Secure Trust is a banking and financial group providing high quality services to individuals and businesses

The Group serves customers in two business sectors, personal financial services and private and merchant banking. Service to these customers is supported by investment in people and technology to create a reliable, efficient and profitable operation.

Personal customers are provided with a wide range of services through Secure Trust Bank and its sister companies, encompassing household cash management, current and deposit accounts, cash cards, personal loans and insurance services covering sickness and accidents, redundancy, life assurance, property and motor vehicles.

The Arbuthnot companies form the private and merchant banking business. They provide banking, investment management, offshore trust management, pensions, insurance and factoring services to professional firms, owner-managed companies, charities, pension schemes and individuals.

Secure Trust's objective is steady year-on-year growth in both profits and earnings per share. To achieve this objective its strategy is to seek opportunities for further development, principally within the existing areas of operation, where the Group aims to expand the customer base, extend geographic coverage and add new products which fit its service-based philosophy. As in the past, this strategy will encompass both organic development and selected acquisitions.

Directors and Advisers

Directors

Henry Angest
Chairman of the Group since 1985 and Chairman of Secure Trust Bank since 1982. He is also Chairman of Arbuthnot Latham & Co., Arbuthnot Fund Managers and Arbuthnot Commercial Finance.

Ron Paston
Executive Director of Secure Trust Group since 1985 and Chief Executive of Secure Trust Bank since 1973, having joined in 1962. He has been instrumental in the Company's development and is also Chairman of the Group's insurance subsidiaries.

Stephen Lockley
Group Finance Director since 1994 and Chief Executive of Arbuthnot Latham & Co. since May 1995. He is a Chartered Accountant and was previously a director of Charterhouse Bank.

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 Graystone PLC and Northern Leisure PLC.

Secretary

Jeremy Robin Kaye, F.C.I.S.

Addresses

Registered Office
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Birmingham B14 7BY
Telephone: (0121) 693 9100
Facsimile: (0121) 693 9124

London Office
Royex House,
Aldermanbury Square,
London EC2V 7HR
Telephone: (0171) 374 0417

Advisers

Financial Advisers
Hambros Bank Limited
41 Tower Hill,
London EC3N 4HA

Auditors
Coopers & Lybrand
Chartered Accountants
and Registered Auditors
Temple Court, 35 Bull Street,
Birmingham B4 6JT

Registrars
Independent Registrars Group Limited
Balfour House,
390-398 High Road,
Ilford,
Essex IG1 1NQ

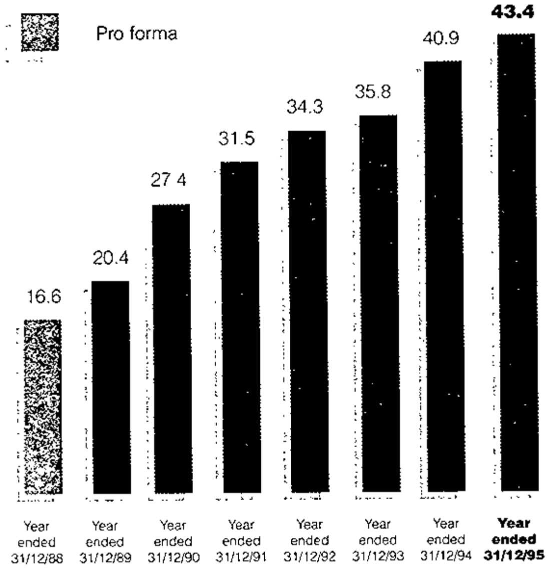
Principal Bankers
Barclays Bank PLC
38 Hagley Road,
Edgbaston,
Birmingham B16 8NY

Joint Stockbrokers
Charterhouse Tilney Securities Limited
1 Paternoster Row,
St Paul's,
London EC4M 7DH

Albert E Sharp
Temple Court,
35 Bull Street,
Birmingham B4 6ES

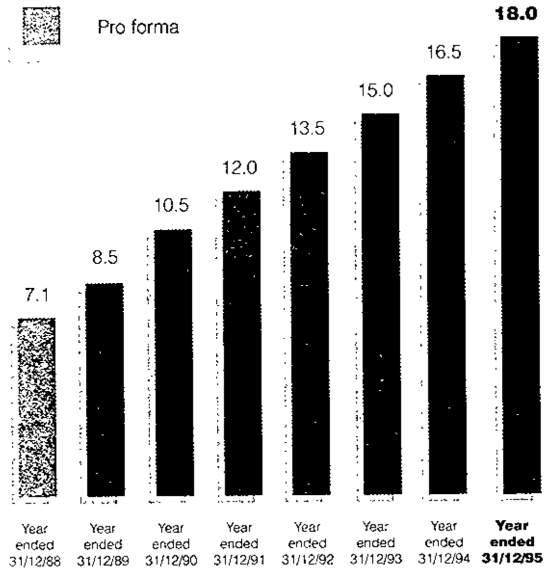
Earnings per share — since flotation

(pence)



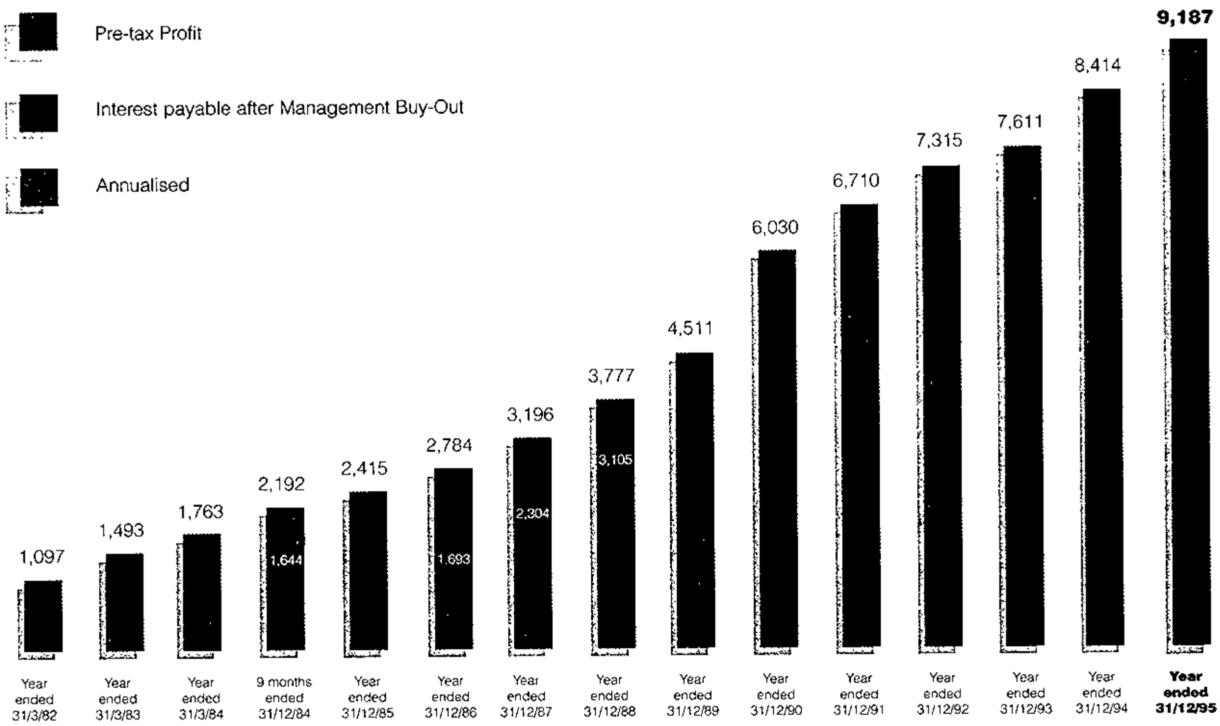
Dividend per share — since flotation

(pence) (excluding 1995 special dividend of 10p)



15 year Record of Pre-Tax Profit

(£000s)



Chairman's Statement

December 1995 marked the tenth anniversary since Ron Paston and I led the management buy-out of Secure Trust. The Group's success, both before and since the buy-out, has been most gratifying. 1995 was our seventeenth consecutive year of increased profitability and we have achieved an increase in both earnings and dividends per share in every year since the company's flotation in December 1988.

