

Registered no: 541132

Secure Trust Bank PLC
Annual report
for the year ended 31 December 1997



Secure Trust Bank PLC

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	Pages
Directors and advisers	1
Directors' report	2 - 5
Statement of directors' responsibilities	4
Report of the auditors	6
Profit and loss account	7
Balance sheet	8
Notes to the financial statements	9 - 16

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
D Pearson
E Pearson (non-executive)
J Shipley
R J J Wickham (non-executive)

Secretary and registered office

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

Registered Auditors

Coopers & Lybrand
Temple Court
35 Bull Street
Birmingham
B4 6JT

Bankers

Barclays Bank plc
38 Hagley Road
Edgbaston
Birmingham
B16 8NY

**Directors' report
for the year ended 31 December 1997**

The directors present their report and the audited financial statements for the year ended 31 December 1997.

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) banking services comprising current and deposit accounts and the provision of loans and overdrafts on a secured and unsecured basis to personal and business customers
- (c) arranging and placing sickness, accident and redundancy insurance cover and general insurance on behalf of established insurance companies
- (d) 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 Limited.

Review of business

The directors are satisfied with the performance of the company during the year and do not envisage any change in the principal activity in the ensuing year. The results for the year are shown on page 7.

Dividends and transfers to reserves

Interim dividends of £6,150,000 were declared and paid during the year. The profit for the year of £590,000 has been transferred to reserves.

Directors' report (continued)

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
 R Middleton
 D Pearson
 E Pearson
 J Shipley

Mr R J J Wickham was appointed as a non-executive director on 5 January 1998. He is also a non-executive director of Secure Trust Group PLC, the ultimate parent undertaking.

Mr H Angest, Mr R Paston and Mr S J Lockley 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.

The interests in the share capital of Secure Trust Group PLC of the other directors in office at 31 December 1997 were as follows:

	At 31 December 1997, ordinary 1p shares	At 1 January 1997, ordinary 1p shares
R O Dauncey	1,200	-
K N F Deakin	4,721	7,721
Miss P G Fielding	74,710	75,910
J Shipley	1,500	1,500

Directors' report (continued)

Directors (continued)

The balance of share options granted to, but not exercised by, the other directors at 31 December 1997 is as follows:

	Date granted	Option price purchase	Number of options
K N F Deakin	7 October 1994	485p	22,000
	31 October 1995	533p	6,000
	31 October 1997	607.5p	7,000
Miss P G Fielding	7 October 1994	485p	10,000
R Middleton	7 October 1994	485p	15,000
D Pearson	31 October 1995	533p	25,000
J Shipley	31 October 1995	533p	35,000

The options granted in 1994 are exercisable within three and ten years of the date of their grant, those granted in 1995 and 1997 are exercisable within three and seven years of the date of their grant.

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

Supplier payment policy

The company's supplier payment policy is to make payment in line with terms agreed with individual suppliers, payments being effected on average within 30 days of receipt of invoice.

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 1997. The directors also confirm that applicable accounting standards have been followed with the exception of the departure disclosed and explained in note 1(c) to the financial statements and that the financial statements have been prepared on the going concern basis.

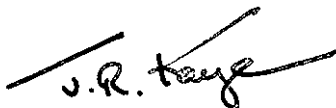
The directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors report (continued)

Auditors

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

By order of the board

A handwritten signature in black ink, appearing to read 'J.R. Kaye', with a long horizontal stroke extending to the right.

J R Kaye
Company secretary
6 April 1998

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

We have audited the financial statements on pages 7 to 16.

Respective responsibilities of directors and auditors

As described on page 4 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 1997 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
6 April 1998

Profit and loss account for the year ended 31 December 1997

	Notes	1997 £'000	1996 £'000
Interest receivable from loans and advances		4,320	4,017
Less: interest payable		(118)	(18)
Net interest income		4,202	3,999
Fees and commissions receivable		14,066	13,194
Less: fees and commissions payable		(153)	(118)
Operating income		18,115	17,075
Administrative expenses	2	(7,753)	(7,084)
Depreciation	12	(360)	(381)
Provisions for bad and doubtful debts	10	(648)	(523)
Income from shares in group undertakings		-	289
Profit on ordinary activities before tax	3	9,354	9,376
Tax on profit on ordinary activities	6	(2,614)	(3,113)
Profit on ordinary activities after tax		6,740	6,263
Dividends	7	(6,150)	(6,114)
Retained profit for the year	16	590	149

The profit on ordinary activities before tax and the 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.

