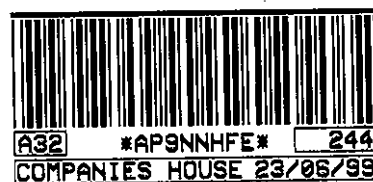


**ARBUTHNOT COMMERCIAL  
FINANCE LIMITED**

**REG. NO: 2885198**



# Arbuthnot Commercial Finance Limited

## Directors Report

The Directors submit their report and the financial statements for the year ended 31st December 1998 together with comparative figures for the year to 31st December 1997.

### 1. Activities

The principal activity of the Company is the factoring of book debts which is unchanged from last year.

### 2. Results for the Year

The Profit and Loss Account is set out on page 4. The directors do not recommend payment of a dividend.

The Company's target market continues to be the small business sector. Both the level of business and the year end financial position remain satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

### 3. Directors and their Interests

The directors who served on the Board during the year were:

H Angest  
P T Black  
S J Lockley  
R Paston  
R J J Wickham

Chairman  
Managing Director

The interests of directors in the ordinary £1 shares of the Company were as follows:

	At 31st December 1998	At 1st January 1998
P T Black	30,000	30,000

H Angest, S J Lockley, R Paston and R J J Wickham are directors of Secure Trust Banking Group PLC, the ultimate holding company, and accordingly their interests are dealt with in the report of that company.

On 1st January, 1999 R M Taylor was appointed as a director.

# Arbuthnot Commercial Finance Limited

## Directors Report (continued)

### 4. Year 2000

The Directors are aware of the detailed issues surrounding the Year 2000 problem. All business critical systems have been identified and are being addressed.

The cost of the work is not considered to be significant and is being charged to the profit and loss account as incurred.

### 5. Auditors

The auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the Directors appointed the new firm, PricewaterhouseCoopers, as auditors.

A resolution to reappoint PricewaterhouseCoopers 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.

### 6. Statement of Directors' Responsibilities

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

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of these financial statements for the year ended 31st December 1998. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



J R Kaye  
Secretary  
17<sup>th</sup> March, 1999

# Arbuthnot Commercial Finance Limited

## Report of the auditors to the members of Arbuthnot Commercial Finance Limited

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report, including as described on page 2 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.


### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31st December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
Maidstone  
31 March, 1999.

# Arbuthnot Commercial Finance Limited

## PROFIT AND LOSS ACCOUNT

For the Year ended 31st December 1998

		1998	1997
	Notes	£	£
Turnover	2	910,128	615,821
Administrative Expenses		<u>(599,614)</u>	<u>(455,071)</u>
Operating Profit	3	310,514	160,750
Interest Receivable		26,913	8,886
Interest Payable	6	<u>(204,810)</u>	<u>(88,682)</u>
Profit on ordinary activities before tax		132,617	80,954
Tax on profit on ordinary activities	7	<u>(46,290)</u>	<u>(28,189)</u>
Retained profit for the year	13	<u>86,327</u>	<u>52,765</u>

The results above are all in respect of continuing activities.

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

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

The notes on pages 6 to 10 form part of these financial statements.


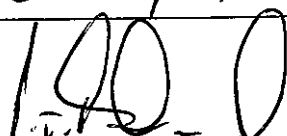
# Arbuthnot Commercial Finance Limited

## BALANCE SHEET

As at 31st December 1998

	Notes	1998 £	1997 £
<b>Tangible fixed assets</b>	8	89,355	68,712
<b>Current assets</b>			
Debtors	9	5,899,085	3,515,987
Cash at Bank and in hand		552,448	185,076
		<u>6,451,533</u>	<u>3,701,063</u>
<b>Creditors</b>			
Amounts falling due within one year	10	<u>(3,665,695)</u>	<u>(3,330,909)</u>
Net current assets		<u>2,785,838</u>	<u>370,154</u>
<b>Total assets less current liabilities</b>		<u>2,875,193</u>	<u>438,866</u>
<b>Creditors: Amounts falling due after one year</b>	11	<u>(2,350,000)</u>	<u>-</u>
<b>Net Assets</b>		<u><u>525,193</u></u>	<u><u>438,866</u></u>
<b>Capital and Reserves</b>			
Called up share capital	12	500,000	500,000
Profit and Loss Account	13	25,193	(61,134)
<b>Equity shareholders' funds</b>	14	<u><u>525,193</u></u>	<u><u>438,866</u></u>

The financial statements on pages 4 to 10 were approved by the board of directors on, 17<sup>th</sup> March 1999 and were signed on its behalf by:

  
 \_\_\_\_\_ H Angest )  
 \_\_\_\_\_ )  
 \_\_\_\_\_ ) Directors  
 \_\_\_\_\_ )  
  
 \_\_\_\_\_ P T Black )

# Arbuthnot Commercial Finance Limited

## Notes to the Financial Statements for the year ended 31st December 1998

### 1. 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, is set out below.

#### a) Basis of Accounting

The accounts of the Company have been prepared in accordance with the historical cost convention.

#### b) Depreciation

Depreciation is charged on a straight line basis, from the month of purchase, to write down the cost of fixed assets over their estimated useful lives, at an annual rate of 25%.

#### c) Pensions

The Company contributes to individual personal pension schemes for the benefit of certain employees. The contributions are charged against profits in the year they are made.

#### d) Operating Leases

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

#### e) Provision for bad and doubtful debts

Specific provisions are made against amounts 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 but have not been specifically identified.

#### 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) Cashflow Statement

The company is a 90% owned subsidiary of Secure Trust Banking Group PLC and the cash flows of the Company are included in the consolidated cash flow statement of Secure Trust Banking Group PLC. Consequently the Company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.