Throughout this period, we have benefited greatly from the considerable dedication and loyalty of all our staff and management, a high proportion of whom have been with the Group for many years. My colleagues on the Board join me in extending our thanks to each and every one of them.

We are grateful for the ongoing support given by many of our shareholders over the years and, in recognition of this, have decided to pay a special dividend this year of 10p per share, in addition to the normal final dividend.

The past year has also had its time of sadness for the Group. On 7 November 1995, Tom O'Malley, who had been a non-executive director since 1988, died following a short illness. Tom was a true gentleman, whose dealings were characterised by integrity and honour, and whose contributions to our Board discussions were highly valued. We greatly miss his wisdom, his advice and his unfailing good humour.

Results and Developments

Profits before tax for the year ended 31 December 1995 increased by 9 per cent to £9.2 million (1994: £8.4 million) and earnings per share by 6 per cent to 43.4p (1994: 40.9p). Many areas of our business have continued to face a highly competitive environment and these encouraging results again underline my confidence in the soundness of our strategy of building a balanced portfolio of financial businesses.

The Board proposes to pay a final dividend of 12.5p per share which, together with the special dividend of 10p and the interim dividend of 5.5p, makes a total for the year of 28p against 16.5p last year, an increase of 70 per cent. The dividend will be paid on 20 May 1996 to all shareholders on the register at 2 April 1996.

Both the personal financial services division and the private and merchant banking division achieved increases in profits. The personal financial services division recorded a rise of 7 per cent over 1994 with the newly acquired West Yorkshire Insurance Company making a first time contribution. Household cash management increased customer numbers at a similar rate to recent years and income grew by 11 per cent. Consumer lending had a particularly successful year with new advances 25 per cent ahead of last year. Credit control remains a priority in line with our conservative risk management philosophy and bad debts within the division remain very modest.

I am pleased to report that our insurance consultancy operation continues to achieve a healthy level of profitability despite the competitive conditions presently prevailing in motor insurance, reflecting tight cost control and aggressive marketing. Our strategic review of the motor insurance industry led us to acquire West Yorkshire Insurance Company, a specialist motor insurance underwriter, in May 1995 for a cash consideration, excluding expenses, of £3.5 million. Following this acquisition, I believe that we are well placed to face the challenges which undoubtedly lie ahead.

In the private and merchant banking division, profits rose by 35 per cent and Arbuthnot Latham succeeded in growing its deposit base despite the uncertain times which followed the collapse of Barings during the early part of 1995. I believe this reflects our customers' recognition of our prudent management and the absence of any significant position-taking in any markets, including derivatives. The prospects for the division appear promising as new customers are being added and the range of services has been further broadened to include pensions, investments and commercial insurance following the acquisition of MPW Group in January 1996. I am certain that demand for the personal approach to banking, finance and investments offered through the Arbuthnot companies will continue to grow and that the business will prosper.

Following the year end, we completed the acquisition of MPW Pensions & Investment Management Limited, MPW (Trustees) Limited and 51 per cent of MPW Insurance Brokers Limited for a combined initial consideration, excluding expenses, of £1.2 million. Further payments will be made, dependent on future profitability, although the total consideration payable by Secure Trust for 100 per cent ownership of MPW Group is capped at £3 million.

Financial Regulation and Corporate Governance

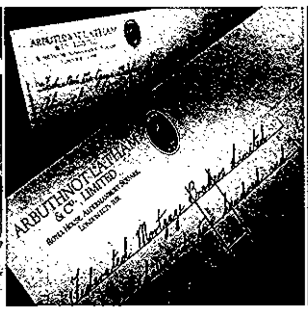
Secure Trust Group operates in a number of highly regulated markets and, as a result, is supervised in one way or another by eight different regulators, each of which imposes its own separate requirements on our conduct of business. We recognise the need for effective regulation and applaud the Government's desire to see the consumer properly protected. I worry, however, that the present trend of ever increasing regulation will do little to achieve greater protection of the consumer. On the contrary, it simply adds to the costs which ultimately must be borne by those consumers as well as endangering the competitive position of London as a financial centre over the longer term.

As a smaller public company, we are concerned too at the increasing burden imposed by "fashionable" corporate governance practices. Setting up numerous Board Committees and requiring "standardised" corporate governance statements in the Annual Report will do nothing to improve the profitability of businesses such as ours nor the quality of management. Shareholders should be able to judge by the results achieved and act accordingly. I sincerely hope that the successor to the Cadbury Committee will see the sense of making some practical improvements to the recommendations both of its predecessor and of the Greenbury Committee, with a view to reducing the unproductive burden on smaller companies.

Outlook

We have worked hard to lay the foundations for a sound and successful strategy designed to deliver progressive growth in profits, earnings per share and dividends. We seek areas of activity which offer the potential to enhance our growth without adding an unacceptable degree of risk to our operations. The Board believes the Group is well placed to achieve this aim and continues to view the future with confidence.

Henry Angest
3 April 1996

Operating and Financial Review

Personal Financial Services

The personal financial services division includes Secure Trust Bank PLC, which provides household cash management, current and deposit accounts, cash cards and personal loans; the insurance consultancy operations, which trade from 38 retail outlets, under the names Auto & General Insurance Consultants, OBC Insurance Consultants, SecureDirect and Snowball; and motor insurance underwriting through West Yorkshire Insurance Company. Profits from the personal financial services division rose by 7 per cent over 1994 to £8.3 million.

Household Cash Management

The household cash management service is a unique scheme enabling customers to enjoy the convenience of spreading their household bills over regular weekly or monthly payments and to relax in the knowledge that Secure Trust Bank will deal with all aspects of the administration of their household expenditure.

The 58,000 customers who use the service are located predominantly in the Midlands, Manchester and Bradford. The customer base continues to grow steadily and a net growth in customer numbers exceeding 3,000 has been achieved over the past three years. Fee income earned by the Group from this service rose by 5 per cent during 1995.

Customers are also offered the facility to insure their regular payments against sickness, accident and redundancy and add the premiums to their household cash management account. The enhanced scheme introduced during 1994 continues to prove popular with customers and commission earnings from this source remain buoyant, rising by 25 per cent over last year.

Personal Lending and Banking

For many years the Group has offered personal loans to customers on both a secured and an unsecured basis, with repayments usually being channelled through a household cash management account. Over recent years, the banking activities have been enhanced by the introduction of a savings account and a short-term cash advance, "SecureCash", available to established customers.

In 1993, the range of personal banking products was further expanded through the acquisition of Peoples Bank, now the Bradford branch of Secure Trust Bank. In addition to providing a base for our expansion in Yorkshire, the Bradford branch acts as the administrative centre for a range of banking services which are now also being marketed successfully to the customer base in the Midlands and Manchester. The services provided include chequebook accounts, deposit accounts, cash cards, loans and overdrafts for personal and small business customers. By expanding the range of services offered to customers, Secure Trust Bank aims to build on the relationship with them and thereby increase customer satisfaction and loyalty. Since the relaunch of the Bradford operation in 1994 under the Secure Trust Bank name, over 1,300 new bank accounts have been gained.

During 1995, the Group has focused on increasing the take-up of its consumer loans by existing customers and new loans granted were 25 per cent higher than in 1994. At the same time, the quality of the lending has not been jeopardised and the charge for bad and doubtful debts remains very modest.

