



HAMPSHIRE TRUST
PRIVATE BANKERS

Financial Statements

Eight Months to 31 December 2006

Hampshire Trust Plc

Financial Statements - 8 Months to 31 December 2006

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Registered no: 1311315

Hampshire Trust Plc

Directors and advisers

Directors

A P Gration (Chairman)
M J Wilks (Managing Director)
S M B Hunter (Deputy Managing Director)
J E Pakenham-Walsh (Finance Director)
J S Milton
P Batchelor
D McCrickard

Company Secretary

A P Gration

Registered office

30 Church Street
Epsom
Surrey
KT17 4NL

Independent Auditors

KPMG Audit Plc
2 Cornwall Street
Birmingham
B3 2DL

Clearing Bank

Bank of Scotland
144-148 High Street
Southampton
Hants SO14 2JF

Solicitors

Stephenson Harwood
One, St Paul's Churchyard
London
EC4M 8SH

Hampshire Trust Plc

Directors' Report – 8 Months to 31 December 2006

The Directors have pleasure in submitting their report together with the financial statements for the 8 months to 31 December 2006.

Activity

The company is a bank (“the Bank”), authorised under the Financial Services and Markets Act 2000 to accept deposits, and provides a range of banking services.

Business Review

The Directors are pleased to report a pre-tax trading profit of £1.0 million for an 8 month period which equates to an annualised profit of £1.5 million (30.4.06: £1.7 million). During the period the Bank was acquired by National Counties Building Society and profit was adversely affected by the demands falling on senior management arising out of the sale including extensive due diligence.

The sale process has also adversely affected other Key Performance Indicators including the loan book which at £21.2 million (30.4.06: £25.1 million) is 16% down on the previous period end and the annualised pre tax operating return on equity capital which has fallen to 23% (30.4.06: 28%). The Bank's capital ratio has increased from 27% to 32% (30.4.06: 22% to 27%). It is the Board's view that the expected increase in the loan book over the coming financial year will reverse these trends.

The Directors have considered the option of moving to International Financial Reporting Standards but do not believe it is appropriate at present.

Principal Risks And Uncertainties

As a wholly owned subsidiary of National Counties Building Society, the principal risks, uncertainties and financial risk management objectives are managed in the context of the National Counties Group as a whole. Full disclosure of the principal risks and risk management is made in the Directors' Report of the National Counties Building Society Annual Report and Accounts which can be obtained from the Bank's registered office.

Financial Instruments

FRS 13 requires all banks to include in their annual report information relating to derivatives and other financial instruments. The Bank has not engaged in derivatives or other complex financial instruments, either for trading or non-trading purposes, nor has it conducted business in foreign currencies. The Bank pays interest on its public deposits and receives interest on its loan assets. The Bank closely monitors the sources and maturities of assets and liabilities to ensure that it can meet its cash financial obligations as and when they fall due. All credit decisions are made in accordance with the Bank's lending policies and all loan assets are reviewed at least annually by the Bank's Credit Committee. All of the policies noted above have been followed during the year.

Dividends And Transfer To Reserves

Following discussions with the Bank's parent, the Directors have decided not to recommend the payment of a dividend to ordinary shareholders in respect of the 8 months to 31 December 2006. As a result of the change of ownership, the final dividend declared by the Board for the previous accounting period was not paid.

Hampshire Trust Plc

Directors' Report – 8 Months to 31 December 2006 (cont.)

The post tax profit for the period was £0.8 million (30.4.06: £1.5 million). After deductions for dividends on equity shares of £nil (30.4.06: £0.8 million), £0.8 million (30.4.06: £0.7 million) will be transferred to reserves.

Issue Of New Shares

On 18 October 2006 the Bank issued 142,500 Ordinary £1.00 Shares at £0.70 per share with the discount debited to the share premium account.

Creditor Payment Policy

The Bank's policy concerning the payment of its creditors is to:

- (a) settle the terms of payment with those suppliers when agreeing the terms of each transaction,
- (b) pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception.

Creditor days are nil (30.4.06: nil). It is the Bank's usual practice to make payment on receipt of invoice.

Donations

The Bank made charitable donations of £1,485 (30.4.06: £500) during the period and made no (30.4.06: £nil) political donations.

Disclosure Of Information To Auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as each Director is aware, there is no relevant audit information of which the Bank's auditors are unaware. Furthermore each Director has taken all the steps he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Bank's auditors are aware of that information.

