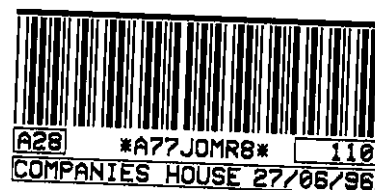




Arbuthnot Latham & C^o., Limited
Bankers

Report and accounts
for the year ended 31st December, 1995



Contents

	Page
Company Information	2
Chairman's Statement	3
Directors	4
Directors' Report	5-6
Statement of Directors' responsibilities	7
Auditors' Report	7
Profit and Loss Account	8
Balance Sheet	9
Cash Flow Statement	10-11
Accounting Policies	12
Notes to the Accounts	13-20

Company Information

Directors

Henry Angest (Chairman)
Stephen J Lockley (Chief Executive)
WCL (Bill) Brown CBE
Brian C Collis
J Forrest Cunliffe
Wayne B Mathews
Ronald Paston
A Colin Wakelin
Robert J J Wickham

Secretary

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

Registered office

Royex House
Aldermanbury Square
London
EC2V 7HR

Auditors

Coopers & Lybrand
1 Embankment Place
London
WC2N 6NN

Chairman's Statement

1995 has been a year of significant progress for Arbuthnot Latham & Co., Limited, the first full year under the ownership of Secure Trust Group. I am pleased to be able to report a strong growth in profitability, with pre-tax profits rising to £803,000 (1994 (9 months): £87,000). Total assets rose by 6% to £58.5 million and capital resources now stand at £10.6 million.

The early part of the year was characterised by some uncertainty in financial markets following the collapse of Barings, but I am delighted to say that our customers remained very loyal to us during this period and third party customer deposits (excluding deposits from the bank's former parent company) rose during the year by 6% to over £41 million. The bank is prudently managed and I believe our customers recognise this fact, which is reflected in the confidence they show in continuing to deposit their money with us.

A number of management changes have been effected during 1995 and I am pleased to welcome Forrest Cunliffe and Brian Collis to the Board. Forrest Cunliffe joined us in November 1995 as Banking Director, prior to which he held a number of senior management positions within Lloyds Bank. Brian Collis joined the bank in November 1994, following many years at Midland Bank, with responsibility for credit control and was appointed as Risk Management Director in October 1995. Stephen Lockley, who is Group Finance Director of Secure Trust Group, became Chief Executive of Arbuthnot Latham & Co., Limited in May 1995. Under his strong leadership, we have a promising management team which is well placed to take the bank forward.

Considerable progress has been made over recent months in co-ordinating the delivery of the bank's services with those of the other companies forming Secure Trust's private and merchant banking division. As a result, in conjunction with these companies, the bank's customers now have access to a full range of private banking, investment management, commercial banking, factoring, insurance, pensions and financial advisory services.

The Board is convinced that Arbuthnot Latham's approach of providing its clients with personal attention and a high level of service is increasingly valued in today's banking environment. The bank is, therefore, well placed to continue its successful progress and the directors view the future with confidence.



Henry Angest
14th March, 1996

Directors

Henry Angest *Chairman*

Chairman of Arbuthnot Latham & Co., Limited since April, 1994, and Chairman of Secure Trust Group PLC since 1985. He is also Chairman of Secure Trust Bank PLC, Arbuthnot Fund Managers Limited and Arbuthnot Commercial Finance Limited.

Stephen Lockley *Chief Executive*

A Chartered Accountant, he was previously a Director of Charterhouse Bank Limited and is also Finance Director of Secure Trust Group PLC.

Bill Brown *Non-executive Director*

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) Ltd and The Hong Kong Investment Trust Plc.

Brian Collis *Risk Management Director*

Joined Arbuthnot Latham as Head of Credit in November 1994 following 34 years with Midland Bank plc, during which time he held several senior positions. Appointed as Risk Management Director in October 1995.

