ARBUTHNOT BANKING GROUP PLC

Interim Report

2013

GROUP DIRECTORS & SECRETARY

Directors
Henry Angest
Chairman and Chief Executive

James Cobb ACA
Group Finance Director

James Fleming
Director

Ruth Lea
Independent non-executive director

Paul Lynam
Director

Sir Christopher Meyer
Independent non-executive director

Andrew Salmon ACA
Group Chief Operating Officer

Robert Wickham
Deputy Chairman and senior independent non-executive director

Secretary
Jeremy Kaye FCIS

"He whose ranks are united in purpose will be victorious"

Sun Tzu
The Art of War
circa 500 BC

ARBUTHNOT BANKING GROUP PLC

Arbuthnot has a 180 year history

…of serving its customers, as well as a long track record of progress against the background of a continually changing environment. The ability of Arbuthnot to adapt and grow has come from managing the business through seven key principles developed over time. These principles, always applied with pragmatism and common sense, govern the activities of the Group, ranging from major strategic issues to smaller day-to-day operational matters.

The continued application of these principles will allow the business to pursue growth in a controlled manner, providing a high quality service to its customers whilst delivering good returns to shareholders and securing the well-being of its employees.

Henry Angest
Chairman & CEO
17 July 2013

CORPORATE PHILOSOPHY

1. Arbuthnot serves its **shareholders**, its **customers** and its **employees** with **integrity** and **high ethical standards**. This is expressed in a **progressive dividend** policy, in **fair pricing** and **pay for performance**.

2. Arbuthnot attaches great importance to **good relations** with customers and business partners, and treating them **fairly and promptly**. Arbuthnot believes in **reciprocity**.

3. Arbuthnot is **independent, and profit and growth oriented** while maintaining a **controlled risk profile**.

4. Arbuthnot's approach is based on **diversification, a long-term view, empowerment of management** and a culture of **rewards for achievements.**

5. Arbuthnot's business is conducted in an **innovative, flexible** and **entrepreneurial** manner, with an **opportunistic** and **counter-cyclical** attitude.

6. Arbuthnot does not sacrifice **long term prospects** for short term gains – nor sacrifice **stability** for quick profits.

7. Ultimately, the success of Arbuthnot depends on the **teamwork, commitment,** and **performance** of its employees, combined with the **determination** to win.

CHAIRMAN'S STATEMENT

The Group has made good progress so far this year and continues to exploit the many varied opportunities that currently exist in the markets in which we operate.

Henry Angest
Chairman & CEO
17 July 2013

Arbuthnot Banking Group PLC
I am pleased to report that Arbuthnot Banking Group continued its sustained growth in the first half of 2013. The Group has reported a pre-tax profit of £2.0m (H1 2012: £10.8m) with an underlying profit of £7.2m, which is adjusted for £2.0m in option scheme costs both at the Group level and Secure Trust Bank and £3.2m, being the amortisation of acquired intangibles and other accounting adjustments required as a result of the recent acquisitions.

Both of our banks are increasing the number of customers who they serve, and continue to broaden their distribution channels. I am delighted that Arbuthnot Latham has rekindled our ambitions to operate overseas by launching a wealth management advisory service in Dubai.

I also expect that both banks will finally be able to draw funds under the Funding for Lending Scheme (FLS) during the second half of 2013, as they have either completed or are in the final stages of completing the necessary documentation with the Bank of England.

The Board is maintaining the interim dividend at 11p (gross), which will be paid on 4 October 2013 to shareholders on the register at 6 September 2013.

Private banking subsidiary – Arbuthnot Latham & Co., Limited
Arbuthnot Latham's reported profit before tax is £1.0m (H1 2012: £1.4m) which is consistent with the second half of 2012, where the business took the opportunity to invest in the future by hiring a number of well qualified senior bankers. These favourable hiring conditions continued in the first half and a further three senior executives joined the bank.

The bank continues to see a good flow of attractive lending propositions being presented to it and has grown the loan portfolio by 8% to £307m.

The deposit book has grown by 12% over the past twelve months to £453m. As expected, a large proportion of higher yielding retail deposits have matured. These have been replaced by less expensive deposits. This change in mix is expected to continue during the second half of 2013 as more deposits mature and as the bank is able to access the FLS.

The advisory side of the business has seen a positive reaction to the introduction of the Retail Distribution Review (RDR), with discretionary assets under management increasing by 28% to £430m.

Gilliat Financial Solutions, our provider of structured products, increased its sales volumes by 25% to £74m.

Finally, as part of celebrating its 180th year, Arbuthnot Latham hosted a gala dinner at the Guildhall in May and at the same time published a book that provides a comprehensive record of the bank's history with an entertaining foreword penned by the Mayor of London, Boris Johnson.

Retail banking subsidiary – Secure Trust Bank PLC
Secure Trust Bank has reported a profit before tax of £6.2m (H1 2012: £12.5m). However, the prior year results included the one off bargain purchase gain arising on the acquisition of Everyday Loans. Also, the current year results have been reduced by the subsequent amortisation of intangibles. Once these adjustments are made the business has grown its underlying profit by 37%.

As the bank continues to develop the breadth of its distribution channels, the number of customers that the business now serves has grown to 325,052, which is 64% higher than the previous year. This should be further enhanced by the recent completion of a loan referral agreement with a significant retail bank.