Insurance

Over recent years the Group has achieved a substantial penetration in the insurance consultancy market in the West Midlands, particularly in motor insurance. Many of Secure Trust Bank's customers make use of the Group's insurance services and pay for their policies through household cash management accounts. The continued growth of direct insurers during 1995 has led to a reduction in premium rates, as a result of which commission income fell by 7 per cent compared with last year. The changes that have taken place in personal lines insurance over the past three years led the Board to conclude that the Group should begin to underwrite some insurance products in order to make more effective use of the sales infrastructure represented by its branch network. This strategic conclusion resulted in the acquisition in May 1995 of West Yorkshire Insurance Company, a specialist underwriter of motor insurance. This acquisition made an initial positive contribution to these results, despite bearing restructuring costs, and work is now well advanced on increasing the amount of business which West Yorkshire Insurance Company obtains from the Group's insurance consultancies.

There are undoubtedly challenges ahead for the insurance business. Nevertheless, the Group's strategic response, strong market presence, emphasis on modern technology and efficient working practices mean that it is well placed to meet those challenges.

Private and Merchant Banking

The private and merchant banking division was formed during 1994 and now offers banking, investment management, offshore trust management, factoring, pensions and investment advice and general insurance to professional firms, owner-managed companies, charities, pension schemes and private clients. Profits from the division rose by 35 per cent over 1994 to £0.9 million.

Arbuthnot Latham & Co. continues to develop satisfactorily and the management has been strengthened during the course of 1995. Deposits placed with the bank by its clients have grown from £26 million at the date of acquisition to £42 million at the end of 1995. Arbuthnot Latham & Co. aims to develop close banking relationships with its clients based on trust and personal contact, from which it can promote the use of a range of the Group's services.

The approach to risk management at Arbuthnot Latham & Co. continues to be conservative, underlined by the appointment of a risk management director in September 1995. A cautious stance is adopted on new lending and provisions charged for bad and doubtful debts in the year were negligible. The bank's treasury function operates solely to provide a service to clients and does not take significant unmatched positions in any markets for its own account. The balance sheet is managed in such a way that interest rate risks and exchange rate risks are both reduced to minimum levels.

Arbuthnot Fund Managers and Arbuthnot Commercial Finance have both made progress in gaining new clients during the course of 1995.

The private and merchant banking division was further strengthened following the year-end by the acquisition of MPW Group, which specialises in pensions and investment advice, administration of Small Self-Administered Pension Schemes and general insurance broking for high net worth clients and owner-managed businesses.

Finances

Profit before tax for the year amounted to £9.2 million (1994: £8.4 million) and the profit before tax from continuing activities was £9.1 million. The effective rate of taxation for the year is 29.6 per cent which reflects the utilisation of tax losses brought forward in Arbuthnot Latham & Co. After paying dividends totalling £4.2 million, the retained profit of £2.3 million has been added to reserves. There were no other recognised gains and losses.

During the year the Group's cash resources increased by £8.4 million, of which £0.8 million represented the cash balances of businesses acquired. The increase in cash resources is stated after making payments of £6.3 million in respect of investments and acquisitions, including deferred consideration payments of £2.3 million. The acquisition of West Yorkshire Insurance Company has been accounted for in accordance with Financial Reporting Standard 6 and Financial Reporting Standard 7, and has given rise to an addition to premiums on acquisitions written off amounting to £2.1 million. Shareholders' funds increased to £13.0 million at the year end and total assets rose from £90.8 million to £108.0 million.

Bank borrowings at 31 December 1995 amounted to £6 million, of which £2 million represented committed bank lines drawn by Arbuthnot Latham & Co. and £4 million was incurred by the Group to finance the purchase of West Yorkshire Insurance Company.

Directors' Report

The directors submit their annual report and the audited consolidated financial statements for the year ended 31 December 1995.

Principal Activities and Review

The principal activities of the Group are banking and financial services. This report should be read in conjunction with the Chairman's Statement and Operating and Financial Review which contain comments on the Group's performance.

Results and Dividends

The results for the year are shown on page 12. The retained profit for the year of £2,289,000 has been transferred to reserves.

The directors recommend the payment of a final dividend of 22.5p on the ordinary shares (including a special dividend of 10p) which, together with the interim dividend of 5.5p paid on 10 November 1995, represents a total dividend for the year of 28p. The final dividend, if approved by members at the Annual General Meeting, will be paid on 20 May 1996 to shareholders on the register at close of business on 2 April 1996.

Acquisitions and Post-Balance Sheet Event

On 17 May 1995 West Yorkshire Insurance Company Limited, an underwriter of motor insurance policies, was acquired for a total cash consideration, excluding expenses, of £3.5 million.

As a post-balance sheet event, on 2 January 1996, the Company acquired the entire issued share capitals of MPW Pensions & Investment Management Limited and MPW (Trustees) Limited and 51 per cent of the issued share capital of MPW Insurance Brokers Limited, as described in note 37.

Share Capital

The Company established an Executive Share Option Scheme in 1988. In 1995 this Scheme was replaced by new Approved and Unapproved Executive Share Option Schemes.

To date options granted to 21 employees and 1 director between 6 December 1988 and 31 October 1995 at prices varying between 140p and 540p and not yet exercised cover 479,000 shares.

The Company issued 23,100 ordinary shares to satisfy options exercised during the year and on 25 September 1995 issued 16,524 ordinary shares in connection with deferred consideration for the acquisition of A & R Equity Limited.

At the Annual General Meeting shareholders will be asked to approve two Special Resolutions; the authority granted by each of them will expire at the conclusion of the Annual General Meeting in 1997.

The first continues the authority of the directors to issue shares in nominal value equal to 5% of the existing share capital for cash, otherwise than to existing shareholders pro rata to their holdings. Except as stated herein, the directors have no present intention of issuing any shares and will not issue shares which would effectively change the control of the Company without the prior approval of shareholders in General Meeting.

The second renews the authority of the directors to make market purchases of shares not exceeding 10% of the issued share capital. The directors have no present intention to purchase the Company's shares, but will keep the position under review in order to maximise the Company's resources in the best interests of the shareholders.

Substantial Shareholders

The Company was aware at 31 March 1996 of the following substantial holdings in the ordinary shares of the Company, other than those held by the two directors shown below:

Holder	Ordinary Shares	%
Mercury Asset Management Limited	1,617,200	10.8
Prudential Assurance Co. Limited	668,117	4.5

Directors

H. Angest	Chairman	S. J. Lockley
R. Paston		R. J. J. Wickham

Mr. Wickham retires under Article 109 of the Articles of Association and, being eligible, offers himself for re-election. He does not have a service agreement.

The directors report with regret that Mr. T. A. O'Malley, who had been a director since 1 June 1988, died on 7 November 1995, and wish to pay tribute to his wise counsel during those years.

According to the register maintained under Section 325 of the Companies Act 1985, the interests of directors and their families in the ordinary 1p shares of the Company were as follows:

Beneficial Interests	1 January 1995	31 December 1995	%
H. Angest	5,745,877	5,894,185	39.5
R. Paston	692,130	692,130	4.6
S. J. Lockley	2,000	3,832	—
R. J. J. Wickham	505	505	—

There have been no changes in beneficial interests between 1 January and 31 March 1996.

On 7 October 1994 Mr. Lockley was granted options to subscribe between October 1997 and October 2004 for 100,000 shares in the Company at 485 pence each. On 16 October 1995 he was granted options to subscribe between October 1998 and October 2002 for a further 100,000 shares at 540 pence each, subject to the increase in the Company's earnings per share over a three year period exceeding the change in the retail price index over the same period by at least 2% per annum. All of these options remain outstanding. During the year to 31 December 1995 the share price ranged between 515 pence and 555 pence. The middle market closing share price at 31 December 1995 was 525 pence.

Apart from the interests disclosed above, no director was interested at any time in the year in the share capital of Group companies.