Forrest Cunliffe *Banking Director*

Appointed in November 1995 prior to which he spent 20 years with Lloyds Bank Plc, latterly as a Group Director, responsible for retail banking in the South West of England.

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.

Ron Paston *Non-executive Director*

He is an Executive Director of Secure Trust Group PLC, Managing Director of Secure Trust Bank PLC, and Chairman of the Group's insurance subsidiaries.

Colin Wakelin *Non-executive Director*

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

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 Group PLC, Graystone PLC and Northern Leisure PLC.

Directors' Report

The Directors present their annual report and audited accounts of Arbuthnot Latham & Co., Limited for the year ended 31st December 1995.

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 a subsidiary, 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

Net interest income rose to £1,908,000 (an annualised increase of 16%) as a result of the continued reduction in non-performing loans, and the repurchase of a number of loans previously assigned. Fee and commission income also grew to £1,502,000 (an annualised increase of 18%).

Although administrative expenses increased by an annualised 20% principally as a result of the expansion of our regional offices, increases in the income, as documented above, and a reduction in provisions for doubtful debts, resulted in the operating result moving from a loss of £1,913,000 in the 9 months to December 1994 to a profit of £803,000 for the year. Shareholders' funds (including subordinated loan stock) at 31st December, 1995 were £10,570,000 (1994: £9,767,000).

The Directors do not recommend the payment of a dividend for the year.

Tangible fixed assets

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

Directors

The Directors of the Company who served during the period under review were as follows:

H Angest	
WCL Brown CBE	
BC Collis	Appointed 6th October, 1995
JF Cunliffe	Appointed 27th November, 1995
SJ Lockley	
WB Mathews	
R Paston	
RJJ Wickham	
A C Wakelin	
DV Griffith	Resigned 2nd May, 1995
BW Robinson	Resigned 30th September, 1995

BC Collis and JF Cunliffe, having been appointed since the last Annual General Meeting retire in accordance with the Articles of Association and, being eligible, offer themselves for re-election. The Directors due to retire by rotation are H Angest, R Paston and RJJ Wickham 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 and RJJ Wickham in the share capital of Secure Trust Group PLC are shown in the Directors' Report of that Company.

Directors' Report (continued)

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 re-appoint the auditors, Coopers & Lybrand, will be proposed at the Annual General Meeting.

By order of the Board

A handwritten signature in black ink, appearing to read "J.R. Kaye". The signature is written in a cursive style with a long horizontal stroke at the end.

JR Kaye
14th March, 1996

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 or loss and cash flows 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, 1995.

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 8 to 20.

Respective responsibilities of directors and auditors

As described above, 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.

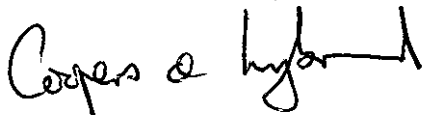
Basis of opinion

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 at 31st December, 1995 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



COOPERS & LYBRAND

Chartered Accountants and Registered Auditors
London

14th March, 1996

26th

Profit & Loss Account
for the year ended 31st December, 1995

	Notes	Year ended 31st December, 1995 £000	9 months ended 31st December, 1994 £000
Interest receivable			
- interest receivable and similar income arising from debt securities		291	405
- other interest receivable and similar income		3,914	2,340
Interest payable		<u>(2,297)</u>	<u>(1,509)</u>
Net interest income		1,908	1,236
Fees and commissions receivable		1,502	958
Fees and commissions payable		(16)	(255)
Other operating income		<u>20</u>	<u>13</u>
Operating income		3,414	1,952
Administrative expenses	1	2,518	1,567
Depreciation	14	182	89
Provisions for bad and doubtful debts	9	(89)	2,209
		<u>2,611</u>	<u>3,865</u>
Operating profit/(loss)		803	(1,913)
Subordinated loan stock forgiven		<u>-</u>	<u>2,000</u>
Profit on ordinary activities before taxation	3	803	87
Taxation credit	5	<u>-</u>	<u>587</u>
Retained profit for the period	20	<u><u>803</u></u>	<u><u>674</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.

