



Arbuthnot Latham & Co., Limited

Report and financial statements
for the year ended 31st December 2000



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Company Information

Directors

Henry Angest (Chairman)
Stephen J Lockley (Chief Executive)
Brian C Collis
Allan M James
Roger J Keast
Wayne B Mathews
Brian Rout
A Colin Wakelin
Andrew S Whitton
Robert J J Wickham

Secretary

Jeremy R. Kaye F.C.I.S.

Registered office

Royex House
Aldermanbury Square
London
EC2V 7NU

Auditors

PricewaterhouseCoopers
Southwark Towers
32 London Bridge Street
London
SE1 9SY

Chairman's Statement

The year 2000 has proved to be another period of excellent progress for the bank, with profits rising by 32% over 1999. Our skilled and dedicated team of bankers and specialists has taken full advantage of the opportunities provided by a favourable economic environment and business volumes have risen significantly.

As a result of our success in attracting new clients, as well as additional business from existing clients, total assets at 31 December 2000 exceeded £125 million, a rise of 14% over the previous year. Loans and advances to customers increased by a creditable 26% to £61 million, whilst deposits by banks and customers exceeded £100 million for the first time, rising by 15% to £106 million.

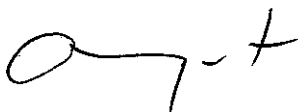
Combined with the beneficial effect of higher average base rates during the year, this growth in client balances led to a rise of 30% in net interest income. Our operating subsidiaries, which provide fund management, insurance services, advice on pensions and investments, and offshore trust services all performed well. However, we made a conscious decision this year to restrict the level of dividends they paid to the bank in order to provide resources to fund their ongoing growth. Therefore, total income of the bank grew by 11%, whilst growth in costs was restricted to only 7%.

These results reflect the considerable amount of hard work put in by all of our staff, not only over the past 12 months but also in earlier years to lay the foundations for this success. On behalf of the Board I would like to express my gratitude for their ongoing commitment and loyalty.

Growth at the level which we have experienced over recent years inevitably makes demands of a bank's risk management systems and I am pleased to say that our controls have continued to operate robustly, whilst not stifling our growth potential. This achievement is attributable in particular to the input of our Risk Management Director, Brian Collis, who will be retiring during the course of 2001. I thank Brian for the significant contribution he has made to the bank over the past 6 years and wish him well in retirement. I am pleased that we have secured the services of Clive Moore, previously Chief Operating Officer of Credit Agricole Indosuez Private Banking, as Risk Management Director Designate.

Brian Rout joined the Board in January 2001 with particular responsibility for business development in our fund management and corporate finance activities. He brings to the Group many years' experience of senior management roles in financial institutions. I welcome both Brian Rout and Clive Moore to the bank.

Turning to the future, I am encouraged by the growing number of external commentators who have observed that discerning private and business clients are looking increasingly for the personal touch which seems to have deserted so many aspects of today's banking market. As I said in my Chairman's statement last year, our emphasis on relationship banking, underpinned by high standards of service, is the very cornerstone of Arbuthnot Latham's philosophy for dealing with clients. It is this, more than anything else, that sets us apart from the large financial institutions and which has enabled us to continue attracting and retaining new clients. I believe that we have a winning formula and I look forward to the future with considerable confidence.



Henry Angest
21st March, 2001

Directors

Henry Angest Chairman

Chairman and Chief Executive of Secure Trust Banking Group PLC. He is also Chairman of Secure Trust Bank PLC and other Group companies, Chairman of the Banking Committee of the London Investment Banking Association, a member of the Council and the Policy and Executive Committee of the Institute of Directors and a Non-executive Director of Parity Group plc.

Stephen Lockley Chief Executive

Group Finance Director of Secure Trust Banking Group PLC since 1994. He is a Chartered Accountant and was previously a Director of Charterhouse Bank Limited.

Brian Collis Risk Management Director

Joined the bank in November 1994 following 34 years with Midland Bank plc, during which time he held several senior positions.

Allan James Banking Director

He has 28 years experience in banking and was previously Managing Director of Investec Bank (UK) Limited for 4 years.

