



# HAMPSHIRE TRUST

PRIVATE BANKERS

## Financial Statements

Year Ended 31 December 2007

# Hampshire Trust Plc

## Financial Statements – Year Ended 31 December 2007

	Page
Directors and advisers	2
Directors' report	3-5
Directors' responsibilities in respect of the financial statements	6
Independent auditors' report to the members of Hampshire Trust Plc	7-8
Profit and loss account	9
Balance sheet	10
Notes to the financial statements	11 - 25

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 A Batchelor  
D C 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 – Year Ended 31 December 2007

The directors have pleasure in submitting their annual report together with the financial statements for the year ended 31 December 2007.

Note: all comparatives are for the eight month period 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 profit of £1.6 million up from the £1.0 million reported for the previous (eight month) period to 31 December 2006.

The year has seen encouraging improvement in a number of Key Performance Indicators particularly the loan book which at £34.9 million (2006: £21.2 million) is 65% up on the previous period end. The annualised pre tax return on equity capital has fallen but is still a very creditable 21% (2006: 23%). In line with the increased loan book the Bank's year end capital ratio has reduced to 21% (2006: 32%).

Throughout the year the Bank has continued to invest in human resources and information technology. As a result, and as borne out by the increasing levels of business transacted towards the end of the year and into 2008, the Board believes the business prospects are excellent and that the Bank is well placed for future growth.

The directors have considered the option of moving to International Financial Reporting Standards but continue to believe it is not 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, an interim dividend of £250,000 has been paid to ordinary shareholders. The directors do not recommend the payment of a final dividend.

## **Hampshire Trust Plc**

### **Directors' Report – Year Ended 31 December 2007 (cont.)**

The post tax profit for the year was £1,088,163 (2006: £832,554). After deductions for the dividend on equity shares of £250,000 (2006: £nil), £838,163 (2006: £832,554) will be transferred to reserves.

#### **Issue Of New Shares**

On 31 July 2007 the Bank converted the £1,500,000 £1 Preference Shares to a similar number of £1 Ordinary Shares.

#### **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 (2006: nil). It is the Bank's usual practice to make payment on receipt of invoice.

#### **Donations**

The Bank made charitable donations of £585 (2006: £1,485) during the year and made no (2006: £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**

The directors of the Bank during the year were as follows:

A P Gration  
P A Batchelor  
S M B Hunter  
D C McCrickard  
J S Milton  
J E Pakenham-Walsh  
M J Wilks

The Bank is a wholly owned subsidiary of National Counties Building Society.

## **Hampshire Trust Plc**

### **Directors' Report – Year ended 31 December 2007 (cont.)**

The Bank's chairman, Mr Gration and two of its non-executive directors, Messrs Batchelor and Milton are all directors of the parent, National Counties Building Society. The third non-executive director, Mr McCrickard, was a director of the parent, but retired on 25 April 2007.

#### **Corporate Governance**

The Bank does not have its own Internal Audit function or Audit Committee, both of which are carried out by its parent National Counties Building Society.

The remuneration of the Bank's directors is decided by the Remuneration Committee of National Counties Building Society.

#### **Auditors**

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**

**25 February 2008**

# 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 year ended 31 December 2007 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**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 6.

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.

In addition we 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

## **Hampshire Trust Plc**

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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year 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*  
25 February 2008