No director, either during or at the end of the financial year, was materially interested in any contract with the Company or any of its subsidiaries which was significant in relation to the Group's business. One director has a loan from Secure Trust Bank PLC of £200,000 on normal commercial terms as disclosed in note 31 to the financial statements.

The Company maintains insurance to provide liability cover for directors and officers of the Company.

Employees

The Company gives due consideration to the employment of disabled persons and is an equal opportunities employer. It also regularly provides employees with information on matters of concern to them, consults on decisions likely to affect their interests and encourages their involvement in the performance of the Company through share participation and in other ways.

Status

The Company is not a close company as defined in the Income and Corporation Taxes Act 1988.

Auditors

A resolution to reappoint Coopers & Lybrand 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

J. R. Kaye Secretary

3 April 1996

J. R. Kaye

Corporate Governance

The Final Report of the Cadbury Committee on Financial Aspects of Corporate Governance which included a Code of Best Practice was published in late 1992. The Board fully endorses the principles of openness, integrity and accountability advocated by the Report and the Board has at all times conducted its affairs within the spirit of the Cadbury Report. The Group contains two Authorised Institutions regulated by the Bank of England and its other significant businesses are subject to regulation by appropriate bodies. Accordingly, the Group operates to the high standards of corporate accountability appropriate for such businesses.

The directors, acting through the Audit Committee of which Mr. R. J. J. Wickham, a non-executive director, is Chairman, have examined how far the current practice of the Company conforms with the recommendations made in the Cadbury Report. This review has been undertaken in the light of a Company that is proprietorial in nature (two of the executive directors are substantial shareholders in the Company) and a strong belief by your Board that it should act as a unitary Board. Splitting the Board into subcommittees and making non-executives watchdogs over executives will not achieve enhancement of profitability or shareholder value.

As a result of operating as a unitary Board, the Company has not constituted a Nomination Committee as it believes the matters that would be dealt with by this committee are better dealt with by the Board as a whole. A list of matters reserved to the Board as a whole was reviewed and formally approved on 25 November 1993. There is an agreed procedure for directors to take independent professional advice, if necessary, at the Company's expense. Apart from the requirement under the Articles for one-third of the non-executive directors to retire at each Annual General Meeting, there are no specific terms of appointment for non-executive directors.

The Board of directors, which meets regularly, is responsible for the management of the Company's business and for overall Group strategy. Mr. Angest performs the roles of both Chairman and Group Chief Executive but the close involvement of the other executive directors, who are the Chief Executives of the two major operating divisions, in all operational matters ensures that there is an appropriate balance of power and authority.

The whole Board acts as the Audit Committee although on these occasions the chair is taken by Mr. Wickham. The Audit Committee meets on a minimum of two occasions a year at which the external auditors are present. The auditors have access to the Chairman of the Audit Committee at all times.

Remuneration Committee

The Remuneration Committee at present comprises the whole Board under the Chairmanship of Mr. H. Angest. In view of the significant proportion of share capital of the Company held by executive directors, this is felt to be the most appropriate structure for a business of this size. Individual directors do not vote on their own remuneration. The Committee has given full consideration to the best practice provisions annexed to the Listing Rules.

The Remuneration Committee determines the remuneration of individual directors having regard to the size and nature of the business; the importance of attracting, retaining and motivating management of the appropriate calibre; remuneration data for comparable positions; the need to align the interests of executives with those of shareholders; and an appropriate balance between current remuneration and longer-term performance related rewards. The remuneration package can comprise a combination of basic annual salary and benefits (including pension), a discretionary annual bonus award related to the Committee's assessment of the contribution made by the executive during the year and executive share options, which are not capable of being exercised for at least three years after the date of grant. The rules of the share option scheme were amended in May 1995 to include an appropriate performance condition for all options granted after that date. Information in relation to share options granted to directors is set out in the Directors' Report. Pension benefits take the form of annual contributions paid by the Company to individual money purchase schemes. The executive directors' service contracts are all terminable by the Company on one year's notice. Details of director's remuneration are set out in note 5 to the financial statements.

Internal Controls

The Board of directors has overall responsibility for the Group's system of internal financial control. Such a system can provide only reasonable and not absolute assurance against material misstatement or loss. The directors have reviewed the effectiveness of the Group's system of internal financial control during the year ended 31 December 1995.The key procedures in place are:

Control environment — the Board exercises its responsibility for internal financial control through an organisation structure with clearly defined levels of responsibility and authority and appropriate reporting procedures. Experienced and suitably qualified staff take responsibility for important business functions. Standards of performance are maintained through appraisal and disciplinary procedures.

Risk assessment — the identification of major business risks is carried out on an ongoing basis by operating management and steps are taken to mitigate or eliminate these where possible. The Board has recently undertaken a specific exercise to review and assess key risks. Significant risk areas arising from the development of new activities are subject to consideration by the Board.

Information systems — there is a comprehensive budgeting system and the annual budget is approved by the Board. Monthly management accounts are prepared showing comparisons against corresponding figures for the budget and the previous year covering financial results, balance sheets, liquidity, capital adequacy and key indicators of operating performance. The reasons for variances are analysed and commented upon and the results are discussed in detail at Board meetings.

Control procedures — financial controls and procedures are operated throughout the Group which include authorisation limits, segregation of incompatible duties and management review of the operation of key controls.

Monitoring systems — in addition to the internal procedures outlined above, the Group's system of internal financial control is subject to regular reviews by the external auditors (to the extent necessary to express their audit opinion), by regulatory inspectors and by independent accountants in compliance with the requirements of the Banking Act 1987. In addition, internal audit work is performed in particularly sensitive areas. The main findings contained in reports on these reviews are presented to the Audit Committee.

Going Concern

The directors confirm that they are satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

The auditors' report in respect of Corporate Governance matters is set out on page 31.

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 and the Group as at the end of the financial year and of the profit and cash flows of the Group for the year.

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.

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

In addition, the directors are responsible for maintaining adequate accounting records, safeguarding the assets of the Group and taking reasonable steps to prevent and detect fraud or any other irregularities.

Consolidated Profit and Loss Account

For the year ended 31 December 1995

	Notes	1995 £000	1994 £000
Interest receivable from loans and advances			
Continuing activities		**9,223**	7,133
Acquisitions		**507**	—
		9,730	7,133
Less: interest payable			
Continuing activities		**(2,367)**	(1,420)
Net interest income		**7,363**	5,713
Continuing activities:			
Fees and commissions receivable		**17,548**	15,853
Less: fees and commissions payable		**(124)**	(227)
Acquisitions:			
Earned insurance premium		**4,778**	—
Insurance claims		**(2,821)**	—
Operating income		**26,744**	21,339
Administrative expenses	2	**16,382**	11,993
Depreciation	16	**843**	648
Provisions for bad and doubtful debts	12	**332**	284
Operating expenses	3	**17,557**	12,925
Profit on ordinary activities before tax	4		
Continuing activities		**9,087**	8,414
Acquisitions		**100**	—
		9,187	8,414
Tax on profit on ordinary activities	6	**2,718**	2,410
Profit on ordinary activities after tax	7	**6,469**	6,004
Dividends	8	**4,180**	2,505
Retained profit for the year	24	**2,289**	3,499
Earnings per ordinary share	9	**43.4p**	40.9p

The profit on ordinary activities before tax and retained profit on a historical cost basis are not materially different from the profit on ordinary activities before tax and retained profit for the financial years above.