Roger Keast Non-executive Director

Senior Partner of Stephens & Scown, Solicitors, an Alderman of the City of Exeter and its former Mayor. He is also Chairman of South West Industrial Crops Limited and a Non-executive Director of several West Country companies.

Wayne Mathews Finance Director

He is a Chartered Accountant. Prior to joining the bank in 1990, he held positions in leading accountancy firms and Midland Bank plc.

Brian Rout Director

He is responsible for corporate development. He was formerly Joint Managing Director of The Throgmorton Trust PLC, a Director of Framlington Holdings Limited and Deputy Chairman of The Halladale Group PLC. He is a Non-executive Director of Intrinsic Value PLC.

Colin Wakelin Non-executive Director

Formerly Chief Executive and Deputy Chairman of Investec Bank (UK) Limited, he is also a Non-executive Director of Secure Trust Banking Group PLC.

Andrew Whitton Private Banking Director

He has 29 years experience in banking, working for Midland Bank and American Express Bank before joining the bank in 1982.

Robert Wickham Non-executive Director

He was the London General Manager of Bank of Scotland until December 1993. He is also a Non-executive Director of Secure Trust Banking Group PLC, Luminar PLC and Rutland Trust Plc.

Directors' Report

The Directors present their annual report and audited financial statements of Arbuthnot Latham & Co., Limited for the year ended 31st December, 2000.

Principal activities

Arbuthnot Latham & Co., Limited is an authorised institution under the Banking Act 1987. It provides banking services in the United Kingdom and, through subsidiaries, fund management, pensions and investment management and insurance broking services in the United Kingdom, and trust services in Guernsey.

Business review

A review of the bank's operations, including an indication of future developments is set out in the Chairman's Statement on page 3.

Financial results

The retained profit for the period was £1,009,000 (1999: £767,000). The Directors do not recommend the payment of a dividend for the year (1999: Nil) and the retained profit has been added to reserves.

Tangible fixed assets

Movements in tangible fixed assets during the year are shown in note 14 to the financial statements.

Directors

The Directors of the Company who served during the whole year were as follows:

H Angest
BC Collis
AM James
RJ Keast
SJ Lockley
WB Mathews
R Paston
A C Wakelin
AS Whitton
RJJ Wickham

R Paston retired as a director on 31st December 2000. On 22nd January 2001 B Rout was appointed as a Director and, in accordance with the Articles of Association, he retires and, being eligible, offers himself for re-election. The Directors due to retire by rotation are H Angest, AC Wakelin and AS Whitton who, being eligible, offer themselves for re-election.

Directors' interests

None of the Directors has any beneficial interest in the shares of the Company.

The interests of H Angest, SJ Lockley, R Paston, AC Wakelin and RJJ Wickham in the share capital of Secure Trust Banking Group PLC are shown in the Directors' Report of that Company.

Directors' interests (continued)

The interests of Directors in the ordinary shares of Secure Trust Banking Group PLC requiring disclosure under the Companies Act 1985 are as follows:

	1st January 2000		31st December 2000	
	Shares	Share Options	Shares	Share Options
BC Collis	-	4,000	-	4,000
WB Mathews	-	4,000	-	4,000
AS Whitton	549	4,000	549	4,000

No share options were granted or exercised during the year.

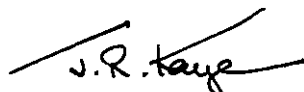
Insurance of Directors

Insurance has been maintained for the Directors of Arbuthnot Latham & Co., Limited in respect of their duties as Directors of the Company.

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.

By order of the Board



JR Kaye
21st March, 2001

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 as at the end of the financial year and of the profit of the Company for the year. The financial statements have been prepared on a going concern basis.

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 for the year ended 31st December, 2000.

The Directors also confirm that applicable accounting standards have been followed.

In addition, the Directors are responsible for keeping proper accounting records, safeguarding the assets of the Company and taking reasonable steps to prevent and detect fraud or any other irregularities.

Report of the Auditors

To the members of Arbuthnot Latham & Co., Limited

We have audited the financial statements on pages 9 to 19.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Annual Report. As described on page 7, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom 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 United Kingdom 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 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.

