Secure Trust Bank PLC
(formerly Secure Homes Limited)
Annual report
for the year ended 31 December 1994

Registered no: 541132

Secure Trust Bank PLC
(formerly Secure Homes Limited)

Annual report
for the year ended 31 December 1994

Secure Trust Bank PLC
(formerly Secure Homes Limited)

Directors and advisers

Directors

H Angest (Chairman)
R Paston
R O Dauncey (non-executive)
K N F Deakin
Miss P G Fielding
S J Lockley
R Middleton
T A O'Malley (non-executive)
D Pearson
J Shipley

Secretary and registered office

J R Kaye
23/27 Heathfield Road
Birmingham
B14 7BY

Registered Auditors

Coopers & Lybrand
35 Newhall Street
Birmingham
B3 3DX

Bankers

Barclays Bank plc
38 Hagley Road
Birmingham
B16 8NY

Secure Trust Bank PLC
(formerly Secure Homes Limited)

Directors' report
for the year ended 31 December 1994

The directors present their report and the audited financial statements for the year ended 31 December 1994.

Share capital

On 11 April 1994 each of the 500,000 Deferred Shares of £1 each were converted into 10 ordinary shares of 10p each. The 10p ordinary shares of the company were then consolidated into Ordinary shares of £1 each, and the Company's authorised share capital was increased to £5,000,000 by the creation of 4,495,000 ordinary shares of £1 each. The sum of £4,495,000 was capitalised from reserves and 4,495,000 ordinary shares of £1 each, credited as fully paid, were issued.

Acquisitions

On 28 April 1994 the fixed assets, banking and trading assets and liabilities of Peoples Bank PLC were acquired at net book value.

Principal activities

The company is an authorised institution under the Banking Act 1987. Its principal activity during the year continued to be the provision of home banking and money management services. This entailed:

(a) accepting standing instructions from clients to discharge on their behalf liabilities of a regular and recurring nature and collecting from the clients agreed weekly or monthly sums of money to provide and maintain the funds necessary to carry out this service.

(b) arranging and placing sickness and general insurance on behalf of established insurance companies.

(c) arranging and selling life assurance and general insurance policies through a financial services division, acting in the capacity of tied agents of Royal Life Insurance.

(d) making secured and unsecured loans.

In addition, following the acquisition of the trading activities of Peoples Bank PLC on 28 April 1994 the Company offers banking services. Its facilities comprise current and deposit accounts and the provision of loans and overdrafts on a secured and unsecured basis to personal and business customers.

Secure Trust Bank PLC
(formerly Secure Homes Limited)

Directors' report (continued)

Review of business

The directors are satisified with the performance of the company during the year and do not envisage any change in the principal activity in the ensuing year.

Change of name

On 3 May 1994 the company re-registered as a public limited company and changed its name to Secure Trust Bank PLC.

Dividends and transfers to reserves

An interim dividend of £4,570,000 was declared and paid during the year. The directors do not recommend the payment of a final dividend, leaving a profit of £530,000 to be transferred to reserves.

Tangible fixed assets

The movements in fixed assets during the year are set out in note 12 to the financial statements.

Directors

The directors who served during the year were as follows:

H Angest (Chairman)
R Paston
R O Dauncey
K N F Deakin
Miss P G Fielding
S J Lockley (appointed 20 June 1994)
R Middleton
T A O'Malley (appointed 21 April 1994)
D Pearson
J Shipley

Mr H Angest, Mr R Paston, Mr S J Lockley and Mr T A O'Malley are directors of the ultimate parent company Secure Trust Group PLC, and their interests in the share capital of group companies are shown in the directors' report of that company.

Secure Trust Bank PLC
(formerly Secure Homes Limited)

Directors' report (continued)

Directors (continued)

The interests in the share capital of Secure Trust Group PLC of the other directors in office at 31 December 1994 were as follows:

	At 31 December 1994 ordinary 1p shares	At 1 January 1994 ordinary 1p shares
K N F Deakin	121	600
Miss P G Fielding	78,460	79,460
R Middleton	500	-
D Pearson	7,500	500
J Shipley	1,500	1,500

Details of share options granted to Mr Deakin, Mr Middleton and Mr Pearson are as follows:

	Date granted	Option price purchase	Number of options
K N F Deakin	6 December 1988	140p	19,100
	7 October 1994	485p	22,000
Miss P G Fielding	7 October 1994	485p	10,000
R Middleton	6 December 1988	140p	5,000
	7 October 1994	485p	15,000
D Pearson	12 March 1990	220p	5,000

The options are exercisable within three and ten years of the date of their grant.