Balance sheet at 31 December 1997

	Notes	1997 £'000	1996 £'000
Assets			
Cash and balances at central banks		114	105
Loans and advances to banks and building societies	8	13,000	12,000
Loans and advances to customers	9	21,589	22,528
Shares in Group undertakings	11	1,513	1,513
Tangible fixed assets	12	1,559	1,364
Prepayments and accrued income		630	415
Total assets		38,405	37,925
Liabilities			
Customer accounts	13	28,620	25,714
Other liabilities	14	2,390	5,516
Accruals and deferred income		636	526
		31,646	31,756
Called up share capital	15	5,000	5,000
Profit and loss account	16	1,759	1,169
Equity shareholders' funds	17	6,759	6,169
Total liabilities		38,405	37,925

The financial statements on pages 7 to 16 were approved by the board of directors on 6 April 1998 and were signed on its behalf by:



H Angest
Chairman



J Shipley
Director

Notes to the financial statements for the year ended 31 December 1997

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, which have been applied consistently, 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, and Schedule 4 to, the Companies Act 1985.

b) Fees and commissions receivable

Fees and commissions receivable represent the value of management fees, banking fees and commissions 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, applying the following annual rate:

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.

1 Principal accounting policies (continued)**e) Pensions**

The company contributes to a defined contribution scheme and to individual defined contribution schemes for the benefit of certain employees. Contributions are charged against profits at the contribution rates agreed with individual employees in the year in which they are made. There are no post retirement benefits other than pensions.

f) Operating leases

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

g) 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.

h) Cash flow statement

The company is a wholly owned subsidiary of Secure Trust Group PLC, and the cash flows of the company are included in the consolidated group cash flow statement of Secure Trust Group PLC. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 (Revised) from publishing a cash flow statement.

i) Related party transactions

The company is a wholly owned subsidiary of Secure Trust Group PLC. The company is therefore exempt from disclosing transactions and balances with group entities under the terms of Financial Reporting Standard No.8.

2 Administrative expenses

	1997 £'000	1996 £'000
Staff costs, including directors		
- wages and salaries	3,156	2,285
- social security costs	309	223
- other pension costs (note 5)	195	88
Other administrative expenses	4,093	4,488
	<u>7,753</u>	<u>7,084</u>

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

	1997 Number	1996 Number
Administration	<u>188</u>	<u>179</u>

3 Profit on ordinary activities before tax

	1997 £'000	1996 £'000
Profit on ordinary activities before tax is stated after charging:		
Loss on disposal of tangible fixed assets	96	7
Auditors' remuneration	53	53
Other fees payable to the auditors	35	35
Hire of equipment - operating leases	25	26
	<u> </u>	<u> </u>

4 Emoluments of directors

	1997 £'000	1996 £'000
Directors' fees	16	11
Other emoluments (including pension contributions and benefits in kind)	1,162	1,081
	<u> </u>	<u> </u>
	<u>1,178</u>	<u>1,092</u>

The emoluments of the highest paid director excluding pension contributions were £257,217 (1996: £255,308). Retirement benefits are accruing under money purchase schemes for seven directors (1996: seven directors).

In 1996 fees totalling £4,000 were paid to Edge & Ellison Solicitors, in respect of services to the company provided by Mr R O Dauncey, whilst a partner in that firm.

5 Pension costs

The principal pension scheme operated by the company is a defined contribution scheme. The assets of the scheme are held independently in a separate trustee administered fund. The pension cost charge represents contributions paid and payable during the year by the company to the scheme. The total charge for pension costs is shown in note 2.

