illegible]		5	
		2,495	
Current Liabilities			
Creditors: [illegible]	10	1,926	
Net Current Assets		569	
		14,194	
Capital and Reserves			
Called up share capital	13	142	142
Share premium account		9,360	[illegible]
Profit and loss account	14	4,692	[illegible]
Shareholders' Funds		14,194	13,098

The financial statements on pages 12 to 22 were approved by the board of directors on 11 April 1991 and are signed on its behalf by:

H. Angest
R. Paston
} Directors

Consolidated Statement of Source and Application of Funds

For the year ended 31 December [illegible]

	[illegible]	[illegible]
	£000	[illegible]
[illegible]	6,030	[illegible]
[illegible]		
[illegible]		
[illegible]	227	[illegible]
[illegible]	3	[illegible]
Funds Generated from Operations	6,260	[illegible]
Funds from Other Sources		
[illegible]	39	[illegible]
[illegible]	—	[illegible]
	6,299	[illegible]
Application of Funds		
[illegible]	50	[illegible]
Dividends paid	1,277	[illegible]
Purchase of fixed assets	274	[illegible]
Taxation paid	18	[illegible]
Purchase of goodwill	899	[illegible]
Total Application of Funds	2,518	[illegible]
Net Source of Funds	3,781	[illegible]
Represented by:		
Increase/(Decrease) in Working Capital		
Debtors	2,544	[illegible]
Creditors	306	[illegible]
Short term investments and other net liquid funds	931	[illegible]
	3,781	[illegible]

Summary of the effect of acquisitions:

Net assets acquired:	
Fixed assets	31
Goodwill	899
Debtors	214
Short term investments and other liquid funds	1,130
Creditors	(857)
	1,417

Discharged by:	
Cash	1,417
	1,417

Basis of accounting

Basis of consolidation

Gross income

Depreciation

Deferred taxation

Deferred taxation is provided, using the liability method, on the timing differences to the extent that it is probable that a liability will crystallise in the foreseeable future.

Goodwill

Goodwill arising on the acquisition of Scure Homes Limited in 1985 is dealt with as a negative reserve in the consolidated balance sheet.

Other goodwill, purchased or arising on acquisition, is written off to income for the year in which it arises.

Pensions

The Group contributes to individual defined benefit and defined contribution pension schemes for the benefit of certain employees. The Group's contributions, which are determined annually based on actuarial recommendations, are charged against profits in the year in which they are made.

Gross income and Profit on Ordinary Activities before Taxation

	1990	
	4,030	
	5,985	
	3,325	
	3,691	
	12,501	
	26	
	227	
	49	
	—	
	3	
	6	
	—	

Directors and Employees

Wages and salaries	1,873	
Social security costs	159	
Other pension costs	134	
	2,166	

Directors' remuneration

The remuneration paid to directors was:

Fees	21	15
Other emoluments and pension contributions	315	293
	336	308

Fees and other emoluments disclosed above (excluding pension contributions) of these amounts paid to:

The Chairman and highest paid director	121	108

The directors received emoluments in the following ranges:

	Number	Number
Up to £5,000	—	1
£5,001-£10,000	2	1
£10,001-£15,000	1	1
£100,001-£105,000	—	1
£115,001-£120,000	1	
£120,001-£125,000	1	

Mr N. C. Talbot Rice is a director of SI MEI Equity Ventures Ltd which received an annual fee of £30,000 in respect of his services (1989 £7,500).

	1990 £000	
Interest Payable		
	10	
	4	
	14	

4 Taxation

	2,026	
	(45)	
	149	
	2,140	

5. Dividends

Ordinary paid	3.0p (1990 2.5p)	426	
Ordinary proposed	7.5p (1990 6.0p)	1,064	
		1,490	

6 Earnings Per Share

	1990	
Weighted number of shares in issue during the year	14,186,794	
Profit after taxation	£3,809,450	
Earnings per share	27.4p	20.4p

7. Fixed Assets

Company	1990 £000	1989 £000
Investment in Subsidiaries		
Shares at cost		
Secure Homes and its subsidiaries (note 18)	13,000	13,000
Arbuthnot Fund Managers Limited	625	
	13,625	13,000

Cost of subsidiaries acquired comprises	Fair value to the Group £000
Fixed Assets	31
Debtors	214
Short term investments and other liquid funds	1,130
Creditors	(857)
	518
Add goodwill written off (note 14)	899
	1,417

Tangible Fixed Assets

Cost					
[illegible]					
[illegible]					
[illegible]					
[illegible]	259	6	1,092	394	1,751
Depreciation					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	15	0	654	105	774
Net Book Value					
[illegible]	244	6	438	279	967
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