2 Cornwall Street  
Birmingham  
B3 2DL

# Hampshire Trust Plc

## Profit and Loss Account – Year Ended 31 December 2007

		<b>12 months to</b> <b>31.12.07</b> £	8 months to 31.12.06 £
Interest receivable from loans and advances	2	<b>3,011,501</b>	2,099,002
Interest payable	3	<b><u>(1,211,188)</u></b>	<u>(729,582)</u>
<b>Net interest income</b>		<b>1,800,313</b>	1,369,420
Fees and commissions receivable	4	<b>1,934,581</b>	1,056,591
Fees and commissions payable		<b>(176,214)</b>	(58,339)
Other operating income	5	<b><u>54,462</u></b>	<u>8,692</u>
<b>Operating income</b>		<b>3,613,142</b>	2,376,364
Administrative expenses	6	<b>(1,916,629)</b>	(1,285,055)
Depreciation	15	<b>(109,117)</b>	(65,267)
Provisions for bad and doubtful debts	13	<b><u>(160)</u></b>	<u>(1,742)</u>
<b>Operating profit</b>		<b>1,587,236</b>	1,024,300
Tax on profit on ordinary activities	9	<b><u>(499,073)</u></b>	<u>(191,746)</u>
<b>Profit on ordinary activities after taxation and for the financial period</b>	24,25	<b><u>1,088,163</u></b>	<u>832,554</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.

The notes on pages 11 to 25 form part of these financial statements.

# Hampshire Trust Plc

## Balance Sheet at 31 December 2007

		2007	2006
		£	£
<b>ASSETS</b>			
Cash		750	700
Loans and advances to banks	11	5,574,921	7,800,980
Loans and advances to customers	12	34,873,809	21,164,431
Shares in group undertakings	14	105	105
Tangible fixed assets	15	729,940	673,424
Other assets	16	600,564	378,316
Prepayments and accrued income		<u>51,096</u>	<u>57,434</u>
Total assets		<u>41,831,185</u>	<u>30,075,390</u>
<b>LIABILITIES</b>			
Customer accounts	17	18,654,775	20,329,539
Deposits from building societies	18	12,339,302	32,277
Debt securities in issue – other	19	-	1,500,000
Other liabilities	20	295,971	139,054
Accruals and deferred income	21	<u>517,856</u>	<u>389,402</u>
		<u>31,807,904</u>	<u>22,390,272</u>
<b>Equity capital and reserves</b>			
Called up equity share capital	23	4,575,863	3,075,863
Share premium account	24	195,829	195,829
Profit and loss account	24	<u>5,251,589</u>	<u>4,413,426</u>
	25	<u>10,023,281</u>	<u>7,685,118</u>
Total liabilities		<u>41,831,185</u>	<u>30,075,390</u>
<b>MEMORANDUM ITEMS</b>			
Other commitments	26	<u>16,691,623</u>	<u>7,572,244</u>

The notes on pages 11 to 25 form part of these financial statements.

The financial statements were approved by the Board of Directors on 25 February 2008 and were signed on its behalf by:

**A P Gration**  
Chairman

**M J Wilks**  
Director

# Hampshire Trust Plc

## Notes To The Financial Statements – Year Ended 31 December 2007

### 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 all of the transactions or balances with group companies.

#### **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. Tangible fixed assets are depreciated over their expected useful lives as follows:

	Annual Depreciation	Method
Computer hardware and software	25%	Straight line
Other fixed assets	25%	Reducing balance

No depreciation is provided on the Bank's only property, a listed freehold. Based on the impairment test undertaken in accordance with FRS 15, it is the directors' opinion that since the property 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 year.

### 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.

## Hampshire Trust Plc

### 2. Interest receivable from loans and advance

	12 months to 31.12.07 £	8 months to 31.12.06 £
Disbursement funding	1,731,179	1,515,005
Property lending	999,242	393,788
Intra-group loans	68,115	-
Other	<u>212,965</u>	<u>190,209</u>
	<u>3,011,501</u>	<u>2,099,002</u>

### 3. Interest payable

	12 months to 31.12.07 £	8 months to 31.12.06 £
Payable to depositors	933,495	661,233
Intra-group loans	214,695	-
£1 Preference Share dividend	<u>62,998</u>	<u>68,349</u>
	<u>1,211,188</u>	<u>729,582</u>

### 4. Fees and commissions receivable

	12 months to 31.12.07 £	8 months to 31.12.06 £
Disbursement Funding	1,381,335	885,447
Property Lending	<u>553,246</u>	<u>171,144</u>
	<u>1,934,581</u>	<u>1,056,591</u>

### 5. Other operating income

Other operating income is comprised entirely of consultancy fee income.