Directors And Directors' Interests In The Shares Of The Bank

The Directors of the Bank during the period were as follows:

A P Gration	(appointed 2.11.06)
P Batchelor	(appointed 2.11.06)
P Cordrey	(resigned 18.10.06)
D McCrickard	(appointed 2.11.06)
S M B Hunter	
C G Marsh	(resigned 18.10.06)
J S Milton	(appointed 2.11.06)
J E Pakenham-Walsh	
D L Stewart	(resigned 18.10.06)
T W Trinder	(resigned 18.10.06)
M J Wilks	

Hampshire Trust Plc

Directors' Report – 8 Months to 31 December 2006 (cont.)

In relation to those directors holding office at the period end, the only share movements during the period related to the share options exercised in anticipation of the sale of the Bank to National Counties Building Society followed by the entire sale of the holdings to the new owner on 18 October 2006, as detailed below:

	<u>Hunter</u>	<u>Pakenham-Walsh</u>	<u>Wilks</u>
Ordinary Shares			
As at 1.5.06	429,309	37,500	458,319
Stock options exercised	45,000	-	60,000
Sold -18.10.06	<u>(474,309)</u>	<u>(37,500)</u>	<u>(518,319)</u>
As at 31.12.06	<u>nil</u>	<u>nil</u>	<u>nil</u>
Preference Shares			
As at 1.5.06	10,500	18,000	34,500
Sold – 18.10.06	<u>(10,500)</u>	<u>(18,000)</u>	<u>(34,500)</u>
As at 31.12.06	<u>nil</u>	<u>nil</u>	<u>nil</u>

At the period end, no director held any beneficial interest in the Bank's shares, although Mr Milton held one ordinary share as nominee for the parent.

The Bank's current non-executive directors, Messrs Gration, Batchelor, Milton and McCrickard are all directors of the parent, National Counties Building Society.

The information detailed above include both legal and beneficial interests and interests in shares held by connected parties.

No directors of the Bank held shares in any other group companies.

Auditors

Following the sale to National Counties, it was agreed that it would be more appropriate for their auditors, KPMG Audit Plc, to audit the Bank. As a result PricewaterhouseCoopers LLP resigned and KPMG Audit Plc were appointed to fill the casual vacancy. A resolution to reappoint KPMG Audit Plc as auditors to the Bank will be proposed at the annual general meeting.

By order of the board

A P Gration
Company Secretary

20 March 2007

Hampshire Trust Plc

Directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Hampshire Trust Plc

Independent auditors' report to the members of Hampshire Trust Plc

We have audited the financial statements of Hampshire Trust Plc for the eight month period ended 31 December 2006 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 6, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

Hampshire Trust Plc

Independent auditors' report to the members of Hampshire Trust Plc (cont.)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the eight month period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Birmingham

20 March 2007

Hampshire Trust Plc

Profit and Loss Account – 8 Months to 31 December 2006

	Notes	8 months to 31.12.06 £	12 months to 30.4.06 Restated £
Interest receivable from loans and advances	2	2,099,002	3,527,733
Interest payable	3	<u>(729,582)</u>	<u>(1,188,974)</u>
Net interest income		1,369,420	2,338,759
Income from participating interests		-	15,000
Fees and commissions receivable	4	1,056,591	1,317,958
Fees and commissions payable		(58,339)	(62,999)
Other operating income	5	<u>8,692</u>	<u>75,559</u>
Operating income		2,376,364	3,684,277
Administrative expenses	6	(1,285,055)	(2,011,914)
Depreciation	16	(65,267)	(89,458)
Provisions for bad and doubtful debts	13	<u>(1,742)</u>	<u>112,691</u>
Operating profit		1,024,300	1,695,596
Profit on sale of participating interests	14	<u>-</u>	<u>305,000</u>
Profit on ordinary activities before taxation		1,024,300	2,000,596
Tax on profit on ordinary activities	9	<u>(191,746)</u>	<u>(519,554)</u>
Profit on ordinary activities after taxation and for the financial period	24,25	<u>832,554</u>	<u>1,481,042</u>

The Bank has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been prepared. All of the operations of the Bank are continuing.

Details of restatements are given in note 31.

The notes on pages 11 to 26 form part of these financial statements.