No director had a beneficial interest in any shares of the company during the year.

Directors' report (continued)

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 as at the end of the financial year 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 the financial statements for the year ended 31 December 1994. The directors also confirm that applicable accounting standards have been followed with the exception of the departure disclosed and explained in note 1 to the financial statements 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.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board

J.R. Kaye

J R Kaye
Company secretary
5 April 1995

Report of the auditors to the members of Secure Trust Bank PLC

We have audited the financial statements on pages 7 to 18.

Respective responsibilities of directors and auditors

As described on page 5 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 the company's affairs at 31 December 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants and Registered Auditors
Birmingham
5 April 1995

Secure Trust Bank PLC
(formerly Secure Homes Limited)

Profit and loss account for the year ended 31 December 1994

	Notes	1994 £'000	1993 £'000
Interest receivable			
- interest receivable from loans and advances		**3,427**	2,589
Less: interest payable		**(34)**	-
Net interest income		**3,393**	2,589
Fees and commissions receivable		**10,250**	9,454
Less: fees and commissions payable		**(124)**	(140)
Operating income		**13,519**	11,903
Administrative expenses	2	**(6,155)**	(6,058)
Depreciation and amortisation	12	**(314)**	(285)
Other operating charges			
- provisions for bad and doubtful debts	10	**(157)**	(159)
Income from shares in group undertakings		**500**	1,237
Profit on ordinary activities before tax	3	**7,393**	6,638
Tax on profit on ordinary activities	6	**(2,293)**	(1,799)
Profit on ordinary activities after tax		**5,100**	4,839
Dividends	7	**(4,570)**	(3,954)
Retained profit for the year	17	**530**	885

The profit on ordinary activities before tax and the retained profit for the year as stated above, are not materially different from their historical cost equivalents.

The company has no recognised gains and losses other than those included in the profits above, and therefore no separate statement of recognised gains and losses has been presented.

The above results relate wholly to continuing operations.

Secure Trust Bank PLC
(formerly Secure Homes Limited)

Balance sheet
at 31 December 1994

	Notes	1994 £'000	1993 £'000
Assets			
Cash and balances at central banks		23	640
Loans and advances to banks	8	13,201	15,314
Loans and advances to customers	9	18,941	11,534
Shares in Group undertakings	11	1,513	1,513
Tangible fixed assets	12	1,182	1,066
Prepayments and accrued income		426	365
Total assets		35,286	30,432
Liabilities			
Customer accounts	13	26,668	18,181
Other liabilities	14	2,005	6,374
Accruals and deferred income		613	407
		29,286	24,962
Called up share capital	16	5,000	505
Profit and loss account	17	1,000	4,965
Equity shareholders' funds		6,000	5,470
Total liabilities		35,286	30,432

The financial statements on pages 7 to 18 were approved by the board of directors on 5 April 1995 and were signed on its behalf by:

R Paston
Director

Notes to the financial statements for the year ended 31 December 1994

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below.

a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the special provisions of Part VII of the Companies Act 1985 relating to Banking companies and in accordance with section 226 of Schedule 4 to the Act.

b) Fees and commissions receivable

Fees and commissions receivable represent the value of management fees and agency commissions for services supplied to customers exclusive of value added tax and consist entirely of activities in the United Kingdom.

c) 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 as follows:

Computer equipment	20%
Motor vehicles	25%
Fixtures, fittings and furnishings	5% to 15%

No depreciation is provided on freehold property since in the opinion of the directors the amount of any provision would not be material.

d) Deferred taxation

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

e) Goodwill

Goodwill arising on acquisitions, which represents the difference between the fair value of consideration given and the fair value of the separable net assets acquired, is written off immediately against reserves.

1 Principal accounting policies (continued)

g) Pensions

The pension cost relating to UK schemes is assessed in accordance with the advice of qualified actuaries so as to recognise the cost of pensions on a systematic basis over employees' service lives.

h) Operating leases

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

i) Provision for bad and doubtful debts

Specific provisions are made against advances which are recognised to be bad or doubtful. In addition, general provisions are maintained to cover bad and doubtful debts which may be present at the year end in the portfolio of advances but which have not been specifically identified.