# Hampshire Trust Plc

## 6. Administrative expenses

	12 months to 31.12.07 £	8 months to 31.12.06 £
Staff Costs:		
Wages and salaries	1,276,496	831,805
Pension Costs	64,865	40,983
Social security costs	<u>140,192</u>	<u>94,401</u>
	1,481,553	967,189
Less staff costs capitalised	(80,677)	(53,616)
Remuneration of auditors and their associates excluding VAT		
Audit of these financial statements*	36,400	31,400
Tax	1,750	4,402
Other administrative expenses	<u>477,603</u>	<u>335,680</u>
	<u>1,916,629</u>	<u>1,285,055</u>

\*includes £3,000 relating to the previous period (2006 : £nil).

## 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:

	12 months to 31.12.07 £	8 months to 31.12.06 £
Aggregate emoluments		
- contributions to group personal pension plan	27,913	18,023
- long term incentive scheme	3,988	19,457
- other emoluments	<u>487,432</u>	<u>341,475</u>
	<u>519,333</u>	<u>378,955</u>
Highest paid director		
- contributions to group personal pension plan	11,367	7,378
- long term incentive scheme	3,323	16,214
- other emoluments	<u>173,545</u>	<u>120,515</u>
	<u>188,235</u>	<u>144,107</u>

In addition to the above 2 (2006: 2) directors are entitled to a long term incentive bonus of £266 (2006: £3,988) (highest paid director - £221 (2006: £3,323)), 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 period. Furthermore 3 (2006: nil) directors are entitled to a retention bonus of £6,283 (2006: nil) (highest paid director £2,725 (2006 : nil)) which are also not included above.

# Hampshire Trust Plc

## 7. Directors' emoluments (cont.)

Retirement benefits are accruing to 3 directors under the group personal pension plan (2006: 3).

Other emoluments include an amount of £60,000 (2006: £9,440) due to the parent, in respect of the provision of services provided by the non-executive directors.

## 8. Employee information

The average number of persons employed during the year was:

	12 months to 31.12.07	8 months to 31.12.06
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

	12 months to 31.12.07	8 months to 31.12.06
	£	£
UK corporation tax:		
- current period	496,601	192,053
- previous periods	<u>102</u>	<u>-</u>
Current tax	496,703	192,053
Deferred tax (origination and reversal of timing differences): - current year (see note 22)	<u>2,370</u>	<u>(307)</u>
Tax on profit on ordinary activities	<u>499,073</u>	<u>191,746</u>

## Hampshire Trust Plc

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

The tax assessed in the period differs from the standard rate of corporation tax in the UK (30%) (2006: 30%), as indicated below:

	12 months to 31.12.07 £	8 months to 31.12.06 £
Profit on ordinary activities before tax	<u>1,587,236</u>	<u>1,024,300</u>
Profit on ordinary activities multiplied by standard rate of UK corporation tax (30%) (2006: 30%)	476,171	307,290
Effects of:		
Non tax deductible expenses		
- Preference share dividend	18,899	20,505
- Other	1,292	808
Stock option tax expense	-	(136,857)
Other timing differences	239	307
Adjustment to tax charge re previous periods	<u>102</u>	-
Current tax charge for period	<u>496,703</u>	<u>192,053</u>

### 10. Equity dividends

	12 months to 31.12.07 £	8 months to 31.12.06 £
<b>Ordinary shares:</b>		
Current year interim-paid (6.75p; 31.12.06: nil)	<u>250,000</u>	-

### 11. Loans and advances to banks

	2007 £	2006 £
Repayable on demand	5,574,921	3,317,278
Remaining maturity of 3 months or less	-	4,446,194
Remaining maturity of 12 months or less but over 3 months	-	<u>37,508</u>
	<u>5,574,921</u>	<u>7,800,980</u>

# Hampshire Trust Plc

## 12. Loans and advances to customers

	2007 £	2006 £
Remaining maturity:		
- on demand or at short notice	2,102,552	1,607,798
- less than 3 months*	4,233,679	5,251,953
- 3 months to 1 year	17,479,737	7,282,258
- 1 year to 5 years	<u>11,057,841</u>	<u>7,022,422</u>
	<b>34,873,809</b>	21,164,431
General and specific bad debt provisions	<u>-</u>	<u>-</u>
	<u><b>34,873,809</b></u>	<u>21,164,431</u>

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

There are no non-performing advances (2006: £nil).