Hampshire Trust Plc

Balance Sheet at 31 December 2006

		31.12.06	30.4.06
		£	Restated £
ASSETS			
Cash		700	750
Loans and advances to banks	11	7,800,980	3,423,799
Loans and advances to customers	12	21,164,431	25,141,065
Shares in group undertakings	15	105	105
Tangible fixed assets	16	673,424	651,686
Other assets	17	378,316	140,005
Prepayments and accrued income		<u>57,434</u>	<u>21,377</u>
Total assets		<u>30,075,390</u>	<u>29,378,787</u>
LIABILITIES			
Customer accounts	18	20,361,816	20,358,115
Debt securities in issue – other	19	1,500,000	1,500,000
Other liabilities	20	139,054	261,734
Accruals and deferred income	21	<u>389,402</u>	<u>506,124</u>
		<u>22,390,272</u>	<u>22,625,973</u>
Equity capital and reserves			
Called up equity share capital	23	3,075,863	2,933,363
Share premium account	24	195,829	238,579
Profit and loss account	24	<u>4,413,426</u>	<u>3,580,872</u>
	25	<u>7,685,118</u>	<u>6,752,814</u>
Total liabilities		<u>30,075,390</u>	<u>29,378,787</u>
MEMORANDUM ITEMS			
Other commitments	26	<u>7,572,244</u>	<u>3,195,657</u>

Details of restatements are given in note 31.

The notes on pages 11 to 26 form part of these financial statements.

The financial statements were approved by the Board of Directors on 20 March 2007 and were signed on its behalf by:

M J Wilks
Director

J E Pakenham-Walsh
Director

Hampshire Trust Plc

Notes To The Financial Statements - Period to 31 December 2006

1. Accounting policies

Basis of preparation

The financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to banking companies, applicable United Kingdom Accounting Standards and Statements of Recommended Practice issued by the British Bankers' Association and under the historical cost accounting rules.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

The Bank is exempt by virtue of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the Bank as an individual undertaking and not about its group.

As the Bank is a wholly owned subsidiary of National Counties Building Society, the Bank has taken advantage of the exemption contained within FRS 8 and has therefore not disclosed transactions or balances which form part of the group.

Cash Flow Statement

The Bank is exempt from the requirement to present a cash flow statement under Financial Reporting Standard 1 (Revised 1996), Cash Flow Statements, on the basis that it is a wholly owned subsidiary of National Counties Building Society and cash flow information relating to the Bank is included within the consolidated Financial Statements of National Counties Building Society.

Investments

Investments are stated at cost less any provision for a diminution in value.

Interest receivable and payable

Interest is recognised in the profit and loss account as it accrues, except in the case of doubtful debts (see below). Fixed credit charges are recognised over the expected duration of the loan.

Fees receivable

Fees are generally credited to the profit and loss account as accrued. However certain property related fees are not credited to the profit and loss account until receipt.

Hampshire Trust Plc

1. Accounting policies (cont.)

Tangible fixed assets

Tangible fixed assets are stated in the balance sheet at cost less depreciation. Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight line basis over their expected useful lives as follows:

Computer hardware and software	- 4 years
Other equipment	- 5 years
Fixtures and fittings	- 10 years
Freehold property	- 50 years

However, no depreciation is provided on listed freehold property. Based on the impairment tests undertaken in accordance with FRS 15, it is the Directors' opinion that since the Bank's listed head office is maintained in a continual state of sound repair and due to the longevity of the useful economic life of the asset, any depreciation would be immaterial. The Directors are of the opinion that there has been no diminution in the value of the property during the period.

Secured deposits

Where the holder of a deposit account has provided a legally enforceable right of set-off over one of the Bank's loans and that loan is fully secured as a result, the corresponding loan is reported net of that security.

Bad and doubtful debts

Specific provision is made against all advances considered to be impaired. When there is no longer any realistic prospect of recovery, the outstanding debt is written off. The need for a general provision is reviewed annually in light of the history of actual losses. Currently no such provision is considered necessary.

Interest on impaired advances is suspended until the Directors are satisfied as to its recoverability.

Deferred tax

Deferred tax is recognised on all timing differences where the transaction or events that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date, except as otherwise required by FRS 19. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not discounted.

Pensions

The Bank operates two defined contribution pension schemes. The assets of the schemes are held separately from those of the Bank in independently administered funds. The amounts charged to the profit and loss account represents the employers contributions payable to the schemes in respect of the accounting period.

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2. Interest receivable from loans and advances

	8 months to 31.12.06	12 months to 30.04.06 Restated
	£	£
Disbursement funding	1,515,005	2,775,618
Property lending	393,788	550,799
Other	<u>190,209</u>	<u>201,316</u>
	<u>2,099,002</u>	<u>3,527,733</u>

For information on the restatement see note 31.