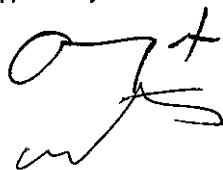
Balance Sheet
as at 31st December, 1995

	Notes	31st December, 1995	31st December, 1994
		£000	£000
Assets			
Cash and balances at central banks		204	255
Loans and advances to banks and building societies	7	30,550	14,445
Loans and advances to customers	8	22,639	26,444
Loans and advances subject to non-recourse finance arrangements		4,741	5,077
less: Non-recourse financing		(1,492)	(4,067)
	8	3,249	1,010
Debt securities	12	-	12,002
Investment in subsidiary undertakings	13	5	5
Tangible fixed assets	14	602	278
Other assets		827	609
Prepayments and accrued income		383	289
		<hr/>	<hr/>
Total assets		<u>58,459</u>	<u>55,337</u>
Liabilities			
Deposits by banks	15	4,498	1,285
Customer accounts	16	42,684	43,403
Other liabilities		243	405
Accruals		464	477
		<hr/>	<hr/>
Subordinated liabilities - dated loan capital	17	3,000	3,000
		<hr/>	<hr/>
Called up share capital	18	10,508	10,508
Share premium account		81	81
Profit & loss account	20	(3,019)	(3,822)
		<hr/>	<hr/>
Equity shareholders' funds	19	7,570	6,767
		<hr/>	<hr/>
Total liabilities		<u>58,459</u>	<u>55,337</u>
Memorandum items			
	25		
Contingent liabilities			
- guarantees		395	733
- other contingent liabilities		306	540
		<hr/>	<hr/>
		<u>701</u>	<u>1,273</u>
		<hr/>	<hr/>
Commitments		<u>2,748</u>	<u>5,714</u>

The accounts on pages 8 to 20 were approved by the Board of Directors on 14th March, 1996 and signed on its behalf by:

H Angest - Chairman

WB Mathews - Finance Director



Cash Flow Statement
for the year ended 31st December, 1995

	Year ended 31st December, 1995		9 months ended 31st December, 1994	
	£000	£000	£000	£000
Net cash inflow from operating activities		4,759		8,613
Returns on investment and servicing of finance				
Interest on subordinated loan capital		(201)		(120)
Taxation		-		-
Investing activities				
Purchase of fixed assets		(517)		(55)
Sale of fixed assets		11		5
Investment in subsidiary undertaking		-		(5)
Net cash (outflow) from investing activities		<u>(506)</u>		<u>(55)</u>
Net cash inflow before financing		4,052		8,438
Financing				
Issue of loan capital		-		<u>3,000</u>
Net cash inflow from financing		<u>-</u>		<u>3,000</u>
Increase in cash and cash equivalents		<u>4,052</u>		<u>11,438</u>

Notes to the Cash Flow Statement

for the year ended 31st December, 1995

Analysis of changes in cash and cash equivalents during the year	31st December, 1995 £000	31st December, 1994 £000
Balance at beginning of period	26,702	15,264
Net cash flow before adjustments for the effect of foreign exchange rate changes	4,009	11,655
Effect of foreign exchange rate changes	<u>43</u>	<u>(217)</u>
Balance at 31st December	<u>30,754</u>	<u>26,702</u>

Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	31st December, 1995 £000	31st December, 1994 £000	Change in year £000
Cash and balances at central banks	204	255	(51)
Loans and advances to banks	30,550	14,445	16,105
Certificates of deposit	-	12,002	(12,002)
	<u>30,754</u>	<u>26,702</u>	<u>4,052</u>

The company is required to maintain balances with the Bank of England which, at 31st December, 1995, amounted to £40,000 (31st December, 1994: £47,000).