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

	2007 £	2006 £
Disbursement funding	18,964,441	15,733,011
Property	<u>15,909,368</u>	<u>5,431,420</u>
	<u><b>34,873,809</b></u>	<u>21,164,431</u>

Fully cash collateralised loans are reported net of that security. The gross value of the disbursement funding book totalled £20,700,782 (2006: £18,123,798).

## 13. Provision for bad and doubtful debts

	2007 £	2006 £
<b>Specific</b>		
At 1 January/1 May	-	-
Charge to profit and loss account	160	1,742
Amounts written off	<u>(160)</u>	<u>(1,742)</u>
At 31 December	<u>-</u>	<u>-</u>
<b>General</b>		
At 1 January/1 May and 31 December	<u>-</u>	<u>-</u>

# Hampshire Trust Plc

## 14. Shares in group undertakings

	2007	2006
	£	£
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>
	<b><u>105</u></b>	<b><u>105</u></b>

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

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

## 15. Tangible fixed assets

	Freehold Land and Buildings £	Equipment £	Fixtures and Fittings £	Total £
<b>Cost</b>				
At 1 January 2007	406,482	728,662	73,190	1,208,334
Additions	-	171,012	5,838	176,850
Disposals	<u>-</u>	<u>(34,257)</u>	<u>-</u>	<u>(34,257)</u>
<b>At 31 December 2007</b>	<b><u>406,482</u></b>	<b><u>865,417</u></b>	<b><u>79,028</u></b>	<b><u>1,350,927</u></b>
<b>Depreciation</b>				
At 1 January 2007	-	479,322	55,588	534,910
Charge for year	-	105,137	3,980	109,117
Disposals	<u>-</u>	<u>(23,040)</u>	<u>-</u>	<u>(23,040)</u>
<b>At 31 December 2007</b>	<b><u>-</u></b>	<b><u>561,419</u></b>	<b><u>59,568</u></b>	<b><u>620,987</u></b>
<b>Net book value at 31 December 2007</b>	<b><u>406,482</u></b>	<b><u>303,998</u></b>	<b><u>19,460</u></b>	<b><u>729,940</u></b>
Net book value at 31 December 2006	<u>406,482</u>	<u>249,340</u>	<u>17,602</u>	<u>673,424</u>

# Hampshire Trust Plc

## 16. Other assets

	2007 £	2006 £
Outstanding fees	446,880	233,870
Deferred taxation (see note 22)	-	1,119
Other debtors	<u>153,684</u>	<u>143,327</u>
	<u>600,564</u>	<u>378,316</u>

## 17. Customer accounts

	2007 £	2006 £
With agreed maturity dates or periods of notice by remaining maturity:		
- accrued interest	58,648	117,347
- on demand	1,590,909	3,081,520
- 3 months or less	1,028,221	1,979,215
- 3 months to 1 year	9,033,396	8,986,789
- 1 to 5 years	<u>6,943,601</u>	<u>6,164,668</u>
	<u>18,654,775</u>	<u>20,329,539</u>

## 18. Deposits by building societies

	2007 £	2006 £
With agreed maturity dates or periods of notice by remaining maturity:		
- Accrued interest	121,921	-
- On demand	160,908	32,277
- 3 months or less	8,046,288	-
- 3 months to 1 year	<u>4,010,185</u>	-
	<u>12,339,302</u>	<u>32,277</u>

All the amounts detailed above are due to the Bank's parent, National Counties Building Society. The term loans attract interest at the appropriate LIBOR rate. The comparative figure was previously included within Customer Accounts.