3. Interest payable

	8 months to 31.12.06	12 months to 30.04.06 Restated
	£	£
Payable to depositors	661,233	1,087,724
Class A £1 Preference Share dividend	<u>68,349</u>	<u>101,250</u>
	<u>729,582</u>	<u>1,188,974</u>

For information on the restatement see note 31.

4. Fees and commissions receivable

	8 months to 31.12.06	12 months to 30.04.06 Restated
	£	£
Disbursement Funding	885,447	1,095,797
Property Lending	<u>171,144</u>	<u>222,161</u>
	<u>1,056,591</u>	<u>1,317,958</u>

For information on the restatement see note 31.

5. Other operating income

	8 months to 31.12.06	12 months to 30.04.06
	£	£
Profit share on asset realisations	-	75,559
Consultancy fee income	<u>8,692</u>	<u>-</u>
	<u>8,692</u>	<u>75,559</u>

Hampshire Trust Plc

6. Administrative expenses

	8 months to 31.12.06 £	12 months to 30.04.06 £
Staff Costs:		
Wages and salaries	831,805	1,346,918
Pension Costs	40,983	60,592
Social security costs	<u>94,401</u>	<u>151,833</u>
	967,189	1,559,343
Less staff costs capitalised	(53,616)	(79,129)
Remuneration of auditors and their associates excluding VAT		
Audit	31,400	31,400
Tax	4,402	7,856
Donations (charitable)	1,485	500
Other administrative expenses	<u>334,195</u>	<u>491,944</u>
	<u>1,285,055</u>	<u>2,011,914</u>

7. Directors' emoluments

The remuneration receivable by the Directors of Hampshire Trust Plc or amounts payable to third parties in respect of services provided by those Directors were:

	8 months to 31.12.06 £	12 months to 30.04.06 £
Aggregate emoluments		
- contributions to group personal pension plan	18,023	26,069
- long term incentive scheme	19,457	20,378
- other emoluments	<u>341,475</u>	<u>561,732</u>
	<u>378,955</u>	<u>608,179</u>
Highest paid director		
- contributions to group personal pension plan	7,378	10,660
- long term incentive scheme	16,214	20,378
- other emoluments	<u>120,515</u>	<u>204,693</u>
	<u>144,107</u>	<u>235,731</u>

In addition to the above two (30.4.06: two) directors are entitled to a long term incentive bonus of £3,988 (30.4.06: £19,457) (highest paid director - £3,323 (30.4.06: £16,214)), the payment of which is conditional upon the profitability of the coming year. In previous years these targets have been met and the figures above therefore include the incentive bonuses from the previous year.

Retirement benefits are accruing to 3 directors under the group personal pension plan (30.4.06: 3).

Other emoluments include an amount of £9,440 (30.4.06: £nil) paid to the parent, National Counties Building Society, in respect of the services provided by the current non-executive directors.

Hampshire Trust Plc

7. Directors' emoluments (cont.)

Share Options

During the period all outstanding share options were exercised. There were no outstanding share options at the period end.

8. Employee information

The average number of persons employed during the period was:

	8 months to 31.12.06	12 months to 30.04.06
Directors	3	3
Other staff	<u>29</u>	<u>29</u>
	<u>32</u>	<u>32</u>

The analysis includes both full-time and part-time staff but does not include non-executive directors.

9. Tax on profit on ordinary activities

	8 months to 31.12.06	12 months to 30.04.06
	£	£
UK corporation tax:		
- current period	192,053	504,524
- previous periods	<u>-</u>	<u>(25,624)</u>
Current tax	192,053	478,900
Deferred tax (origination and reversal of timing differences): - current (see note 22)	<u>(307)</u>	<u>40,654</u>
Tax on profit on ordinary activities	<u>191,746</u>	<u>519,554</u>

Hampshire Trust Plc

9. Tax on profit on ordinary activities (cont.)

The tax assessed in the period is lower (30.4.06: lower) than the standard rate of corporation tax in the UK (30%) (30.4.06: 30%), as indicated below:

	8 months to 31.12.06	12 months to 30.04.06
	£	£
Profit on ordinary activities before tax	<u>1,024,300</u>	<u>2,000,596</u>
Profit on ordinary activities multiplied by standard rate of UK corporation tax (30%) (30.4.06: 30%)	307,290	600,179
Effects of:		
Non tax deductible expenses		
- Preference share dividend	20,505	30,337
- Other	808	16,482
Non taxable income	-	(96,000)
Stock option tax expense	(136,857)	-
Other timing differences	307	(46,474)
Adjustment to tax charge re previous periods	<u>-</u>	<u>(25,624)</u>
Current tax charge for period	<u>192,053</u>	<u>478,900</u>