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

Consolidated Balance Sheet

At 31 December 1995

	Notes	1995 £000	1994 £000
Assets			
Cash		**271**	255
Loans and advances to banks and building societies	10	**54,255**	29,793
Loans and advances to customers	11	**43,251**	41,890
Loans and advances subject to non-recourse finance arrangements	11	**1,213**	5,077
Less: non-recourse financing	11	**(1,115)**	(4,067)
	11	**98**	1,010
Debt securities	14	**—**	12,002
Tangible fixed assets	16	**3,365**	2,857
Other assets	17	**4,519**	1,920
Prepayments and accrued income		**2,201**	1,049
Total assets		**107,960**	90,776
Liabilities			
Deposits by banks	18	**4,498**	1,285
Customer accounts	19	**65,572**	65,384
Insurance reserves	20	**9,745**	—
Other liabilities	21	**13,000**	10,231
Accruals and deferred income		**2,086**	1,459
Provisions for liabilities and charges: Deferred taxation	22	**7**	24
Minority interests	25	**37**	40
		94,945	78,423
Called up share capital	23	**149**	149
Share premium account	24	**12,868**	12,746
Premiums on acquisitions written off	24	**(21,847)**	(20,098)
Profit and loss account	24	**21,845**	19,556
Equity shareholders' funds	26	**13,015**	12,353
Total liabilities		**107,960**	90,776
Memorandum items	35		
Contingent liabilities			
Guarantees		**395**	733
Other contingent liabilities		**306**	540
		701	1,273
Commitments		**2,748**	5,714

The financial statements on pages 12 to 30 were approved by the Board of Directors on 3 April 1996 and were signed on its behalf by:

H. Angest }
S. J. Lockley } Directors

S J Lockley

Company Balance Sheet

At 31 December 1995

	Notes	1995 £000	1994 £000
Fixed Assets			
Shares in subsidiary undertakings	*15*	**27,337**	28,664
Current Assets			
Debtors:			
Due from subsidiary undertakings		**6,417**	6,515
Prepayments		**93**	35
Cash at bank and in hand		**1,218**	14
Current taxation		**185**	199
		7,913	6,763
Creditors: Amounts falling due within one year			
Due to subsidiary undertakings		**83**	5,024
Dividend payable		**3,360**	1,712
Accruals		**363**	247
Deferred consideration		**753**	3,477
		4,559	10,460
Net Current Assets/(Liabilities)		**3,354**	(3,697)
Total assets less current liabilities		**30,691**	24,967
Creditors: Amounts falling due after more than one year			
Bank loan	*21*	**3,950**	—
Net assets		**26,741**	24,967
Capital and Reserves			
Called up share capital	*23*	**149**	149
Share premium account	*24*	**12,868**	12,746
Profit and loss account	*24*	**13,724**	12,072
Equity shareholders' funds		**26,741**	24,967

The financial statements on pages 12 to 30 were approved by the Board of Directors on 3 April 1996 and were signed on its behalf by:

H. Angest
S. J. Lockley } Directors

S J Lockley

Consolidated Cash Flow Statement

For the year ended 31 December 1995

	Notes	1995 £000	1994 £000
Net cash inflow from operating activities	28	**13,369**	13,614
Returns on investments and servicing of finance			
Ordinary dividends paid		**(2,532)**	(2,294)
Taxation			
United Kingdom corporation tax paid		**(2,047)**	(3,186)
Investing activities			
Purchase of tangible fixed assets		**(1,351)**	(855)
Sale of tangible fixed assets		**178**	132
Investment in subsidiary undertakings (net of cash and cash equivalents acquired)	29	**(3,202)**	11,619
Net cash (outflow)/inflow from investing activities		**(4,375)**	10,896
Net cash inflow before financing		**4,415**	19,030
Financing			
Bank loan	21	**3,950**	—
Issue of share capital for cash	23	**34**	2,557
Share capital issued to minority shareholders	25	**—**	50
Cash inflow from financing		**3,984**	2,607
Increase in cash and cash equivalents	10 & 28	**8,399**	21,637

Accounting Policies

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 consolidated financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to banking groups and in accordance with the historical cost convention. The financial statements of the Company have been prepared in accordance with Section 226 of, and Schedule 4 to, the Companies Act 1985.

The Company has taken advantage of Section 230(3) of the Companies Act 1985 and has not published a separate profit and loss account.

(b) **Basis of consolidation**

The financial statements include the results of the Company and its subsidiaries for the year ended 31 December 1995 or from the date at which control passes.

(c) **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.

(d) **Insurance premiums and claims**

Earned insurance premium represents premiums written during the year less the proportion relating to the unexpired terms of policies in force at the balance date, calculated on a time apportionment basis. Claims incurred comprise claims paid in the year and changes in provisions for outstanding claims, including claims incurred but not yet reported.

(e) **Depreciation**

Depreciation is charged on a straight line basis, from the month of purchase, to write down the cost of tangible fixed assets over their estimated useful lives, applying the following annual rates:

Freehold property	—	2%	Other office equipment	—	5% to 15%
Computer equipment	—	20% to 33%	Motor vehicles	—	25%

(f) **Deferred taxation**

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

(g) **Premiums on acquisitions**

Premiums arising on acquisitions, which represent the difference between the fair value of consideration given and the fair value of the separable net assets acquired, are dealt with as a negative reserve in the consolidated balance sheet.

(h) **Pensions**

The Group contributes to a defined benefit scheme and to individual defined contribution pension schemes for the benefit of certain employees. Contributions to the defined benefit 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 the membership. Contributions to the defined contribution schemes, determined annually based on actuarial recommendations, are charged against profits in the year in which they are made. There are no post-retirement benefits other than pensions.

(i) **Operating leases**

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

(j) **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. Interest of doubtful collectability is excluded from the profit and loss account and credited to a suspense account.

(k) **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.

Notes to the Financial Statements

1 Presentation of financial statements

Financial Reporting Standard No. 5
In preparing these financial statements the directors have taken advantage of the amendment to FRS 5 "Reporting the substance of transactions: Insurance broking transactions and financial reinsurance" which defers the implementation of the offset requirements of FRS 5, to the extent that they relate to insurance transactions, until accounting periods ending on or after 22 September 1996.

2 Administrative expenses

	1995	1994
	£000	£000
Staff costs, including directors		
Wages and salaries	**6,579**	5,249
Social security costs	**555**	476
Other pension costs (note 36)	**356**	274
Other administrative expenses	**8,892**	5,994
	16,382	11,993

3 Operating expenses

	1995			1994
	Continuing Activities	**Acquisitions**	**Total**	Total
	£000	**£000**	**£000**	£000
Administrative expenses	**14,047**	**2,335**	**16,382**	11,993
Depreciation	**814**	**29**	**843**	648
Provisions for bad and doubtful debts	**332**	**—**	**332**	284
	15,193	**2,364**	**17,557**	12,925

Notes to the Financial Statements

4 Profit on ordinary activities before tax

is stated after:	**1995 £000**	1994 £000
Income		
Profit on disposals of tangible fixed assets	**52**	42
Rent from sub-letting of premises	**28**	30
Charges		
Equipment rentals	**70**	61
Other operating lease rentals	**519**	463

The auditors' remuneration was **£122,000** (1994: £103,000) of which **£3,000** (1994: £3,000) related to the Company.

Remuneration of the auditors for the provision of non-audit services to the Group was **£206,000** (1994: £127,000). This comprises taxation compliance and advisory fees of **£44,000** (1994: £44,000), other statutory audit services under the Banking Act 1987 of **£32,000** (1994: £5,000) and other services of **£130,000** (1994: £78,000).

5 Emoluments of directors

	1995 £000	1994 £000
Fees	**28**	31
Salary payments (including benefits in kind)	**555**	400
Pension contributions	**79**	94
	662	525

Executive	Salary £000	Bonus £000	Benefits £000	Pension contributions £000	Fees £000	**Total 1995 £000**	Total 1994 £000
H. Angest	145	—	43	25	—	**213**	195
R. Paston	175	—	21	30	—	**226**	219
S. J. Lockley	126	30	15	24	—	**195**	80
Non-executive							
T. A. O'Malley	—	—	—	—	12	**12**	12
R. J. J. Wickham	—	—	—	—	16	**16**	14
R. F. Erith	—	—	—	—	—	**—**	5
	446	30	79	79	28	**662**	525

Mr. Lockley was appointed a director on 20 June 1994.