# Hampshire Trust Plc

## 19. Debt securities in issue - other

	2007 £	2006 £
<b>Authorised</b>		
£1 Preference Shares	<u>-</u>	<u>2,500,000</u>
<b>Allotted, called up and fully paid</b>		
£1 Preference Shares	<u>-</u>	<u>1,500,000</u>

On 31 July 2007 all of the £1 Preference Shares were converted into a similar number of £1 Ordinary Shares.

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

## 20. Other liabilities

	2007 £	2006 £
Corporation tax	233,338	68,302
Deferred tax (note 22)	1,251	-
Other taxation and social security	39,941	34,712
Dividends on preference shares	204	287
Other liabilities	<u>21,237</u>	<u>35,753</u>
	<u>295,971</u>	<u>139,054</u>

## 21. Accruals and deferred income

	2007 £	2006 £
Accruals	264,439	297,642
Deferred income	<u>253,417</u>	<u>91,760</u>
	<u>517,856</u>	<u>389,402</u>

## Hampshire Trust Plc

### 22. Deferred taxation

	2007	2006
	£	£
Tax effect of timing differences because of:		
- Excess of tax allowances over depreciation	4,183	1,814
- Short term timing differences	(2,069)	(1,349)
- Pension contribution provision	<u>(863)</u>	<u>(1,584)</u>
	<u>1,251</u>	<u>(1,119)</u>
<b>Movement in liabilities/(assets)</b>		
At 1 January/1 May	(1,119)	(812)
(Credit)/charge to profit (note 9)	<u>2,370</u>	<u>(307)</u>
At 31 December	<u>1,251</u>	<u>(1,119)</u>

The deferred tax liability/(asset) is included in Other Liabilities/Other Assets on the balance sheet (note 20/16).

### 23. Called up equity share capital

	2007	2006
	£	£
<b>Authorised</b>		
£1 Ordinary Shares	<u>7,500,000</u>	<u>5,000,000</u>
<b>Allotted, called up and fully paid</b>		
£1 Ordinary Shares		
At 1 January/1 May	3,075,863	2,933,363
New issues	<u>1,500,000</u>	<u>142,500</u>
At 31 December	<u>4,575,863</u>	<u>3,075,863</u>

On 31 July 2007 all of the £1 Preference Shares were converted into a similar number of £1 Ordinary Shares.

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

# Hampshire Trust Plc

## 24. Reserves

	12 months to 31.12.07 £	8 months to 31.12.06 £
<b>Profit and loss</b>		
At 1 January/1 May	4,413,426	3,580,872
Profit for the financial period	1,088,163	832,554
Equity dividends (see note 10)	<u>(250,000)</u>	-
At 31 December	<u>5,251,589</u>	<u>4,413,426</u>
<b>Share premium</b>		
At 1 January/1 May	195,829	238,579
Capitalisation of reserves on issue of stock options	-	<u>(42,750)</u>
At 31 December	<u>195,829</u>	<u>195,829</u>

## 25. Reconciliation of movements in equity shareholders' funds

	2007 £	2006 £
Opening shareholders' funds	7,685,118	6,752,814
Profit for the financial period	1,088,163	832,554
Equity dividends	(250,000)	-
New £1 Ordinary Shares		
- nominal value	1,500,000	142,500
- capitalisation of reserves	<u>-</u>	<u>(42,750)</u>
<b>Closing equity shareholders' funds</b>	<u>10,023,281</u>	<u>7,685,118</u>

## 26. Memorandum commitments

	2007 £	2006 £
Commitments/retentions re loans and advances:		
- property	9,868,862	4,676,813
- disbursement funding	<u>6,822,761</u>	<u>2,895,431</u>
	<u>16,691,623</u>	<u>7,572,244</u>

In addition to the above the Bank had commitments relating to the purchase of fixed assets totalling £9,890 (2006 : £nil).

## 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

# Hampshire Trust Plc

## 27. Financial instruments (cont)

reference to the earlier of the next contractual interest rate re-pricing date and the maturity date.