6 Tax on profit on ordinary activities

	1997 £'000	1996 £'000
United Kingdom corporation tax at 31.5% (1996: 33%):		
Current	2,856	3,086
Under provided in previous years:		
Current	-	27
Prior year group relief	(242)	-
	<u> </u>	<u> </u>
	<u>2,614</u>	<u>3,113</u>

7 Dividends

	1997 £'000	1996 £'000
Interims paid	6,150	4,414
Final proposed dividend	-	1,700
	<u>6,150</u>	<u>6,114</u>

8 Loans and advances to banks and building societies

	1997 £'000	1996 £'000
Repayable on demand	-	-
Other loans and advances		
Remaining maturity:		
- 1 year or less but over 3 months	3,000	3,000
- 3 months or less	10,000	9,000
	<u>13,000</u>	<u>12,000</u>

9 Loans and advances to customers

	1997 £'000	1996 £'000
Remaining maturity:		
- Over 5 years	314	210
- 5 years or less but over 1 year	8,710	7,218
- 1 year or less but over 3 months	7,989	7,647
- 3 months or less	6,347	8,820
General and specific bad and doubtful debt provision (note 10)	(1,771)	(1,367)
	<u>21,589</u>	<u>22,528</u>
Amounts include:		
Due from group undertakings	<u>2,149</u>	<u>4,366</u>

There were no amounts due (1996: £Nil) which were payable on demand or at short notice.

10 Provisions for bad and doubtful debts

	Specific	1997 General	Total	Specific	1996 General	Total
At 1 January	1,042	325	1,367	875	310	1,185
Charge/(credit) against profits	873	(225)	648	508	15	523
Amounts written off	(287)	-	(287)	(345)	-	(345)
Recoveries	43	-	43	4	-	4
At 31 December	<u>1,671</u>	<u>100</u>	<u>1,771</u>	<u>1,042</u>	<u>325</u>	<u>1,367</u>

11 Shares in Group undertakings

	Shares at cost £'000
At 1 January 1997 and 31 December 1997	<u>1,513</u>

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
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 1997	363	6	2,479	524	3,372
Additions	-	62	154	403	619
Disposals	(3)	-	-	(277)	(280)
Group transfers	-	-	42	20	62
	<u>360</u>	<u>68</u>	<u>2,675</u>	<u>670</u>	<u>3,773</u>
Accumulated depreciation					
At 1 January 1997	24	-	1,740	244	2,008
Disposals	-	-	-	(180)	(180)
Charge for year	-	-	217	143	360
Group transfers	-	-	23	3	26
	<u>24</u>	<u>-</u>	<u>1,980</u>	<u>210</u>	<u>2,214</u>
Net book value at 31 December 1997	<u>336</u>	<u>68</u>	<u>695</u>	<u>460</u>	<u>1,559</u>
Net book value at 31 December 1996	<u>339</u>	<u>6</u>	<u>739</u>	<u>280</u>	<u>1,364</u>

13 Customer accounts

	1997 £'000	1996 £'000
With agreed periods of notice:		
1 year or less but over 3 months	23,023	21,566
3 months or less not repayable on demand	104	-
Repayable on demand	5,493	4,148
	<u>28,620</u>	<u>25,714</u>
Amounts include:		
Due to subsidiary undertakings	<u>2,323</u>	<u>1,647</u>

14 Other liabilities

	1997 £'000	1996 £'000
Bank overdraft (comprising net unrepresented cheques)	-	3,180
Taxation	2,390	2,336
	<u>2,390</u>	<u>5,516</u>

15 Share capital

	1997 £'000	1996 £'000
Authorised, allotted, called up and fully paid: Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>

16 Profit and loss account

	£'000
At 1 January 1997	1,169
Retained profit for the year	<u>590</u>
At 31 December 1997	<u>1,759</u>

17 Reconciliation of movements in equity shareholders' funds

	1997 £'000	1996 £'000
Profit on ordinary activities after tax	6,740	6,263
Dividends	<u>(6,150)</u>	<u>(6,114)</u>
Net addition to shareholders' funds	590	149
Opening shareholders' funds	<u>6,169</u>	<u>6,020</u>
Closing shareholders' funds	<u>6,759</u>	<u>6,169</u>

18 Directors' loans

The aggregate amounts outstanding at 31 December 1997 under transactions, arrangements and agreements on normal commercial terms, made by the authorised institution 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	480	3

19 Operating lease commitments

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

	1997 Land and buildings £'000	1997 Computer and other equipment £'000	1996 Land and buildings £'000	1996 Computer and other equipment £'000
- within one year	45	1	42	35
- between one and five years	16	3	65	2
- five years or more	77	-	16	-
	<u>138</u>	<u>4</u>	<u>123</u>	<u>37</u>

20 Capital commitments

	1997 £'000	1996 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	187	108

21 Ultimate parent company

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

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.