10. Equity dividends

	8 months to 31.12.06	12 months to 30.04.06
	£	£
Ordinary shares:		
Prior year final-paid (nil; 30.4.06: 16.00p)	-	466,403
Current year interim-paid (nil; 30.4.06: 12.00p)	<u>-</u>	<u>352,003</u>
	<u>-</u>	<u>818,406</u>

11. Loans and advances to banks

	31.12.06	30.04.06
	£	£
Repayable on demand	3,317,278	3,415,312
Remaining maturity of 3 months or less	4,446,194	6,508
Remaining maturity of 12 months or less but over 3 months	<u>37,508</u>	<u>1,979</u>
	<u>7,800,980</u>	<u>3,423,799</u>

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12. Loans and advances to customers

	31.12.06	30.04.06
	£	Restated £
Remaining maturity:		
- on demand or at short notice	1,607,798	1,522,764
- less than 3 months*	5,251,953	5,150,384
- 3 months to 1 year	7,282,258	7,349,030
- 1 year to 5 years	<u>7,022,422</u>	<u>11,118,887</u>
	21,164,431	25,141,065
General and specific bad debt provisions	<u>-</u>	<u>-</u>
	<u>21,164,431</u>	<u>25,141,065</u>

* Includes disbursement funding loans which have passed their initial credit term.

There are no non-performing advances (30.4.06: £nil).

The net amounts due may be analysed between the constituent areas of business, as follows:

	31.12.06	30.04.06
	£	Restated £
Disbursement funding	15,733,011	20,634,702
Property	<u>5,431,420</u>	<u>4,506,363</u>
	21,164,431	25,141,065
General and specific bad debt provision	<u>-</u>	<u>-</u>
	<u>21,164,431</u>	<u>25,141,065</u>

For information on the restatement see note 31.

Fully cash collateralised loans are reported net of that security. The gross value of the disbursement funding book totalled £18,123,798 (30.4.06: £23,576,005).

Hampshire Trust Plc

13. Provision for bad and doubtful debts

	31.12.06	30.04.06
	£	£
Specific		
At 1 May	-	18,000
Charge to profit and loss account	1,742	7,309
Amounts written off	<u>(1,742)</u>	<u>(25,309)</u>
At 31 December	<u>=</u>	<u>=</u>
General		
At 1 May	-	120,000
Credit to profit and loss account	<u>-</u>	<u>(120,000)</u>
As at 31 December	<u>=</u>	<u>=</u>

14. Profit on sale of participating interests

The Bank's two associate companies were sold during the previous year, with profits as follows:

	Holding Sold	8 months to	12 months to
		31.12.06	30.04.06
		£	£
Hampshire Trust Factors Limited	49.9%	-	250,000
Quality Rating Limited	45.0%	<u>-</u>	<u>55,000</u>
		<u>=</u>	<u>305,000</u>

Since the UK substantial shareholdings exemption applies to both disposals, no corporation tax is payable on the profit.

15. Shares in group undertakings

The Bank's investments in subsidiaries' ordinary shares are shown at cost.

	31.12.06	30.04.06
	£	£
Hampshire Bank Limited	2	2
Hampshire Trust Nominees Limited	100	100
Litigation Funding Limited	1	1
Nationwide Compensation Service Limited	<u>2</u>	<u>2</u>
	<u>105</u>	<u>105</u>

All the subsidiaries are fully owned, non-trading and registered in England.

Hampshire Trust Plc

16. Tangible fixed assets

	Freehold Land and Buildings £	Equipment £	Fixtures and Fittings £	Total £
Cost				
At 1 May 2006	405,309	649,224	71,305	1,125,838
Additions	1,173	84,662	3,385	89,220
Disposals	<u>-</u>	<u>(5,224)</u>	<u>(1,500)</u>	<u>(6,724)</u>
At 31 December 2006	<u>406,482</u>	<u>728,662</u>	<u>73,190</u>	<u>1,208,334</u>
Depreciation				
At 1 May 2006	-	421,379	52,773	474,152
Charge for period	-	62,064	3,203	65,267
Disposals	<u>-</u>	<u>(4,121)</u>	<u>(388)</u>	<u>(4,509)</u>
At 31 December 2006	<u>-</u>	<u>479,322</u>	<u>55,588</u>	<u>534,910</u>
Net book value at 31 December 2006	<u>406,482</u>	<u>249,340</u>	<u>17,602</u>	<u>673,424</u>
Net book value at 30 April 2006	<u>405,309</u>	<u>227,845</u>	<u>18,532</u>	<u>651,686</u>

17. Other assets

	31.12.06	30.04.06
	£	Restated £
Outstanding fees	233,870	56,785
Deferred taxation (see note 22)	1,119	812
Other debtors	<u>143,327</u>	<u>82,408</u>
	<u>378,316</u>	<u>140,005</u>

For information on the restatement see note 31.