The emoluments of the Chairman were **£213,000** (1994: £195,000) including pension contributions of **£25,000** (1994: £24,000). The emoluments of the highest paid director were **£226,000** (1994: £219,000) including pension contributions of **£30,000** (1994: £60,000).

The following table shows the number of directors of Secure Trust Group PLC receiving emoluments, excluding pension contributions, within the bands stated. Details of directors' share options are set out in the Directors' Report on page 9.

Emoluments	**1995**	1994
£ Nil — £ 5,000	**—**	1
£ 10,001 — £ 15,000	**1**	2
£ 15,001 — £ 20,000	**1**	—
£ 65,001 — £ 70,000	**—**	1
£155,001 — £160,000	**—**	1
£170,001 — £175,000	**1**	1
£185,001 — £190,000	**1**	—
£195,001 — £200,000	**1**	—

Mr. R. J. J. Wickham is a director of Broughframe Limited which received an annual fee of **£16,000** (1994: £13,750) in respect of his services to the Group, which is included in the above figures.

6 Tax on profit on ordinary activities

	1995 £000	1994 £000
United Kingdom corporation tax at 33%		
Current	**2,730**	2,549
Deferred	**(17)**	(6)
	2,713	2,543
Under/(over) provided in previous years		
Current	**5**	(133)
	2,718	2,410

The tax charge for the year has been reduced by approximately £233,000 in respect of losses brought forward in a subsidiary company.

7 Profit dealt with in the accounts of Secure Trust Group PLC

£1,652,000 (1994: £2,791,000) of the profit attributable to ordinary shareholders has been dealt with in the accounts of Secure Trust Group PLC.

8 Dividends

	1995 pence per share	1994 pence per share	1995 £000	1994 £000
Interim (paid)	**5.5**	5.0	**820**	793
Final (proposed)	**12.5**	11.5	**1,867**	1,712
Special (proposed)	**10.0**	—	**1,493**	—
	28.0	16.5	**4,180**	2,505

9 Earnings per ordinary share

Earnings per ordinary share are calculated on the net basis by dividing the profit attributable to shareholders of **£6,469,000** (1994: £6,004,000) by the weighted average number of ordinary shares **14,906,050** (1994: 14,690,532) in issue during the year.

10 Loans and advances to banks and building societies

	1995 Group £000	1994 Group £000
Repayable on demand	**7,399**	4,876
Remaining maturity		
5 years or less but over 1 year	**5,995**	—
1 year or less but over 3 months	**6,388**	2,000
3 months or less	**34,473**	22,917
	54,255	29,793

Included above are cash and short-term funds of **£41,798,000** (1994: £21,761,000) which were within three months of maturity when acquired — see note 28(iii).

Notes to the Financial Statements

11 Loans and advances to customers

	1995 Group £000	1994 Group £000
Remaining maturity		
Over 5 years	**4,697**	3,427
5 years or less but over 1 year	**8,312**	10,053
1 year or less but over 3 months	**9,340**	8,329
3 months or less	**30,859**	34,530
	53,208	56,339
Non-recourse financing	**(1,115)**	(4,067)
General and specific bad and doubtful debt provisions	**(7,805)**	(8,584)
Suspended interest	**(939)**	(788)
	43,349	42,900
Of which		
Loans and advances subject to non-recourse finance arrangements	**98**	1,010
Other loans and advances	**43,251**	41,890
Of which repayable on demand or at short notice	**14,614**	21,925

A subsidiary company has loans with a value of £1.2 million (1994: £5.1 million) assigned to its former parent company with a sub-participation of £0.1 million (1994: £1 million). The agreement states that the former parent company 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 repurchased.

12 Provisions for bad and doubtful debts

		1995			1994	
	Specific £000	**General £000**	**Total £000**	Specific £000	General £000	Total £000
Group:						
At 1 January	**7,756**	**828**	**8,584**	1,268	220	1,488
Charge against profits	**232**	**100**	**332**	264	20	284
Subsidiary undertaking acquired	**—**	**—**	**—**	6,521	588	7,109
Amounts written off	**(1,279)**	**—**	**(1,279)**	(363)	—	(363)
Recoveries	**168**	**—**	**168**	66	—	66
At 31 December	**6,877**	**928**	**7,805**	7,756	828	8,584

13 Interest in suspense

	1995 Group £000	1994 Group £000
At 1 January	**788**	—
Acquisition of subsidiary undertaking	**—**	1,261
Net interest suspended	**388**	341
Interest written off	**(237)**	(814)
At 31 December	**939**	788

14 Debt securities

The debt securities in 1994 represented certificates of deposit, with maturity dates less than 3 months. These instruments are held in the balance sheet at their net book values which equated to market value.

15 Shares in subsidiary undertakings

	Shares at cost £000
Secure Trust Group PLC	
At 1 January 1995	28,664
Acquisitions	4,060
Adjustment to deferred consideration	(437)
Capital reduction in subsidiary undertaking	(4,950)
At 31 December 1995	**27,337**

	1995 £000	1994 £000
Subsidiary undertakings		
Banks	**21,168**	26,555
Other	**6,169**	2,109
Total unlisted	**27,337**	28,664

The principal subsidiary undertakings of Secure Trust Group PLC at 31 December 1995 were:

Name	**Interest %**	**Principal activity**
Secure Trust Bank PLC and its wholly owned subsidiaries	100	Household cash management and banking
Auto and General Insurance Consultants Limited		Motor and general insurance
Heathfield Finance Limited		Personal loans
Secure Homes Services Limited		General retailing
Secure Travel Limited		Travel operator
OBC Insurance Consultants Limited	100	Motor and general insurance
West Yorkshire Insurance Company Limited	100	Insurance underwriting
Arbuthnot Latham & Co., Limited	100	Banking
Arbuthnot Fund Managers Limited	100	Fund management
Arbuthnot Commercial Finance Limited	90	Factoring

(i) All the above subsidiary undertakings are incorporated in Great Britain and have their respective registered offices in England and Wales and operate within the United Kingdom.

(ii) All the above subsidiary undertakings are included in the consolidated accounts and have an accounting reference date of 31 December.

(iii) All the above interests relate wholly to ordinary shares.

(iv) During the year the Company acquired the whole of the issued share capital of West Yorkshire Insurance Company Limited and issued a further 16,524 ordinary shares in connection with the acquisition of A & R Equity Limited.

(v) Deferred consideration payable on the acquisition of Arbuthnot Latham & Co., Limited in 1994 has been determined at £437,000 less than the amount provided at 31 December 1994.

(vi) The share capital of Peoples Trust & Savings PLC, a non-trading subsidiary undertaking, was reduced by £4.95 million and this amount was repaid to Secure Trust Group PLC.

Notes to the Financial Statements

16 Tangible fixed assets

	Freehold land and buildings £000	Computer and other equipment £000	Motor Vehicles £000	Total £000
Group:				
Cost				
At 1 January 1995	915	3,539	932	5,386
Acquisition of subsidiary undertaking	—	215	123	338
Additions	1	854	496	1,351
Disposals	—	(9)	(409)	(418)
At 31 December 1995	**916**	**4,599**	**1,142**	**6,657**
Accumulated depreciation				
At 1 January 1995	57	2,099	373	2,529
Acquisition of subsidiary undertaking	—	159	53	212
Disposals	—	(2)	(290)	(292)
Charge for year	12	587	244	843
At 31 December 1995	**69**	**2,843**	**380**	**3,292**
Net book value at 31 December 1995	**847**	**1,756**	**762**	**3,365**
Net book value at 31 December 1994	858	1,440	559	2,857

All freehold land and buildings are occupied by and used by Group companies.