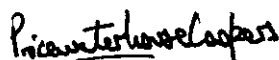
Basis of audit opinion

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 as at 31 December 2000 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
London, 21st March, 2001

Profit & Loss Account
for the year ended 31st December, 2000

		Year ended 31st December, 2000 £000	Year ended 31st December, 1999 £000
	Notes		
Interest receivable			
- interest receivable and similar income arising from debt securities		836	508
- other interest receivable and similar income		6,412	4,812
Interest payable		<u>(4,016)</u>	<u>(2,835)</u>
Net interest income		3,232	2,485
Dividend income		30	209
Fees and commissions receivable		1,691	1,737
Fees and commissions payable		(179)	(153)
Other operating income		<u>2</u>	<u>10</u>
Operating income		4,776	4,288
Administrative expenses	1	<u>3,473</u>	<u>3,067</u>
Depreciation	14	<u>206</u>	<u>241</u>
Charge for provisions for bad and doubtful debts	9	<u>88</u>	<u>213</u>
		<u>3,767</u>	<u>3,521</u>
Profit on ordinary activities before taxation	3	1,009	767
Taxation on profit on ordinary activities	5	<u>-</u>	<u>-</u>
Profit on ordinary activities after taxation	19	<u><u>1,009</u></u>	<u><u>767</u></u>

All of the above operations are continuing.

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

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

The notes on pages 13 to 19 form part of these financial statements.

Balance Sheet
as at 31st December, 2000

	Notes	31st December, 2000	31st December, 1999
		£000	£000
Assets			
Cash and balances at central banks		139	84
Loans and advances to banks and building societies	7	42,090	41,203
Loans and advances to customers	8	61,373	48,899
Debt securities	12	13,500	12,500
Investment in subsidiary undertakings	13	7,199	6,188
Tangible fixed assets	14	528	540
Other assets		366	743
Prepayments and accrued income		729	565
		<hr/>	<hr/>
Total assets		<u>125,924</u>	<u>110,722</u>
Liabilities			
Deposits by banks	15	13,927	12,297
Customer accounts	16	92,005	79,739
Other liabilities		1,735	1,432
Accruals		362	368
		<hr/>	<hr/>
Called up share capital	17	13,775	13,775
Share premium account		81	81
Profit & loss account	19	4,039	3,030
		<hr/>	<hr/>
Equity shareholders' funds	18	17,895	16,886
		<hr/>	<hr/>
Total liabilities		<u>125,924</u>	<u>110,722</u>
Memorandum items			
	20		
Contingent liabilities			
- guarantees		478	384
- other contingent liabilities		8	16
		<hr/>	<hr/>
		<u>486</u>	<u>400</u>
		<hr/>	<hr/>
Commitments		<u>4,730</u>	<u>3,797</u>

The financial statements on pages 9 to 19 were approved by the Board of Directors on 21st March, 2001 and signed on its behalf by:

H Angest - Chairman

WB Mathews - Finance Director



Accounting Policies

- a) **Basis of accounting**
The financial statements of the Company have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to banking companies and applicable Accounting Standards and Statements of Recommended Practice. These have been applied consistently. The Company has taken advantage of section 228 (1) of the Companies Act 1985 and has not produced consolidated financial statements since it is a wholly owned subsidiary undertaking of another United Kingdom registered company. The financial statements have been prepared under the historical cost convention.
- b) **Depreciation**
Fixed assets are depreciated using the straight line method over their economic lives at the following rates:
- Furniture, fittings and equipment - between 20% and 33% per annum
Motor vehicles - 25% per annum.
- c) **Loans and advances**
Loans and advances are stated net of provisions for bad and doubtful debts. Where it is doubtful that interest earned on loans and advances is collectable, it is credited to a suspense account and excluded from the profit & loss account.
- d) **Bad and doubtful debts**
Specific provisions are made against amounts due from customers when, in the opinion of the Directors, full repayment is considered to be unlikely. A general provision is maintained to provide cover for possible unidentified losses that are inherent in any portfolio of bank lending. Loans and advances are held on the balance sheet and are only written off when, in the opinion of the Directors, further recoveries are unlikely.
- e) **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 & loss account.
- f) **Pension commitments**
Contributions to the Secure Trust Pension Scheme, a defined contribution scheme, have been charged to the profit & loss account in accordance with the contribution rates agreed with the individual employees (See Note 23).
- g) **Deferred tax**
Deferred taxation is provided on all timing differences to the extent that they are expected to reverse in the foreseeable future and is calculated at the rate at which it is estimated that tax will be payable.
- h) **Cash flow statement**
The company claims an exemption from FRS1 and does not include a cash flow statement in its financial statements, since it is a wholly owned subsidiary of a United Kingdom registered holding company.