Reconciliation of operating profit/(loss) to net cash flow from operating activities

	Year ended 31st December, 1995 £000	9 months ended 31st December, 1994 £000
Operating profit/(loss)	803	(1,913)
Interest on subordinated loan capital	201	120
(Increase)/decrease in other assets, prepayments and accrued interest	(312)	102
(Decrease)/increase in other liabilities and accruals	(175)	375
Provision for doubtful debts	(89)	2,209
Net provisions written off	(786)	(2,452)
Depreciation	182	89
Decrease in other loans and advances	4,680	7,006
(Increase) in loans and advances subject to non-recourse finance arrangements	(2,239)	(1,010)
Increase in deposit and current accounts and deposits by banks	2,494	4,087
Net cash inflow from operating activities	<u>4,759</u>	<u>8,613</u>

Accounting Policies

a) Basis of accounting

The accounts 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 accounts since it is a wholly owned subsidiary undertaking of another UK company. The accounts 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 and 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 future losses which are inherent in any portfolio of bank lending.

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 and loss account.

f) Pension commitments

Contributions to the Company's Pension Scheme are charged to the profit and loss account so as to spread the cost, calculated in accordance with independent actuarial advice, over the period of service of employees.

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.

Notes to the Accounts
for the year ended 31st December, 1995

1. Administrative expenses

	Year ended 31st December, 1995 £000	9 months ended 31st December, 1994 £000
Staff Costs, including Directors		
- wages and salaries	1,231	736
- social security costs	96	66
- other pension costs - company defined benefit scheme	50	43
- employee personal pension schemes	84	46
Other administrative expenses	<u>1,057</u>	<u>676</u>
	<u>2,518</u>	<u>1,567</u>

2. Number of employees

	Year ended 31st December, 1995	9 months ended 31st December, 1994
Average number of employees, including executive directors, during the year	39	32

3. Profit on ordinary activities before taxation

	Year ended 31st December, 1995 £000	9 months ended 31st December, 1994 £000
Profit on ordinary activities before tax is stated after charging:		
Interest on subordinated liabilities	201	120
Rental of premises	86	73
Auditors' remuneration	29	32
Auditors' remuneration for non-audit work	59	19
Directors' pension contributions	31	21

4. Directors' emoluments

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

	Year ended 31st December, 1995 £000	9 months ended 31st December, 1994 £000
Fees	75	2
Other emoluments	219	274
Compensation for loss of office	<u>95</u>	<u>-</u>
	<u>389</u>	<u>276</u>

The emoluments of H Angest, SJ Lockley and R Paston 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 (excluding pension contributions) includes amounts paid to:

	Year ended 31st December, 1995 £	9 months ended 31st December, 1994 £
The Chairman	-	-
The highest paid Director	71,274	109,778

Notes to the Accounts (continued)

for the year ended 31st December, 1995

4. Directors' emoluments (continued)

The number of Directors (including the Chairman and highest-paid Director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	Year ended 31st December, 1995 Number	9 months ended 31st December, 1994 Number
£nil - £5,000	4	6
£5,001 - £10,000	2	1
£10,001 - £15,000	1	-
£25,001 - £30,000	1	-
£60,001 - £65,000	1	-
£65,001 - £70,000	1	1
£70,001 - £75,000	1	-
£105,001 - £110,000	-	1

5. Taxation credit

	Year ended 31st December, 1995 £000	9 months ended 31st December, 1994 £000
UK corporation tax at 33% (9 months to 31st December, 1994: 33%)		
- Group relief	-	587
	<u>-</u>	<u>587</u>

The Company has utilised tax losses in the year and has further tax losses available for carry forward to future years.