17 Other assets

	1995 Group £000	1994 Group £000
Amounts falling due within one year		
Trade debtors	**4,519**	1,920

18 Deposits by banks

	1995 Group £000	1994 Group £000
With agreed periods of notice		
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	**1,821**	117
Repayable on demand	**366**	322
	4,498	1,285

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

19 Customer accounts

	1995 Group £000	1994 Group £000
With agreed periods of notice		
Over 5 years	**1,799**	1,971
1 year or less but over 3 months	**23,256**	20,995
3 months or less but not repayable on demand	**22,154**	25,801
Repayable on demand	**18,363**	16,617
	65,572	65,384

20 Insurance reserves

	1995 Group £000	1994 Group £000
Claims outstanding	**7,080**	—
Unearned premium reserve	**2,665**	—
	9,745	—

21 Other liabilities

	1995 Group £000	1994 Group £000
Amounts falling due within one year		
Bank overdraft	**292**	640
Trade creditors	**2,334**	2,722
Dividends payable	**3,360**	1,712
Corporation tax	**2,163**	1,520
Deferred consideration	**753**	3,477
Other creditors	**148**	160
	9,050	10,231
Amounts falling due after one year (Group and Company)		
Bank loan	**3,950**	—
	13,000	10,231

The loan is secured by a charge on the share capital of Secure Trust Bank PLC and of West Yorkshire Insurance Company Limited and is repayable as follows:

Between one and two years	**1,000**	—
Between two and five years	**2,950**	—
	3,950	—

Notes to the Financial Statements

22 Deferred taxation

	1995 Group £000	1994 Group £000
Provision for deferred taxation		
Capital allowances	**7**	42
Other timing differences	**—**	(85)
Accrued interest	**—**	67
	7	24
At 1 January 1995	**24**	
Arising during the year	**(17)**	
At 31 December 1995	**7**	

Full provision for deferred taxation has been made at 33% being the rate of corporation tax at which the liability or asset is expected to crystallise.

23 Called up share capital

	£000
Authorised (at 31 December 1994 and 1995): 418,439,000 ordinary shares of 1p each	**4,184**
Allotted, called up and fully paid At 1 January 1995: 14,889,206 ordinary shares of 1p each	149
At 31 December 1995: 14,928,830 ordinary shares of 1p each	**149**

On 25 September 1995 16,524 further shares were issued, credited as fully paid up, for a premium of £88,000 in connection with the acquisition of the issued share capital of A & R Equity Limited.

Additionally, during the year 23,100 ordinary shares were issued for cash under the Executive Share Option Scheme for a total premium of £34,000.

At 31 December 1995, options to subscribe for 484,000 ordinary shares were outstanding exercisable by employees between 1996 and 2005 at prices between 140p and 540p.

24 Reserves

	Group £000	**Company £000**
Share premium account		
At 1 January 1995	12,746	12,746
Arising in the year	122	122
At 31 December 1995	**12,868**	**12,868**
Premiums on acquisitions written off		
At 1 January 1995	(20,098)	
Arising in the year (note 29)	(1,749)	
At 31 December 1995	**(21,847)**	
Profit and loss account		
At 1 January 1995	19,556	12,072
Retained profit for the year	2,289	1,652
At 31 December 1995	**21,845**	**13,724**

25 Minority interests

	1995 Group £000	1994 Group £000
At 1 January	**40**	185
Acquisition	**—**	(185)
Issue of shares in Arbuthnot Commercial Finance Limited	**—**	50
Less: share of loss after tax included in other liabilities	**(3)**	(10)
At 31 December	**37**	40

26 Reconciliation of movements in equity shareholders' funds

	1995 Group £000	1994 Group £000
Profit for the financial year	**6,469**	6,004
Dividends	**(4,180)**	(2,505)
	2,289	3,499
New share capital issued	**122**	3,200
Premiums on acquisitions arising	**(1,749)**	(3,101)
Opening equity shareholders' funds	**12,353**	8,755
Closing equity shareholders' funds	**13,015**	12,353

27 Assets and liabilities denominated in foreign currencies

	1995 Group £000	1994 Group £000
Assets denominated in sterling	**97,735**	83,721
Assets denominated in currencies other than sterling	**10,225**	7,055
Total assets	**107,960**	90,776
Liabilities denominated in sterling	**97,720**	83,754
Liabilities denominated in currencies other than sterling	**10,240**	7,022
Total liabilities	**107,960**	90,776

Notes to the Financial Statements

28 Consolidated cash flow statement

	1995 £000	1994 £000
(i) Reconciliation of Group profit on ordinary activities before tax to net cash inflow from operating activities		
Group profit on ordinary activities before taxation	**9,187**	8,414
Increase in prepayments and accrued income	**(1,108)**	81
Increase in accruals and deferred income	**195**	169
Provisions for bad and doubtful debts	**332**	284
Depreciation	**843**	648
Profit on sales of tangible fixed assets	**(52)**	(42)
Increase in other assets	**(1,554)**	286
Decrease in other liabilities	**(2,688)**	(295)
Increase in insurance reserves	**665**	—
Net cash flow from trading activities	**5,820**	9,545
Increase in deposits by banks	**3,213**	1,285
Net increase in customer accounts	**188**	10,887
Decrease in loans and advances to banks and building societies	**4,929**	(3,032)
Net increase in other loans and advances to customers	**(1,693)**	(4,061)
Decrease in net loans and advances subject to non-recourse finance arrangements	**912**	(1,010)
Net cash inflow from operating activities	**13,369**	13,614

	1995 £000	1994 £000
(ii) Analysis of changes in cash and cash equivalents during the year		
At 1 January	**33,378**	11,741
Net cash inflow	**8,399**	21,637
At 31 December	**41,777**	33,378

	1995 £000	1995 Change in year £000	1994 £000	1994 Change in year £000	1993 £000
(iii) Analysis of the balances of cash and cash equivalents					
Cash	**271**	**16**	255	246	9
Loans to banks and building societies	**41,798**	**20,037**	21,761	7,833	13,928
Bank overdraft	**(292)**	**348**	(640)	1,556	(2,196)
Certificates of deposit	**—**	**(12,002)**	12,002	12,002	—
	41,777	**8,399**	33,378	21,637	11,741

	Loans 1995 £000	Share Capital (including premium) 1995 £000	Share Capital (including premium) 1994 £000
(iv) Analysis of changes in financing during the year			
At 1 January	**—**	**12,895**	9,695
Cash inflow from financing	**3,950**	**34**	2,607
Shares issued fully paid up	**—**	**88**	643
Transfer to minority interest	**—**	**—**	(50)
At 31 December	**3,950**	**13,017**	12,895

29 Summary of the effect of acquisitions

	Book value at date of acquisition £000	Adjustments £000	Fair value at date of acquisition £000
(i) West Yorkshire Insurance Company Limited			
Tangible fixed assets	126	—	126
Liquid and short-term assets	12,216	—	12,216
Total assets	12,342	—	12,342
Total liabilities	9,490	978	10,468
Net assets			1,874
Premium on acquisition written off			2,098
Fair value of cash consideration including expenses			3,972

The effective date of the acquisition of West Yorkshire Insurance Company Limited, which has been accounted for using the acquisition method, was 17 May 1995. For the period 17 May to 31 December 1995 its operating profit and profit after taxation was £100,000. It contributed £278,000 to the Group's net operating cash flows. It utilised £51,000 for investing activities.

For the year ended 30 September 1994 its audited profit after taxation, as restated, was £601,000. For the period 1 October 1994 to 17 May 1995 the Company's turnover was £3,675,000, its operating loss was £753,000 and its loss after taxation was £478,000. No other gains or losses were recognised during this period.