Accounting Policies (continued)

i) Related party transactions

The Company acts as banker for a number of companies within the Secure Trust Banking Group PLC. No disclosure of the terms of these relationships is given both on the grounds of banking confidentiality, and in accordance with the exemptions offered by FRS 8

j) Investment in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost, but are written down to net realisable value if, in the opinion of the Directors, there has been a permanent diminution in value.

k) Interest recognition

Interest is recognised in the profit & loss account on an accruals basis.

l) Foreign exchange

The foreign exchange activity of the Company is solely to support the requirements of customers. The Company normally only deals as a matched principal in the foreign exchange markets and consequently should not be exposed to significant position risk.

The Company's business is predominantly transacted in sterling, although accounts will be offered in currencies other than sterling in order to service clients' requirements. The majority of foreign currency balances are denominated in US dollars. Details of the balances held in foreign currencies are set out in note 6 to the financial statements.

m) Liquidity

The Company's liquidity is managed on a mismatch basis, the mismatch being the difference between the levels of assets and liabilities in the same maturity bands. The Company's aim is to maintain a prudent liquidity margin when compared with the mismatch criteria set by the regulators. Use is made of long term committed bank facilities and debt securities (certificates of deposit) in the management of liquidity. The maturity profiles of various categories of assets and liabilities are set out in notes 7, 8, 12, 15 and 16 to the financial statements.

n) Interest rate risk

A significant proportion of lending to, and deposits from, customers are priced by reference to short term interest rates, principally base rate and 3 month LIBOR, thereby providing a hedge against movements in interest base rates. A controlled mismatching of the dates on which instruments mature is used to improve the return on interest related products, principally through the purchase of certificates of deposit with maturity dates up to one year hence. Longer dated fixed deposits tend to be hedged through the purchase of certificates of deposit, which are also used actively in the management of liquidity, although the level of fixed deposits of over 3 months to maturity is not material when compared to the total level of deposits. An analysis of interest rate repricing mismatches is set out in note 27.

Notes to the Financial Statements
for the year ended 31st December, 2000

1 Administrative expenses

	Year ended 31st December, 2000 £000	Year ended 31st December, 1999 £000
Staff Costs, including Directors		
- wages and salaries	1,737	1,521
- social security costs	177	159
- other pension costs	206	193
Other administrative expenses	<u>1,353</u>	<u>1,194</u>
	<u>3,473</u>	<u>3,067</u>

2 Number of employees

	Year ended 31st December, 2000	Year ended 31st December, 1999
Average number of employees, including executive directors, during the year	51	47

3 Profit on ordinary activities before taxation

	Year ended 31st December, 2000 £000	Year ended 31st December, 1999 £000
Profit on ordinary activities before tax is stated after charging:		
Rental of premises	205	98
Auditors' remuneration	41	35
Auditors' remuneration for non-audit work	18	-

4 Directors' emoluments

The Directors' emoluments (including pension contributions and benefits in kind) for the year were as follows:

	Year ended 31st December, 2000 £000	Year ended 31st December, 1999 £000
Fees	39	42
Other emoluments	344	337
Pension contributions	<u>53</u>	<u>50</u>
	<u>436</u>	<u>429</u>

The emoluments of H Angest, SJ Lockley, R Paston, and RJJ Wickham were paid by the immediate parent company which makes no recharge to the Company. Their total emoluments are disclosed in the financial statements of the parent company.