18. Customer accounts

	31.12.06	30.04.06
	£	Restated £
With agreed maturity dates or periods of notice by remaining maturity:		
- accrued interest	117,347	282,753
- on demand	3,113,797	2,656,894
- 3 months or less	1,979,215	1,408,913
- 3 months to 1 year	8,986,789	11,203,843
- 1 to 5 years	<u>6,164,668</u>	<u>4,805,712</u>
	<u>20,361,816</u>	<u>20,358,115</u>

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18. Customer accounts (cont.)

For information on the restatement see note 31.

The figures include an amount of £32,277 (30.4.06: £nil) due to the parent, National Counties Building Society. The amount is interest free and repayable on demand.

19. Debt securities in issue - other

	31.12.06	30.04.06
	£	£
Authorised		
Class A £1 Preference Shares	<u>2,500,000</u>	<u>2,500,000</u>
Allotted, called up and full paid		
Class A £1 Preference Shares	<u>1,500,000</u>	<u>1,500,000</u>

The Bank's preference share capital, all of which is owned by National Counties Building Society, is classified as a financial liability and appears on the balance sheet as debt.

The Class A £1 Preference Shares carry a cumulative dividend based upon a 2% margin on the gross interest rate payable to six month notice quarterly income depositors. The shares do not carry voting rights. In the event of a winding up of the Bank, the claim of the preference shareholder ranks behind those of the ordinary creditors.

20. Other liabilities

	31.12.06	30.04.06
	£	£
Corporation tax	68,302	178,847
Other taxation and social security	34,712	33,587
Dividends on preference shares	287	8,593
Other liabilities	<u>35,753</u>	<u>40,707</u>
	<u>139,054</u>	<u>261,734</u>

21. Accruals and deferred income

	31.12.06	30.04.06
	£	£
Accruals	297,642	369,096
Deferred income	<u>91,760</u>	<u>137,028</u>
	<u>389,402</u>	<u>506,124</u>

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22. Deferred taxation

	31.12.06 £	30.04.06 £
Tax effect of timing differences because of:		
- Excess of tax allowances over depreciation	1,814	7,088
- Short term timing differences	(1,349)	(6,584)
- Pension contribution provision	<u>(1,584)</u>	<u>(1,316)</u>
	<u>(1,119)</u>	<u>(812)</u>
Movement in assets		
At 1 May	(812)	(41,466)
(Credit)/charge to profit (note 9)	<u>(307)</u>	<u>40,654</u>
At 31 December	<u>(1,119)</u>	<u>(812)</u>

The deferred tax asset is included in Other Assets on the balance sheet (note 17).

23. Called up equity share capital

	31.12.06 £	30.04.06 £
Authorised		
£1 Ordinary Shares	<u>5,000,000</u>	<u>5,000,000</u>
Allotted, called up and fully paid		
£1 Ordinary Shares		
At 1 May	2,933,363	2,933,363
New issues	<u>142,500</u>	<u>-</u>
At 31 December	<u>3,075,863</u>	<u>2,933,363</u>

On 18 October 2006 the Bank issued 142,500 Ordinary Shares at 70p per share, with 30p per share being debited to the share premium account.