(ii) Analysis of the net outflow of cash and cash equivalents in respect of the purchase of West Yorkshire Insurance Company Limited.

	£000
Cash consideration	(3,972)
Cash and cash equivalents acquired	770
Net outflow	(3,202)

(iii) A & R Equity Limited

On 25 September 1995 16,524 ordinary shares were issued, credited as fully paid, to satisfy further consideration payable, resulting in an additional premium on acquisition written off amounting to £88,000. At 31 December 1995 provision has been made for additional cash consideration, of £53,000, estimated on the basis of latest information available.

(iv) Arbuthnot Latham & Co., Limited

The amount of deferred consideration payable at 31 December 1995 has been determined at £700,000, resulting in a reduction of £437,000 in premiums on acquisitions written off.

Notes to the Financial Statements

30 Segmental information

	Personal financial services		Private and merchant banking		Group total	
	1995	1994	**1995**	1994	**1995**	1994
	£000	£000	**£000**	£0000	**£000**	£000
Segment profit before taxation	**8,274**	7,738	**913**	676	**9,187**	8,414
Segment Net Assets	**26,733**	25,135	**8,129**	7,316	**34,862**	32,451
Premiums on acquisitions written off					**(21,847)**	(20,098)
Total Net Assets					**13,015**	12,353
Segment Total Assets	**46,837**	33,868	**61,123**	56,908	**107,960**	90,776

All trading activities are carried out in the United Kingdom.

The directors consider it appropriate to divide the Group's business into two business segments, personal financial services and private and merchant banking.

31 Directors' and officers' loans

The aggregate amount outstanding at 31 December 1995 under transactions, arrangements and agreements made by authorised institutions within the Group with those who were directors (including connected persons) or officers of Secure Trust Group PLC during the year, and the number of persons concerned, were as follows:

	Aggregate amount outstanding	Number of persons
Director's loan (including accrued interest)	£204,000	1

32 Capital commitments

	1995	1994
	£000	£000
Capital commitments for the Group (Company £Nil), which have been contracted for but for which no provision has been made in the financial statements	**101**	179

33 Average number of employees

The average number of persons employed by the Group during the year was made up as follows:

	1995	1994
Personal financial services	**366**	344
Private and merchant banking	**62**	49
	428	393

34 Operating lease commitments

	1995		1994	
	Land and buildings £000	**Computer and other equipment £000**	Land and buildings £000	Computer and other equipment £000
At the year end, annual commitments under non-cancellable operating leases were:				
Group				
Expiring				
— within one year	**45**	**8**	26	5
— between one and five years	**233**	**71**	232	64
— in five years or more	**227**	**—**	179	12
	505	**79**	437	81
Company				
Expiring				
— between one and five years	**20**		20	

35 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.

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

36 Pension commitments

The Group contributes to a defined benefits scheme and to individual defined contribution schemes for certain employees. The principal assets of the defined contribution schemes are invested with insurance companies and those of the defined benefits scheme are held independently in a separate trustee administered fund.

The latest independent actuarial valuation of the defined benefits scheme was carried out as at 30 September 1993 and the actuarial valuation of the scheme's assets of £1,250,000 covered 120 per cent of the benefits accrued at the valuation date. The major actuarial assumptions adopted were a return on investments of 9 per cent per annum, an increase in pensionable earnings of 8 per cent per annum and an increase in pensions of 4.5 per cent per annum. The valuation disclosed an excess of assets over past service liabilities of £203,000 which is being eliminated over the working lifetime of the membership, provided that current contribution levels are not exceeded. At 31 December 1995 the provision resulting from a contribution holiday from 1 October 1990 to 30 November 1991 was £60,987 (1994: £65,528).

The total pension cost is shown in note 2.

37 Post-balance sheet event

As stated in the Directors' Report, on 2 January 1996 the Company acquired the whole of the issued share capitals of MPW Pensions & Investment Management Limited and MPW (Trustees) Limited and 51 per cent of the issued share capital of MPW Insurance Brokers Limited for a combined initial consideration, excluding expenses, of £1.2 million. Further consideration will be paid dependent on future profitability. Total consideration, for 100 per cent ownership by the Company, is capped at £3 million.

Report of the Auditors

To the members of Secure Trust Group PLC

We have audited the financial statements on pages 12 to 30.

Respective responsibilities of directors and auditors

As described on page 11, 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 and the Group at 31 December 1995 and of the profit and cash flow of the Group 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
3 April 1996

Report by the Auditors to Secure Trust Group PLC on Corporate Governance Matters

In addition to our audit of the financial statements, we have reviewed the directors' statement on pages 10 and 11 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

Basis of opinion

We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. The Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or its corporate governance procedures, nor on the ability of the Company or Group to continue in operational existence.

Opinion

With respect to the directors' statements on internal financial control on pages 10 and 11 and going concern on page 11, in our opinion the directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the Company, and examination of relevant documents, in our opinion the directors' statement on page 11 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.

Coopers & Lybrand.

COOPERS & LYBRAND

Chartered Accountants and Registered Auditors
Birmingham
3 April 1996

Notice of Meeting

NOTICE IS HEREBY GIVEN that the tenth Annual General Meeting of the Company will be held at Temple Court, 35 Bull Street, Birmingham B4 6JT, on Wednesday, 15 May 1996 at 12.30 pm for the following purposes:

1. To receive and adopt the Report of the Directors and the Financial Statements for the year ended 31 December 1995.

2. To declare a dividend on the ordinary shares which the directors recommend should be 22.5p per ordinary share.

3. To elect Mr. R. J. J. Wickham as a director.

4. To reappoint Coopers & Lybrand as Auditors and to authorise the directors to fix their remuneration.

Special Business

To consider and, if thought fit, to approve the passing of the following Resolutions which will be proposed as Special Resolutions:

5. That the directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (as defined in Subsection (2) of Section 94 of the Companies Act 1985) as if Subsection (1) of Section 89 of the Companies Act did not apply to any such allotment PROVIDED THAT such power shall be limited:

   (i) to the allotment of equity securities in connection with any rights issue in favour of or general offer to holders of ordinary shares in the capital of the Company where the equity securities respectively attributable to the interests of all the shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with problems in connection with fractional entitlements, record dates, overseas shareholders or otherwise; and

   (ii) to the allotment (otherwise than pursuant to subparagraph (i) above) of equity securities up to an aggregate nominal value of £7,470

   and shall expire at the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry.

6. That the Company be and is hereby generally and unconditionally authorised, pursuant to section 166 of the Companies Act 1985 and Article 50(b) of the Articles of Association, to make market purchases (as defined in Section 163 of the Companies Act 1985) of its own ordinary shares on The London Stock Exchange on such terms and in such manner as the directors shall determine, provided that the general authority conferred by this resolution shall:

   (i) be limited to a maximum of 1,494,300 ordinary shares of 1p each;

   (ii) not permit payment of a price per ordinary share more than 105% of the average of the middle market quotations for such shares derived from the London Stock Exchange Daily Official List for the ten business days immediately preceding the date on which the shares are contracted to be purchased or less than 1p, exclusive of expenses;

   (iii) expire on the conclusion of the next Annual General Meeting of the Company save that the Company may before such expiry contract to purchase its own shares on terms which will or may provide for completion to take place in whole or in part after such expiry.

23-27 Heathfield Road
Kings Heath
Birmingham B14 7BY
19 April 1996

By Order of the Board
J. R. Kaye
Secretary
J. R. Kaye

Notes:
1. A member entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.
2. There are no service contracts of directors other than ones which may be terminated on 12 months' notice at any time. Copies of these service agreements will be available for inspection at the registered office during usual business hours on any weekday (Saturdays and public holidays excepted) from the date of this Notice until the date of the meeting and at the place of meeting for 15 minutes prior to and during the meeting.