The Directors' remuneration includes amounts paid to the highest paid Director in respect of:

	Year ended 31st December, 2000 £	Year ended 31st December, 1999 £
Emoluments	101,324	97,341
Pension contributions	12,610	11,993

Notes to the Financial Statements (continued)

for the year ended 31st December, 2000

5	Taxation	Year ended	Year ended
		31st December,	31st December,
		2000	1999
		£000	£000
	UK corporation tax at 30% (1999: 30.25%)	-	-
During the year, the Company has utilised tax losses brought forward and has further tax losses available for carry forward to future years.			
6	Assets and liabilities denominated in foreign currencies	31st December,	31st December,
		2000	1999
		£000	£000
	Assets denominated in sterling	113,078	97,636
	Assets denominated in currencies other than sterling	12,846	13,086
	Total assets	125,924	110,722
	Liabilities denominated in sterling	113,030	97,615
	Liabilities denominated in currencies other than sterling	12,894	13,107
	Total liabilities	125,924	110,722
7	Loans and advances to banks and building societies	31st December,	31st December,
		2000	1999
		£000	£000
	Repayable on demand	6,718	4,968
	Other loans and advances		
	Remaining maturity		
	- 3 months or less	35,372	36,235
		42,090	41,203
8	Loans and advances to customers	31st December,	31st December,
		2000	1999
		£000	£000
	Remaining maturity:		
	- over 5 years	251	1,334
	- 5 years or less but over 1 year	17,917	12,451
	- 1 year or less but over 3 months	11,943	14,112
	- 3 months or less	34,917	24,196
		65,028	52,093
	Less:		
	- Provisions for bad and doubtful debts	(2,323)	(2,259)
	- Suspended interest	(1,332)	(935)
		61,373	48,899
	Of which:		
	Repayable on demand or at short notice	14,771	12,391

Notes to the Financial Statements (continued)

for the year ended 31st December, 2000

9 Provisions for bad and doubtful debts

	Year to 31.12.00			Year to 31.12.99		
	Specific £000	General £000	Total £000	Specific £000	General £000	Total £000
Provisions at beginning of year	1,671	588	2,259	1,682	588	2,270
Net charge for the year	61	27	88	213	-	213
Amounts written off	(49)	-	(49)	(288)	-	(288)
Credits in respect of amounts previously written off	25	-	25	64	-	64
Provisions at end of year	<u>1,708</u>	<u>615</u>	<u>2,323</u>	<u>1,671</u>	<u>588</u>	<u>2,259</u>

10 Interest in suspense

	Year ended 31st December, 2000 £000	Year ended 31st December, 1999 £000
At beginning of year	935	908
Net interest suspended during year	398	322
Interest written off	<u>(1)</u>	<u>(295)</u>
At end of year	<u>1,332</u>	<u>935</u>
In respect of loans and advances to customers		
- Before provisions	<u>3,959</u>	<u>3,343</u>
- After provisions and interest in suspense	<u>1,210</u>	<u>1,078</u>

11 Concentrations of exposures

	31st December, 2000 £000	31st December, 1999 £000
Agriculture	159	730
Manufacturing & construction	6,099	5,219
Garages, distribution, hotels & catering	2,364	2,388
Postal, telecommunications & transport	199	173
Financial	1,388	1,291
Other services	11,705	9,752
Property companies	24,278	18,795
Individuals & individual trusts	<u>18,836</u>	<u>13,745</u>
	<u>65,028</u>	<u>52,093</u>

12 Debt Securities

	31st December, 2000 £000	31st December, 1999 £000
- 1 year or less but over 3 months	8,500	8,500
- 3 months or less	<u>5,000</u>	<u>4,000</u>
	<u>13,500</u>	<u>12,500</u>

The debt securities held at 31st December 2000 represent certificates of deposit. The Company intends to hold these to maturity.

Notes to the Financial Statements (continued)

for the year ended 31st December, 2000

13 Investment in subsidiary undertakings

	Year ended 31st December, 2000 £000	Year ended 31st December, 1999 £000
Cost at 1st January 2000	6,188	3,601
Additions	<u>1,011</u>	<u>2,587</u>
Cost at 31st December 2000	<u><u>7,199</u></u>	<u><u>6,188</u></u>

The additions relate to the purchase of the remaining 49% of MPW Insurance Brokers Limited (see note below), and further costs associated with the acquisition of Weinel & Partners Limited.