	Contractual Interest Rate Re-pricing Date, or Maturity Date if earlier					Total
	0-3	Months 4-6	7-12	Years 1-5	Non Interest Bearing	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>As at 31 December 2007</b>						
<b><u>Assets</u></b>						
Loans and advances						
- financial institutions	5,570	-	-	-	5	5,575
- customers	30,164	2,353	1,560	-	797	34,874
Other assets	-	-	-	-	1,382	1,382
Total assets	<u>35,734</u>	<u>2,353</u>	<u>1,560</u>	<u>-</u>	<u>2,184</u>	<u>41,831</u>
<b><u>Liabilities</u></b>						
Customer accounts						
- external/deposits	15,295	558	1,603	1,135	64	18,655
- group	8,046	4,010	-	-	283	12,339
Debt securities in issue – other	-	-	-	-	-	-
Other liabilities	-	-	-	-	814	814
Equity shareholders' funds	-	-	-	-	10,023	10,023
Total liabilities	<u>23,341</u>	<u>4,568</u>	<u>1,603</u>	<u>1,135</u>	<u>11,184</u>	<u>41,831</u>
Interest rate sensitivity gap						
- period	12,393	(2,215)	(43)	(1,135)	(9,000)	-
- cumulative	<u>12,393</u>	<u>10,178</u>	<u>10,135</u>	<u>9,000</u>	<u>-</u>	<u>-</u>
<b>As at 31 December 2006</b>						
<b><u>Assets</u></b>						
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>
<b><u>Liabilities</u></b>						
Customer accounts						
- external/deposits	17,755	1,926	445	85	119	20,330
- group	-	-	-	-	32	32
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>

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.

## Hampshire Trust Plc

### 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.

Details of amounts due to the Bank's parent, National Counties Building Society, concerning the provision of non-executive directors and intragroup finances are provided in notes 7 and 18 respectively.

### 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:

	2007	2006
	£	£
Pension costs	<u>64,865</u>	<u>40,983</u>
Contributions payable (included in other liabilities)	<u>3,082</u>	<u>5,279</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 and other costs of solicitors and their clients and the second relating to loans secured on 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:

# Hampshire Trust Plc

## 30. Segmental analysis (cont)

31 December 2007	<u>Disbursement Funding</u>	<u>Property</u>	<u>Other</u>	<u>Total</u>
	£	£	£	£
<b><u>P &amp; L - Income</u></b>				
Interest receivable	1,731,179	999,242	281,080	3,011,501
Fees receivable	1,381,335	553,246	-	1,934,581
Other income	-	-	54,462	54,462
	<u>3,112,514</u>	<u>1,552,488</u>	<u>335,542</u>	<u>5,000,544</u>
<b><u>Balance Sheet – Assets</u></b>				
Loans and advances to customers	18,964,441	15,909,368	-	34,873,809
Other current assets	446,880	-	5,780,556	6,227,436
Fixed assets	-	-	729,940	729,940
	<u>19,411,321</u>	<u>15,909,368</u>	<u>6,510,496</u>	<u>41,831,185</u>
31 December 2006	<u>Disbursement Funding</u>	<u>Property</u>	<u>Other</u>	<u>Total</u>
	£	£	£	£
<b><u>P &amp; L - Income</u></b>				
Interest receivable	1,515,005	393,788	190,209	2,099,002
Fees receivable	885,447	171,144	-	1,056,591
Other income	-	-	8,692	8,692
	<u>2,400,452</u>	<u>564,932</u>	<u>198,901</u>	<u>3,164,285</u>
<b><u>Balance Sheet – Assets</u></b>				
Loans and advances to customers	15,733,011	5,431,420	-	21,164,431
Other current assets	233,870	-	8,003,665	8,237,535
Fixed assets	-	-	673,424	673,424
	<u>15,966,881</u>	<u>5,431,420</u>	<u>8,677,089</u>	<u>30,075,390</u>

## 31. 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

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