6. Assets and liabilities denominated in foreign currencies

	31st December, 1995 £000	31st December, 1994 £000
Assets denominated in sterling	48,234	48,282
Assets denominated in currencies other than sterling	<u>10,225</u>	<u>7,055</u>
Total assets	<u>58,459</u>	<u>55,337</u>
Liabilities denominated in sterling	48,219	48,315
Liabilities denominated in currencies other than sterling	<u>10,240</u>	<u>7,022</u>
Total liabilities	<u>58,459</u>	<u>55,337</u>

Notes to the Accounts (continued)
for the year ended 31st December, 1995

7. Loans and advances to banks and building societies

	31st December 1995 £000	31st December 1994 £000
Repayable on demand	2,454	3,078
Other loans and advances		
Remaining maturity		
- 3 months or less	<u>28,096</u>	<u>11,367</u>
	<u>30,550</u>	<u>14,445</u>

8. Loans and advances to customers

	31st December 1995 £000	31st December 1994 £000
Remaining maturity:		
- over 5 years	4,119	3,009
- 5 years or less but over 1 year	2,318	4,759
- 1 year or less but over 3 months	4,026	3,112
- 3 months or less	<u>24,090</u>	<u>28,538</u>
	34,553	39,418
Less:		
- Non-recourse financing	(1,492)	(4,067)
- Provisions for bad and doubtful debts	(6,234)	(7,109)
- Suspended interest	<u>(939)</u>	<u>(788)</u>
	<u>25,888</u>	<u>27,454</u>
Of which:		
Net loans and advances subject to non-recourse finance arrangements	3,249	1,010
Other loans and advances	<u>22,639</u>	<u>26,444</u>
Of which repayable on demand or at short notice	<u>12,846</u>	<u>20,486</u>

The company has loans with a value of £1.4 million (1994: £5.1 million) assigned to its former parent company. It has a sub-participation in the loans assigned of £0.3 million (1994: £1 million). The agreement states that the former parent will seek recourse to principal and interest only to the extent that sufficient funds are generated by the loans it has financed. Since the year-end, these loans have been re-purchased.

At 31st December, 1995, Secure Trust Group PLC has taken a sub-participation in a loan of £0.4 million. The agreement with Secure Trust Group PLC states that it will seek recourse to principal and interest only to the extent that sufficient funds are generated by the loan that it has financed. The company is not obliged and does not intend to support any losses to Secure Trust Group PLC beyond the level of its participation in the loan.

A bank has taken sub-participations of £1.3 million in loans with a value of £1.9 million at 31st December, 1995. These agreements did not qualify for linked presentation and therefore the sub-participations have been included in Deposits by banks. These have since been repaid.

9. Provisions for bad and doubtful debts

	Year to 31.12.95			9 months to 31.12.94		
	Specific £000	General £000	Total £000	Specific £000	General £000	Total £000
Provisions at beginning of period	6,521	588	7,109	6,638	714	7,352
Charge for the period	(89)	-	(89)	2,335	(126)	2,209
Amounts written off	(888)	-	(888)	(2,835)	-	(2,835)
Credits in respect of amounts previously written off	102	-	102	383	-	383
Provisions at end of period	<u>5,646</u>	<u>588</u>	<u>6,234</u>	<u>6,521</u>	<u>588</u>	<u>7,109</u>

Notes to the Accounts (continued)
for the year ended 31st December, 1995

10. Interest in suspense

	Year ended 31st December 1995 £000	9 months ended 31st December 1994 £000
At beginning of period	788	1,261
Net interest suspended during year	388	341
Interest written off	<u>(237)</u>	<u>(814)</u>
At end of period	<u>939</u>	<u>788</u>
In respect of loans and advances to customers		
- Before provisions	<u>5,195</u>	<u>4,583</u>
- After provisions	<u>1,234</u>	<u>533</u>

11. Concentrations of exposures

	31st December 1995 £000	31st December 1994 £000
Energy & water supplies	-	127
Manufacturing	10,351	10,782
Construction	291	267
Garages, distribution, hotels & catering	3,350	3,325
Transport	15	11
Postal & telecommunications	287	272
Financial	193	974
Other services	4,779	6,023
Property Companies	9,019	10,473
Individuals & individual trusts	<u>6,268</u>	<u>7,164</u>
	<u>34,553</u>	<u>39,418</u>

12. Debt Securities

The debt securities held at 31st December 1994 represented certificates of deposit, with maturity dates of less than 3 months. These were re-paid during the period.