At 31st December, 2000 the principal subsidiary undertakings were:

	%	Country of	Nature of
	owned	registration	business
Arbuthnot Fund Managers Limited	100	England	Fund Management
Arbuthnot Pension Trustees Limited	100	England	Pensioner Trustees
Arbuthnot Pensions & Investments Limited	100	England	Pensions & Investment Management
Arbuthnot Insurance Brokers Limited (Note)	100	England	Insurance Broking
Arbuthnot Trust (Guernsey) Limited	100	Guernsey	Trust Services
Arbuthnot Actuarial Consultancy Limited	100	England	Consulting Actuaries
Arbuthnot Weinel Financial Consultants Limited	100	England	Financial Consultancy

Note: MPW Insurance Brokers Limited changed its name to Arbuthnot Insurance Brokers Limited on 1st January 2001

14 Tangible fixed assets

	Furniture fixtures & equipment £000	Motor vehicles £000	Total £000
Cost			
At 1st January, 2000	1,185	293	1,478
Additions	96	131	227
Disposals	(9)	(105)	(114)
At 31st December, 2000	<u>1,272</u>	<u>319</u>	<u>1,591</u>
Depreciation			
At 1st January, 2000	833	105	938
Charge for the year	129	77	206
Disposals	-	(81)	(81)
At 31st December, 2000	<u>962</u>	<u>101</u>	<u>1,063</u>
Net Book Value			
At 31st December, 2000	<u><u>310</u></u>	<u><u>218</u></u>	<u><u>528</u></u>
At 31st December, 1999	<u><u>352</u></u>	<u><u>188</u></u>	<u><u>540</u></u>

Notes to the Financial Statements (continued)

for the year ended 31st December, 2000

15	Deposits by banks	31st December, 2000 £000	31st December, 1999 £000
	With agreed maturity dates or periods of notice, by remaining maturity:		
	- 5 years or less but over 1 year	11,000	12,250
	- 1 year or less but over 3 months	2,750	-
	- 3 months or less but not repayable on demand	-	-
		<u>13,750</u>	<u>12,250</u>
	Repayable on demand	<u>177</u>	<u>47</u>
		<u>13,927</u>	<u>12,297</u>

16	Customer accounts	31st December, 2000 £000	31st December, 1999 £000
	With agreed maturity dates or periods of notice, by remaining maturity:		
	- 5 years or less but over 1 year	-	571
	- 1 year or less but over 3 months	13,525	5,681
	- 3 months or less but not repayable on demand	40,567	43,891
		<u>54,092</u>	<u>50,143</u>
	Repayable on demand	<u>37,913</u>	<u>29,596</u>
		<u>92,005</u>	<u>79,739</u>
	Amounts include:		
	Due to fellow subsidiary undertakings	<u>1,238</u>	<u>1,452</u>
	Due to parent company	<u>123</u>	<u>143</u>
	Due to subsidiary undertakings	<u>1,202</u>	<u>1,365</u>

17	Share capital	31st December, 2000	31st December, 1999
		Number £000	Number £000
	Authorised		
	Ordinary shares of £1 each	15,000,000 15,000	15,000,000 15,000
	Allotted, called up and fully paid		
	Ordinary shares of £1 each	13,775,253 13,775	13,775,253 13,775

18	Reconciliation of shareholders' funds	Year ended 31st December, 2000 £000	Year ended 31st December, 1999 £000
	Profit for the year	1,009	767
	Opening shareholders' funds	<u>16,886</u>	<u>16,119</u>
	Closing shareholders' funds	17,895	16,886

Notes to the Financial Statements (continued)

for the year ended 31st December, 2000

19 Reserves

	£000
Balance at 1st January, 2000	3,030
Profit for the year	<u>1,009</u>
Balance at 31st December, 2000	<u><u>4,039</u></u>

20 Memorandum items

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 Financial Services Authority's guidelines implementing the Basle agreement on capital adequacy.