2 Administrative expenses

	1994 £'000	1993 £'000
Staff costs		
- wages and salaries	**1,926**	1,927
- social security costs	**194**	189
- other pension costs (note 5)	**115**	133
Other administrative expenses	**3,920**	3,809
	6,155	6,058

The average number of persons (including executive directors) employed by the company during the year was as follows:

	1994 Number	1993 Number
Administration	**168**	160

3 Profit on ordinary activities before taxation

	1994 £'000	1993 £'000
Profits on ordinary activities before taxation is stated after charging/(crediting):		
Rent receivable	**(7)**	(5)
Profit on disposal of tangible fixed assets	**(15)**	(12)
Auditors' remuneration	**23**	20
Other fees payable to the auditors	**38**	29
Hire of equipment - operating leases	**20**	20

4 Emoluments of directors

	1994 £'000	1993 £'000
Directors' fees	**10**	2
Other emoluments (including pension contributions and benefits in kind)	**749**	601
	759	603

The emoluments of the Chairman who was the highest paid director, excluding pension contributions, were £171,592 (1993: £156,984). The following table shows the number of directors of Secure Trust Bank PLC receiving emoluments, excluding pension contributions, within the bands stated.

	1994	1993
£Nil - £ 5,000	**1**	1
£5,001 - £ 10,000	**1**	-
£35,001 - £ 40,000	**-**	3
£40,001 - £ 45,000	**2**	1
£45,001 - £ 50,000	**2**	-
£50,001 - £ 55,000	**-**	1
£55,001 - £ 60,000	**1**	-
£65,001 - £ 70,000	**1**	-
£145,001 - £ 150,000	**-**	1
£155,001 - £ 160,000	**1**	1
£170,001 - £ 175,000	**1**	-

5 Pension costs

The principal pension scheme operated by the company is a defined contribution scheme. The assets of the scheme are held separately from those of the company, being invested with an insurance company. The pension cost charge represents contributions payable by the company to the scheme. The total charge for pension costs is shown in note 2.

6 Tax on profit on ordinary activities

	1994 £'000	1993 £'000
United Kingdom corporation tax at 33%:		
Current	2,295	2,050
Deferred	-	(249)
(Under)/over provided in previous years:		
Current	(2)	(2)
	2,293	1,799

7 Dividends

	1994 £'000	1993 £'000
Interim paid	4,570	3,311
Final proposed	-	643
	4,570	3,954

8 Loans and advances to banks

	1994 £'000	1993 £'000
Repayable on demand	1,201	1,814
Other loans and advances		
Remaining maturity:		
- 1 year or less but over 3 months	2,000	2,000
- 3 months or less	10,000	11,500
	13,201	15,314

9 Loans and advances to customers

	1994 £'000	1993 £'000
Remaining maturity:		
- Over 5 years	418	-
- 5 years or less but over 1 year	4,012	3,413
- 1 year or less but over 3 months	4,126	2,487
- 3 months or less	11,438	6,251
General and specific bad and doubtful debt provisions	(1,053)	(617)
	18,941	11,534
Amounts include:		
Due from subsidiary undertakings	5,096	2,667

There were no amounts due (1993: £Nil) which were payable on demand or at short notice.

10 Provisions for bad and doubtful debts

	1994 Specific	1994 General	1994 Total	1993 Specific £'000	1993 General £'000	1993 Total £'000
At 1 January	397	220	617	400	175	575
Group transfer	353	-	353	-	-	-
Charge against profits	141	16	157	114	45	159
Amounts written off	(105)	-	(105)	(117)	-	(117)
Recoveries	31	-	31	-	-	-
At 31 December	817	236	1,053	397	220	617

11 Shares in Group undertakings

	Shares at cost £'000
Secure Trust Bank PLC	
At 1 January 1994 and 31 December 1994	1,513

All subsidiary undertakings are unlisted. None of the subsidiary undertakings are banking institutions.

The principal subsidiary undertakings of Secure Trust Bank PLC are:

	Interest %	Nature of business
Auto & General Insurance Consultants Limited	100%	Insurance consultants
Heathfield Finance Limited	100%	Personal loans
Secure Homes Services Limited	100%	General retailing
Secure Travel Limited	100%	Travel operator

(i) All the above subsidiary undertakings are registered in England and Wales and operate within the United Kingdom.