13. Investment in subsidiary undertakings

	Year ended 31st December 1995 £000	9 months ended 31st December 1994 £000
Cost or valuation at start of period	5	-
Additions	-	5
Disposals	<u>-</u>	<u>-</u>
At end of period	<u>5</u>	<u>5</u>

Notes to the Accounts (continued)
for the year ended 31st December, 1995

13. Investment in subsidiary undertakings (continued)

At 31st December, 1995 the wholly owned subsidiaries were:

Artillery Nominees Limited
Arbuthnot Trust (Guernsey) Limited

The Company owns the entire ordinary share capital of the above companies.

Country of registration	Nature of business
England	Nominee company
Guernsey	Trust services

AT Nominees Limited

AT Nominees Limited is a wholly owned subsidiary of Arbuthnot Trust (Guernsey) Limited.

Guernsey	Nominee company
----------	-----------------

14. Tangible fixed assets

	Furniture fixtures & equipment £000	Motor vehicles £000	Total £000
Cost			
At 1st January, 1995	603	131	734
Additions	380	137	517
Disposals	<u>(9)</u>	<u>(68)</u>	<u>(77)</u>
At 31st December, 1995	<u>974</u>	<u>200</u>	<u>1,174</u>
Depreciation			
At 1st January, 1995	373	83	456
Charge for the year	147	35	182
Disposals	<u>(2)</u>	<u>(64)</u>	<u>(66)</u>
At 31st December, 1995	<u>518</u>	<u>54</u>	<u>572</u>
Net Book Value			
At 31st December, 1995	<u>456</u>	<u>146</u>	<u>602</u>
At 31st December, 1994	<u>230</u>	<u>48</u>	<u>278</u>

15. Deposits by banks

	31st December 1995 £000	31st December 1994 £000
With agreed maturity dates or periods of notice, by remaining maturity:		
- 5 years or less but over 1 year	-	61
- 1 year or less but over 3 months	2,311	785
- 3 months or less but not repayable on demand	<u>1,821</u>	<u>117</u>
	4,132	963
Repayable on demand	<u>366</u>	<u>322</u>
	<u>4,498</u>	<u>1,285</u>

Included in the above are deposits with a value of £0.6 million (31st December 1994: £1.2 million), which support the guarantees given to the Company for loans made.

Notes to the Accounts (continued)
for the year ended 31st December, 1995

16. Customer accounts

	31st December, 1995 £000	31st December, 1994 £000
With agreed maturity dates or periods of notice, by remaining maturity:		
- over 5 years	1,799	1,971
- 5 years or less but over 1 year	1,000	-
- 1 year or less but over 3 months	860	222
- 3 months or less but not repayable on demand	<u>22,475</u>	<u>25,801</u>
	26,134	27,994
Repayable on demand	<u>16,550</u>	<u>15,409</u>
	<u>42,684</u>	<u>43,403</u>
Amounts include:		
Due to fellow subsidiary undertakings	<u>1,321</u>	<u>352</u>
Due to subsidiary undertakings	<u>7</u>	<u>-</u>
Due to former parent company	<u>-</u>	<u>4,000</u>

17. Loan capital

On 29th April, 1994, Secure Trust Group PLC injected subordinated loan capital of £3 million. This loan capital originally had a contractual maturity date of 30th April, 1999. During the year, the maturity date was extended to 30th April, 2000. Furthermore, it was agreed that the maturity date would be automatically extended each year unless specific notice is given to the contrary.