9 Debtors

	Group		Company	
	1990	1989	1990	1989
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	4,834	3,471	—	—
Amounts owed by subsidiaries	—	—	1,100	500
Corporation tax repayable	—	—	1,042	934
Prepayments and accrued income	1,195	663	5	—
	6,029	4,134	2,147	1,434
Amounts falling due after more than one year:				
Trade debtors	1,616	967	—	—
	7,645	5,101	2,147	1,434

Creditors: Amounts falling due within one year

	1990 £000		1989 £000	
[illegible]	30		—	
[illegible]	14,686		—	
[illegible]	—		790	
[illegible]	1,064		1,056	
[illegible]	4,000		—	
[illegible]	50		—	
[illegible]	596		78	
	20,026		1,926	

11 Creditors: Amounts falling due after more than one year

	1990 £000	1989 £000
Unsecured loan notes repayable by instalments within five years of balance sheet date		
Repayable in		
1992	25	45
1993	—	15
	25	60

Interest is payable on the unsecured loan notes (also included in note 10) at Barclays Bank PLC higher deposit rate

12 Deferred Taxation

At 1 January 1990	157	123
Transfer to profit and loss account	149	34
At 31 December 1990	306	157

The amounts provided for deferred taxation which is the full potential liability for the Group (Company nil potential liability), calculated on the liability method are set out below:

Accelerated capital allowances	24	41
Accrued interest	342	165
Other timing differences	(60)	(49)
	306	157

Share Capital

	1990 £000	
[illegible]	4,084	
[illegible]	142	

14 Profit and Loss Account

	[illegible]	[illegible]
	£000	£000
At 1 [illegible]	4,054	3,598
Retained profit for the year	2,403	1,096
Goodwill on acquisitions written off	(899)	—
At 31 December	5,555	4,694

15 Capital Commitments

Capital commitments for the Group (Company £Nil), for which no provision has been made in the financial statements were as follows:

	1990 £000	[illegible] £000
Contracted for	51	13
Authorised but not contracted for	—	—

16 Other Financial Commitments

The Group had annual commitments under non-cancellable operating leases as follows (Company £Nil):

Expiring between two and five years	32	38

17. Pension Arrangements

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

The total charge for pensions costs was shown in note 2. The [illegible] contributions due to the schemes but not paid over at 31 December [illegible]

18. Principal Subsidiary Companies

At 31 December 1990 the Company, either itself or through its subsidiaries, was the beneficial owner of all of the equity share capital of the following companies, all of which operate and are incorporated in Great Britain:

Secure Homes Limited and its subsidiaries:
- Auto and General Insurance Brokers (1971) Limited
- Heathfield Finance Limited
- Secure Homes Services Limited
- Secure Travel Limited

Arbuthnot Fund Managers Limited (on 12 February 1991, the Company's shareholding was reduced to 25%).

Auditors' Report

[illegible]

[illegible]

Cates Stylus Deloitte

[illegible]

[illegible]

BIRMINGHAM

11 April 19[illegible]

Notice of Meeting

NOTICE IS HEREBY GIVEN

Special Business

7 [illegible]

[illegible] the directors [illegible] pursuant to Section [illegible] Companies Act [illegible] Section [illegible] Companies Act [illegible] power shall be limited

(i) to the allotment of equity securities in connection with an 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 £7,093

and 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.

8 [illegible] Companies Act [illegible] General Meeting [illegible] passed [illegible] Companies Act [illegible] the power [illegible] will or may [illegible] pursuant to [illegible] this authority

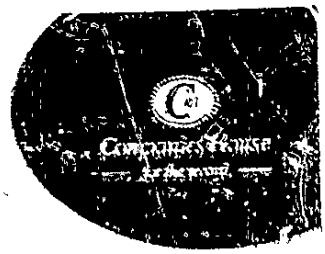
33-37 Heathfield Road
Kings Heath
Birmingham B14 7BY
26 April 1991

By Order of the Board
C. J. Hayes
Secretary

Note

1) A member entitled to attend and vote may appoint a proxy or more proxies to attend and on a poll, vote on his behalf. A proxy need not be a member of the Company.

2) Copies of the service contracts of directors 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 the meeting and at the meeting.



Crown Way Cardiff CF14 3UZ
www.companieshouse.gov.uk

NOTICE OF ILLEGIBLE DOCUMENTS

Companies House regrets that documents in this company's microfiche record have pages which are illegible.

This has been noted but unfortunately steps taken to rectify this were unsuccessful.

Companies House would like to apologise for any inconvenience this may cause.

COMPANY INFORMATION SUPPLIED BY COMPANIES HOUSE

Companies House is a registry of company information. We carry out basic checks to make sure that documents have been fully completed and signed, but we do not have the statutory power or capability to verify the accuracy of the information that companies send to us. We accept all information that companies deliver to us in good faith and place it on the public record. The fact that the information has been placed on the public record should not be taken to indicate that Companies House has verified or validated it in any way.