24. Reserves

	8 months to 31.12.06 £	12 months to 30.04.06 £
Profit and loss		
At 1 May	3,580,872	2,918,236
Post tax profit for the financial period	832,554	1,481,042
Equity dividends (see note 10)	<u>-</u>	<u>(818,406)</u>
At 31 December	<u>4,413,426</u>	<u>3,580,872</u>
Share premium		
At 1 May	238,579	238,579
Capitalisation of reserves on issue of stock options	<u>(42,750)</u>	<u>-</u>
At 31 December	<u>195,829</u>	<u>238,579</u>

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25. Reconciliation of movements in equity shareholders' funds

	31.12.06 £	30.04.06 £
Opening shareholders' funds	6,752,814	6,090,178
Profit for the financial period	832,554	1,481,042
Equity dividends	-	(818,406)
New £1 Ordinary Shares		
- nominal value	142,500	-
- capitalisation of reserves	<u>(42,750)</u>	<u>-</u>
Closing equity shareholders' funds	<u>7,685,118</u>	<u>6,752,814</u>

26. Memorandum commitments

	31.12.06 £	30.04.06 £
Commitments/ retentions in relation to loans and advances re:		
- property	4,676,813	2,954,146
- disbursement funding	2,895,431	238,500
Other	<u>-</u>	<u>3,011</u>
	<u>7,572,244</u>	<u>3,195,657</u>

27. Financial instruments

Part of the Bank's return on its assets is obtained from controlled mis-matching of the dates on which interest receivable on assets and interest payable on liabilities are varied or, if earlier, maturity dates. The table below summarises these re-pricing mis-matches and include short term debtors and creditors. Items are allocated to time bands by reference to the earlier of the next contractual interest rate re-pricing date and the maturity date.

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27. Financial instruments (cont.)

	Contractual Interest Rate Re-pricing Date, or Maturity Date if earlier					Total £'000
	0-3 £'000	Months 4-6 £'000	7-12 £'000	Years 1-5 £'000	Non Interest Bearing £'000	
As at 31 December 2006						
<u>Assets</u>						
Loans and advances						
- financial institutions	7,715	-	-	-	87	7,802
- customers	20,330	496	338	-	-	21,164
Other assets	-	-	-	-	1,109	1,109
Total assets	<u>28,045</u>	<u>496</u>	<u>338</u>	<u>-</u>	<u>1,196</u>	<u>30,075</u>
<u>Liabilities</u>						
Customer accounts – deposits	17,755	1,926	445	85	151	20,362
Debt securities in issue – other	1,500	-	-	-	-	1,500
Other liabilities	-	-	-	-	528	528
Equity shareholders' funds	-	-	-	-	7,685	7,685
Total liabilities	<u>19,255</u>	<u>1,926</u>	<u>445</u>	<u>85</u>	<u>8,364</u>	<u>30,075</u>
Interest rate sensitivity gap						
- period	8,790	(1,430)	(107)	(85)	(7,168)	-
- cumulative	<u>8,790</u>	<u>7,360</u>	<u>7,253</u>	<u>7,168</u>	<u>-</u>	<u>-</u>
As at 30 April 2006 (Restated)						
<u>Assets</u>						
Loans and advances						
- financial institutions	3,423	-	2	-	-	3,425
- customers	22,259	1,183	1,642	-	57	25,141
Other assets	-	-	-	-	813	813
Total assets	<u>25,682</u>	<u>1,183</u>	<u>1,644</u>	<u>-</u>	<u>870</u>	<u>29,379</u>
<u>Liabilities</u>						
Customer accounts – deposits	18,525	734	1,099	-	-	20,358
Debt securities in issue – other	1,500	-	-	-	-	1,500
Other liabilities	-	-	-	-	768	768
Equity shareholders' funds	-	-	-	-	6,753	6,753
Total liabilities	<u>20,025</u>	<u>734</u>	<u>1,099</u>	<u>-</u>	<u>7,521</u>	<u>29,379</u>
Interest rate sensitivity gap						
- period	5,657	449	545	-	(6,651)	-
- cumulative	<u>5,657</u>	<u>6,106</u>	<u>6,651</u>	<u>6,651</u>	<u>-</u>	<u>-</u>

The Bank has not traded in derivatives or other complex financial instruments (see the Directors' Report concerning Financial Instruments, page 3).

There is no active liquid market in any of the Bank's financial instruments.

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28. Related party transactions

A number of Directors and persons connected with the Directors held deposit accounts with the Bank. Such amounts have not been disclosed, as permitted under the banking confidentiality exemption.

As detailed in note 7, the Bank paid its parent, National Counties Building Society, £9,440 (30.4.06: nil) for the services of the four non-executive directors. The Bank also paid its parent £1,940 (30.4.06: £nil) in relation to those directors travelling costs and other management charges.