(ii) All the above subsidiary undertakings have an accounting reference date of 31 December.

(iii) The interests of Secure Trust Bank PLC comprise £1 ordinary shares only.

12 Tangible fixed assets

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Computer and other equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 1994	209	6	1,607	475	2,297
Additions	-	-	255	211	466
Disposals	-	-	(21)	(131)	(152)
At 31 December 1994	**209**	**6**	**1,841**	**555**	**2,611**
Accumulated depreciation					
At 1 January 1994	-	-	1,054	177	1,231
Disposals	-	-	(20)	(96)	(116)
Charge for year	-	-	180	134	314
At 31 December 1994	**-**	**-**	**1,214**	**215**	**1,429**
Net book value at 31 December 1994	**209**	**6**	**627**	**340**	**1,182**
Net book value at 31 December 1993	209	6	553	298	1,066

13 Customer accounts

	1994 £'000	1993 £'000
With agreed periods of notice:		
1 year or less but over 3 months	**25,460**	17,540
Repayable on demand	**1,208**	641
	26,668	18,181
Amounts include:		
Due to subsidiary undertakings	**4,687**	391

14 Other liabilities

	1994 £'000	1993 £'000
Bank overdraft (comprising net unpresented cheques)	124	4,085
Dividend payable	-	643
Taxation	1,881	1,646
	2,005	6,374

15 Deferred taxation

	£
At 1 January 1994 and 31 December 1994	-

	Provided		Unprovided	
	1994 £'000	1993 £'000	1994 £'000	1993 £'000
Deferred taxation provided in the financial statements is as follows:				
Tax effect of timing differences:				
- Excess of capital allowances over depreciation	-	16	-	-
- Other timing differences	(67)	(69)	(15)	(9)
- Accrued interest	67	53	-	-
	-	-	(15)	(9)

The provision for UK deferred taxation relating to capital allowances has been made at 33% representing the rate of corporation tax at which the liability is expected to crystallise.

16 Share capital

	1994 £'000	1993 £'000
Authorised, allotted, called up and fully paid:		
Ordinary shares of £1 each	5,000	-
Ordinary shares of 10p each	-	5
Deferred shares of £1 each	-	500
	5,000	505

On 11 April 1994 each of the 500,000 Deferred Shares of £1 each were converted into 10 ordinary shares of 10p each. The 10p ordinary shares of the company were then consolidated into Ordinary shares of £1 each, and the Company's authorised share capital was increased to £5,000,000 by the creation of 4,495,000 ordinary shares of £1 each. The sum of £4,495,000 was capitalised from reserves and 4,495,000 ordinary shares of £1 each, credited as fully paid, were issued at par.

17 Profit and loss account

	£'000
At 1 January 1994	4,965
Capitalisation issue	(4,495)
Retained profit for the year	530
At 31 December 1994	**1,000**

18 Reconciliation of movements in shareholders' funds

	1994 £'000	1993 £'000
Profit on ordinary activities after tax	5,600	4,839
Dividends	(5,070)	(3,954)
Net addition to shareholders' funds	530	885
Opening shareholders' funds	5,470	4,585
Closing shareholders' funds	6,000	5,470

19 Directors' loans

The aggregate amounts outstanding at 31 December 1994 under transactions, arrangements and agreements made by authorised institutions within the Group from those who were directors (including connected persons) or officers of Secure Trust Bank PLC during the year, and the number of persons concerned, were as follows:

	Aggregate amount outstanding £'000	Number of persons
Directors		
- loans	441	3

20 Operating lease commitments

At the year end the company had annual commitments under non-cancellable operating leases expiring:

	1994 Land and buildings £'000	**1994 Computer and other equipment £'000**	1993 Land and buildings £'000	1993 Computer and other equipment £'000
- within one year	**7**	**-**	3	-
- between one and five years	**33**	**33**	31	42
- five years or more	**52**	**-**	71	-
	92	**33**	105	42

21 Capital commitments

	1994 £'000	1993 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**62**	69

22 Ultimate parent company

The directors regard Secure Trust Group PLC, a company registered in England and Wales, as the ultimate parent company.

A copy of the consolidated financial statements of Secure Trust Group PLC may be obtained from the Secretary, Secure Trust Group PLC, 23/27 Heathfield Road, Kings Heath, Birmingham, B14 7BY.