	31st December, 2000		31st December, 1999	
	Contract amount £000	Risk weighted amount £000	Contract amount £000	Risk weighted amount £000
Contingent liabilities				
Guarantees	478	478	384	384
Other contingent liabilities	<u>8</u>	<u>4</u>	<u>16</u>	<u>8</u>
	<u><u>486</u></u>	<u><u>482</u></u>	<u><u>400</u></u>	<u><u>392</u></u>
Commitments				
Documentary letters of credit	102	20	153	31
Credit lines and other commitments to lend : -less than one year	<u>4,628</u>	<u>-</u>	<u>3,644</u>	<u>-</u>
	<u><u>4,730</u></u>	<u><u>20</u></u>	<u><u>3,797</u></u>	<u><u>31</u></u>

21 Loans to Directors and officers

No loans to Directors and officers were made, or were outstanding during the year (1999 - Nil).

22 Ultimate parent company

The ultimate parent company and the company which heads both the smallest and largest group for which consolidated financial statements are prepared at 31st December, 2000 was Secure Trust Banking Group PLC, incorporated in Great Britain and registered in England. Secure Trust Banking Group PLC owns 100% of the share capital of the Company. Copies of the financial statements of Secure Trust Banking Group PLC are available from Paston House, Arlestone Way, Solihull, B90 4LH.

23 Pension commitments

The Company is a member of the Secure Trust Pension Scheme, a defined contribution scheme whose membership is open to all companies in the Secure Trust Group.

Notes to the Financial Statements (continued)

for the year ended 31st December, 2000

24 Segmental Analysis

The only business of the Company is banking in the United Kingdom. Therefore, no segmental analysis has been included in the financial statements.

25 Capital commitments

Commitments for capital expenditure entered into and not provided are £21,000. (1999: nil)

26 Revenue Commitments

At the year-end, annual commitments under non-cancellable operating leases on premises were:

	2000 £000	1999 £000
Expiring:		
- within one year	-	-
- between one and five years	<u>205</u>	<u>205</u>
	<u>205</u>	<u>205</u>

27 Interest rate repricing

The table below summarises the repricing mismatches on the Bank's assets and liabilities as at 31st December 2000. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date.

	Not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 5 years	More than 5 years	Non- interest bearing	Total
31 December 2000							
Assets							
Loans & advances to banks	41,427	-	-	-	-	663	42,090
Loans and advances to customers	59,183	131	23	460	-	1,576	61,373
Debt securities	5,000	3,500	5,000	-	-	-	13,500
Other assets	-	-	-	-	-	8,961	8,961
Total assets	<u>105,610</u>	<u>3,631</u>	<u>5,023</u>	<u>460</u>	<u>-</u>	<u>11,200</u>	<u>125,924</u>
Liabilities							
Deposits by banks	13,927	-	-	-	-	-	13,927
Customer accounts	87,712	917	41	-	-	3,335	92,005
Other liabilities	-	-	-	-	-	2,097	2,097
Shareholders' funds	-	-	-	-	-	17,895	17,895
Total liabilities	<u>101,639</u>	<u>917</u>	<u>41</u>	<u>-</u>	<u>-</u>	<u>23,327</u>	<u>125,924</u>
Interest rate sensitivity gap	3,971	2,714	4,982	460	-	(12,127)	-
Cumulative gap	3,971	6,685	11,667	12,127	12,127	-	-
31 December 1999							
Assets							
Loans & advances to banks	40,747	-	-	-	-	456	41,203
Loans and advances to customers	45,615	350	-	2,514	420	-	48,899
Debt securities	4,000	3,500	5,000	-	-	-	12,500
Other assets	-	-	-	-	-	8,120	8,120
Total assets	<u>90,362</u>	<u>3,850</u>	<u>5,000</u>	<u>2,514</u>	<u>420</u>	<u>8,576</u>	<u>110,722</u>
Liabilities							
Deposits by banks	12,297	-	-	-	-	-	12,297
Customer accounts	75,336	783	-	571	-	3,049	79,739
Other liabilities	-	-	-	-	-	1,800	1,800
Shareholders' funds	-	-	-	-	-	16,886	16,886
Total liabilities	<u>87,633</u>	<u>783</u>	<u>-</u>	<u>571</u>	<u>-</u>	<u>21,735</u>	<u>110,722</u>
Interest rate sensitivity gap	2,729	3,067	5,000	1,943	420	(13,159)	-
Cumulative gap	2,729	5,796	10,796	12,739	13,159	-	-