29. Pensions

All directors and staff are able to contribute to one of two defined contribution pension schemes, one of which is a stakeholder pension scheme. The assets of the schemes are held separately from those of the Bank. The schemes are managed and administered by third parties. The relevant financial information relating to the schemes is as follows:

	8 months to 31.12.06 £	12 months to 30.04.06 £
Pension costs	<u>40,983</u>	<u>60,592</u>
Contributions payable (included in other liabilities)	<u>5,279</u>	<u>2,337</u>

30. Segmental analysis

The Bank, which operates only in the United Kingdom, has two business lines. Both are lending businesses, the first relating to the financing of disbursements of solicitors and their clients and the second relating to property. Each department is managed, and their success evaluated, by the income generated and the size/growth of their respective books. All financing relating to the two departments together with overhead costs of the entire Bank are managed centrally. The segmental information is therefore as follows:

31 December 2006	<u>Disbursement Funding</u> £	<u>Property</u> £	<u>Other</u> £	<u>Total</u> £
<u>P & L - Income</u>				
Interest receivable	1,515,005	393,788	190,209	2,099,002
Fees receivable	885,447	171,144	-	1,056,591
Other income	-	-	<u>8,692</u>	<u>8,692</u>
	<u>2,400,452</u>	<u>564,932</u>	<u>198,901</u>	<u>3,164,285</u>
<u>Balance Sheet – Assets</u>				
Loans and advances to customers	15,733,011	5,431,420	-	21,164,431
Other assets	233,870	-	144,446	378,316
Other	-	-	<u>8,532,643</u>	<u>8,532,643</u>
	<u>15,966,881</u>	<u>5,431,420</u>	<u>8,677,089</u>	<u>30,075,390</u>

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30. Segmental analysis (cont.)

30 April 2006	<u>Disbursement Funding</u> £	<u>Property</u> £	<u>Other</u> £	<u>Total</u> £
<u>P & L - Income</u>				
Interest receivable	2,775,618	550,799	201,316	3,527,733
Interest from participating interests	-	-	15,000	15,000
Fees receivable	1,095,797	222,161	-	1,317,958
Other income	-	<u>75,559</u>	-	<u>75,559</u>
	<u>3,871,415</u>	<u>848,519</u>	<u>216,316</u>	<u>4,936,250</u>
<u>Balance Sheet – Assets</u>				
Loans and advances to customers	20,634,702	4,506,363	-	25,141,065
Other assets	56,785	-	83,220	140,005
Other	-	-	<u>4,097,717</u>	<u>4,097,717</u>
	<u>20,691,487</u>	<u>4,506,363</u>	<u>4,180,937</u>	<u>29,378,787</u>

31. Restatements

As detailed below, a number of restatements have been made to the previously reported 30 April 2006 figures to reflect what the Directors consider to be a more appropriate treatment adopted in the 31 December 2006 accounts. The restatements have had no impact on operating profit, profit before or after taxation, profit for the financial period or shareholders' funds.

Profit and Loss Account

	Interest receivable £	Interest payable £	Fees and commissions receivable £	Fees and commissions payable £	Provisions for bad and doubtful debts £
30 April 2006, as previously stated	4,181,242	(1,223,478)	549,317	-	199,328
Adjustments	<u>(653,509)</u>	<u>34,504</u>	<u>768,641</u>	<u>(62,999)</u>	<u>(86,637)</u>
30 April 2006, as restated	<u>3,527,733</u>	<u>(1,188,974)</u>	<u>1,317,958</u>	<u>(62,999)</u>	<u>112,691</u>

The adjustment to “Fees and commissions payable” relates to the grossing up of certain professional fees charged to the client. The other adjustments relate to the reclassification of various categories of income and expense, the most significant of which is the reclassification of certain fees totalling £740,147, from “Interest receivable” to “Fees and commissions receivable”.

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31. Restatements (cont.)

Balance Sheet	Loans and advances to customers	Other assets	Customer accounts
	£	£	£
30 April 2006, as previously stated	24,306,501	83,221	(19,466,767)
Adjustments	<u>834,564</u>	<u>56,784</u>	<u>(891,348)</u>
30 April 2006, as restated	<u>25,141,065</u>	<u>140,005</u>	<u>(20,358,115)</u>

Previously all loans secured by collateralised deposits were reported net of those deposits. Now only those loans which are fully secured by collateralised deposits are reported net with the remainder being reported gross. Additionally outstanding fees have now been classified as “Other assets”.

32. Ultimate holding entity

The ultimate parent undertaking and controlling party is National Counties Building Society which is the smallest and largest group to consolidate these accounts. The consolidated financial statements of this group may be obtained from National Counties Building Society, Church Street, Epsom, Surrey, KT17 4NL

HAMPSHIRE TRUST PLC

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