### 2. Turnover

Turnover, which excludes value added tax, represents administrative and discount income on debts purchased from clients who operate in the United Kingdom.

### 3. Operating Profit

The operating profit of the Company is stated after charging/(crediting) the following items:

	1998	1997
	£	£
Depreciation of Tangible Fixed Assets	32,480	36,781
Auditors' remuneration for: Audit	11,000	9,000
Other	-	1,990
Operating Lease Rentals	7,500	7,500
Loss/(Profit) on sale of fixed assets	273	(3,086)

# Arbuthnot Commercial Finance Limited

## Notes to the Financial Statements for the year ended 31st December 1998

### 4. Staff Costs

	1998 £	1997 £
Wages and Salaries	273,763	192,036
Social security Costs	22,550	16,833
Pension Costs	19,429	13,540
	<u>315,742</u>	<u>222,409</u>

The number of full time staff (including an executive director) employed at the year end was 15 (1997:13) and the average number during the trading period was 14 (1997:12).

### 5. Directors' Remuneration

	£	£
Remuneration for directors' service to the Company:		
Management remuneration	72,564	62,555
Pension contributions	6,633	5,750

The emoluments of Messrs Angest, Lockley, Paston & Wickham are paid by the immediate parent company which makes no re-charge to the Company. Their emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the parent company.

Retirement benefits paid by the Company are accruing to 1 director under a money purchase scheme.

### 6. Interest Payable

	1998 £	1997 £
On overdrafts and loans	204,703	88,682
Other	107	-
	<u>204,810</u>	<u>88,682</u>



# Arbuthnot Commercial Finance Limited

## Notes to the Financial Statements for the year ended 31st December 1998

### 7. Taxation

	1998 £	1997 £
United Kingdom corporation tax at 31% (1997: 31.5%)	46,296	29,829
Prior year adjustment	(6)	(1,640)
	<u>46,290</u>	<u>28,189</u>

The Company has no actual or potential liability in respect of deferred taxation.

### 8. Tangible Fixed Assets

Cost	Motor Cars £	Computer Equipment £	Furniture & Equipment £	Premises Improve- ments £	Total £
At 1st January 1998	59,063	81,327	12,445	1,136	153,971
Additions	35,895	21,031	1,470	-	58,396
Disposals	(11,504)	-	-	-	(11,504)
At 31st December 1998	<u>83,454</u>	<u>102,358</u>	<u>13,915</u>	<u>1,136</u>	<u>200,863</u>
<b>Depreciation</b>					
At 1st January 1998	11,721	63,835	8,830	873	85,259
Disposals	(6,231)	-	-	-	(6,231)
Charge for Year	19,472	10,577	2,168	263	32,480
At 31st December 1998	<u>24,962</u>	<u>74,412</u>	<u>10,998</u>	<u>1,136</u>	<u>111,508</u>
Net book value at 31st December 1998	<u>58,492</u>	<u>27,946</u>	<u>2,917</u>	<u>-</u>	<u>89,355</u>
Net book value at 31st December 1997	<u>47,342</u>	<u>17,492</u>	<u>3,615</u>	<u>263</u>	<u>68,712</u>

### 9. Debtors

	1998 £	1997 £
Factor Debtors	5,865,853	3,487,593
Amount due from fellow subsidiaries	1,511	1,511
Prepayments and accrued income	31,721	26,883
	<u>5,899,085</u>	<u>3,515,987</u>

# Arbuthnot Commercial Finance Limited

## Notes to the Financial Statements for the year ended 31st December 1998

### 10. Creditors: amounts falling due within one year

	1998 £	1997 £
Bank Loans	500,000	500,000
Amounts due to clients	3,023,127	1,836,288
Due to Parent Company	-	900,000
Corporation Tax	46,296	29,829
Other taxation & Social Security	21,987	12,995
Other creditors	26,120	4,719
Accruals	48,165	47,078
	<u>3,665,695</u>	<u>3,330,909</u>

### 11. Creditors: amounts falling due after more than one year

	1998 £	1997 £
Due to Parent Company	2,000,000	-
Bank Loans	350,000	-
	<u>2,350,000</u>	<u>-</u>

The amount due to the parent company has no fixed date for repayment. At the balance sheet date the Company has received confirmation that repayment will not be required in 1999. The Bank facilities are not repayable until August 2001. Interest is payable on both facilities at rates linked to standard market rates.

### 12. Called up share capital

	1998 £	1997 £
Authorised:		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid:		
500,000 ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>

# Arbuthnot Commercial Finance Limited

## Notes to the Financial Statements for the year ended 31st December 1998

### 13. Profit and Loss Account

	£
At 1st January 1998	(61,134)
Profit for the financial year	86,327
At 31st December 1998	<u>25,193</u>

### 14. Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Opening shareholders' funds	438,866	386,101
Profit for the year	86,327	52,765
Closing shareholders' funds	<u>525,193</u>	<u>438,866</u>

### 15. Operating Lease commitments.

Annual commitments under non-cancellable operating leases

	1998 £	1997 £
Land & Buildings - expiring in less than 1 year	2,250	3,750
- expiring between two and five years	18,100	Nil

### 16. Related Party Transactions

The Company has taken advantage of the exemptions available under Financial Reporting Standard No. 8 Related Party Transactions from disclosing transactions and balances which eliminate on consolidation in the ultimate parent company's accounts.

### 17. Ultimate Parent Company

The directors regard Secure Trust Banking Group PLC, a company registered in England and Wales, as the ultimate parent company and controlling party since it holds 90% of the Company's issued equity capital. Copies of the parent's consolidated financial statements may be obtained from The Secretary, Secure Trust Banking Group PLC, Paston House, Arleston Way, Solihull, B90 4LH.