18. Share capital

	31st December, 1995 £000	31st December, 1994 £000
Authorised		
7,492,500 Ordinary shares of £1 each	7,492	7,492
7,150,000 Ordinary shares of 5p each	358	358
7,150,000 Deferred shares of £1 each	<u>7,150</u>	<u>7,150</u>
	<u>15,000</u>	<u>15,000</u>
Allotted, called up and fully paid		
3,000,000 Ordinary shares of £1 each	3,000	3,000
7,150,000 Ordinary shares of 5p each	358	358
7,150,000 Deferred shares of £1 each	<u>7,150</u>	<u>7,150</u>
	<u>10,508</u>	<u>10,508</u>

The entire issued share capital is owned by Secure Trust Group PLC.

19. Reconciliation of shareholders' funds

	Year ended 31st December, 1995 £000	9 months ended 31st December, 1994 £000
Profit for the period	803	674
Opening shareholders' funds	<u>6,767</u>	<u>6,093</u>
Closing shareholders' funds	<u>7,570</u>	<u>6,767</u>

Notes to the Accounts (continued)
for the year ended 31st December, 1995

20. Reserves

	£000
Balance at 1st January, 1995	(3,822)
Profit for the year	<u>803</u>
Balance at 31st December, 1995	<u><u>(3,019)</u></u>

21. Loans to Directors and officers

No loans to Directors and officers were made, or were outstanding during the period (9 months to 31st December, 1994 - 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, 1995 was Secure Trust Group PLC, incorporated in Great Britain and registered in England. Secure Trust Group PLC owns 100% of the share capital of the company. Copies of the accounts of Secure Trust Group PLC are available from 23-27 Heathfield Road, Kings Heath, Birmingham, B14 7BY.

23. Pension commitments

The Company operates a defined benefit pension scheme, the assets of which are held independently in a separate trustee administered fund. The scheme is funded by contributions from both the Company and employees. The pension cost charged to the profit and loss account is derived from triennial actuarial valuations carried out by independent actuaries using the attained age method. Scheme details are as follows:

Last actuarial valuation date	30th September, 1993
Actuarial valuation of scheme assets	£1,250,000
Cover over benefits accrued at the valuation date	120 per cent.
Major actuarial assumptions:	% per annum
Return on investments	9.0
Increase in pensionable earnings	8.0
Increase in pensions	4.5

The actuarial valuation of the scheme disclosed an excess of assets over past service liabilities of £203,000. As a result of the size of the scheme this surplus will be eliminated over the working lifetime of the membership, providing that the Company does not exceed its current contribution level.

The pension cost charge in the profit and loss account for the period in respect of the defined benefit scheme was £49,699(9 months to 31st December, 1994: £43,122). At the period end, the provision resulting from the contribution holiday from 1st October, 1990 to 30th November, 1991 was £60,987(31st December, 1994: £65,528). All rights and obligations of the pension scheme remain with the Company.

24. Segmental Analysis

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

Notes to the Accounts (continued)
for the year ended 31st December, 1995

25. 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.

	31st December, 1995		31st December, 1994	
	Contract	Risk	Contract	Risk
	amount	weighted	amount	weighted
	£000	£000	£000	£000
Contingent liabilities				
Guarantees	395	76	733	333
Other contingent liabilities	306	67	540	270
	<u>701</u>	<u>143</u>	<u>1,273</u>	<u>603</u>
Commitments				
Documentary letters of credit	602	120	1,745	349
Credit lines and other commitments to lend : -less than one year	<u>2,146</u>	<u>-</u>	<u>3,969</u>	<u>-</u>
	<u>2,748</u>	<u>120</u>	<u>5,714</u>	<u>349</u>
Exchange rate contracts	<u>218</u>	<u>-</u>	<u>434</u>	<u>-</u>
Interest rate contracts	<u>500</u>	<u>1</u>	<u>1,500</u>	<u>3</u>

26. Capital commitments

Commitments for capital expenditure entered into and not provided are nil. (1994: £117,000)

27. Revenue Commitments

Obligations under operating lease rentals comprise:

	1995	1994
	£000	£000
- Within one year	22	24
- During years 2-5	<u>62</u>	<u>68</u>
	<u>84</u>	<u>92</u>