The bank has continued to see strong demand for its loan products with the overall loan book closing at £366m, which is 41% higher than the prior year. The level of loan impairments remains well controlled and is currently below rates that were expected when the loans were originated.

The deposit book increased to £387m, which is a year on year growth of 30%. The strength of the bank's funding base has been further enhanced as the bank accessed the FLS early in the second half of 2013.

A year has now passed since the completion of the acquisition of Everyday Loans and the business has performed well. The integration has been completed and it is now embarking on its own growth strategy. In the first half of 2013, Everyday Loans has opened new branches in Belfast and Ipswich, with further expansion planned in the second half, including a new branch in Edinburgh.

The other acquisitions made earlier in the year have also been smoothly integrated. The combination of V12 Retail Finance Group and the existing retail finance within Secure Trust Bank means that the bank is now the largest provider of finance for cycles and musical instruments in the UK.

Furthermore, Secure Trust Bank is planning to extend its capabilities by entering into SME lending and providing finance to enable sports fans to spread the cost of buying their season tickets.

Outlook
Both businesses have traded as expected in the first half of 2013. We anticipate that a higher profitability run rate will emerge in the second half. This is due to the fact that net margins are improving, with the reduced cost of funding together with the increasing lending volumes. It is for these reasons that we are confident about the prospects for the rest of the year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000
Interest income		40,931	22,438
Interest expense		(10,868)	(6,840)
Net interest income		**30,063**	**15,598**
Fee and commission income		14,062	10,857
Fee and commission expense		(927)	(254)
Net fee and commission income		**13,135**	**10,603**
Gains less losses from dealing in securities		–	(314)
Operating income		**43,198**	**25,887**
Net impairment loss on financial assets		(8,150)	(3,679)
Other income	2	842	9,947
Operating expenses	3	(33,853)	(21,387)
Profit before income tax from continuing operations		**2,037**	**10,768**
Income tax expense		(633)	(133)
Profit after income tax from continuing operations		**1,404**	**10,635**
Loss from discontinued operations after tax		–	(210)
Profit for the period		**1,404**	**10,425**
Foreign currency translation reserve		–	570
Revaluation reserve			
Cash flow hedging reserve			
– Effective portion of changes in fair value		7	(97)
Other comprehensive income for the period, net of income tax		**7**	**473**
Total comprehensive income for the period		**1,411**	**10,898**
Profit attributable to:			
Equity holders of the Company		5	7,783
Non-controlling interests		1,399	2,642
		1,404	**10,425**
Total comprehensive income attributable to:			
Equity holders of the Company		12	8,256
Non-controlling interests		1,399	2,642
		1,411	**10,898**
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in pence per share):			
– basic and fully diluted	4	–	50.9

The notes on pages 8 to 11 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 30 June 2013 £000	At 30 June 2012 £000
ASSETS		
Cash	117,724	129,137
Loans and advances to banks	82,168	50,249
Debt securities held-to-maturity	16,477	32,757
Loans and advances to customers	673,204	543,379
Current tax asset	–	483
Other assets	17,110	10,141
Financial investments	3,358	3,269
Deferred tax asset	4,724	5,967
Intangible assets	14,014	8,618
Property, plant and equipment	22,352	6,055
Total assets	**951,131**	**790,055**
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	153	153
Retained earnings	51,245	48,358
Other reserves	(1,198)	(1,397)
Non-controlling interests	**15,805**	**8,640**
Total equity	**66,005**	**55,754**
LIABILITIES		
Deposits from banks	1,163	1,113
Derivative financial instruments	6	1,008
Deposits from customers	840,358	703,661
Current tax liability	290	–
Other liabilities	29,755	16,727
Deferred tax liability	974	–
Debt securities in issue	12,580	11,792
Total liabilities	**885,126**	**734,301**
Total equity and liabilities	**951,131**	**790,055**

The notes on pages 8 to 11 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Group										
	Share capital £000	Share premium account £000	Foreign currency translation reserve £000	Revaluation reserve £000	Capital redemption reserve £000	Available-for-sale reserve £000	Cash flow hedging reserve £000	Treasury shares £000	Retained earnings £000	Non-controlling interests £000	Total £000
Balance at 1 January 2013	**153**	**–**	**–**	**140**	**20**	**81**	**(363)**	**(1,131)**	**53,372**	**16,376**	**68,648**
Total comprehensive income for the period											
Profit for the six months ended 30 June 2013	–	–	–	–	–	–	–	–	5	1,399	1,404
Other comprehensive income, net of income tax											
Revaluation reserve											
– Amount transferred to profit and loss	–	–	–	48	–	–	–	–	(48)	–	–
Cash flow hedging reserve											
– Effective portion of changes in fair value	–	–	–	–	–	–	7	–	–	–	7
Total other comprehensive income	**–**	**–**	**–**	**48**	**–**	**–**	**7**	**–**	**(48)**	**–**	**7**
Total comprehensive income for the period	**–**	**–**	**–**	**48**	**–**	**–**	**7**	**–**	**(43)**	**1,399**	**1,411**
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Final dividend relating to 2012	–	–	–	–	–	–	–	–	(2,084)	(1,970)	(4,054)
Total contributions by and distributions to owners	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,084)**	**(1,970)**	**(4,054)**
Balance at 30 June 2013	**153**	**–**	**–**	**188**	**20**	**81**	**(356)**	**(1,131)**	**51,245**	**15,805**	**66,005**

The notes on pages 8 to 11 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
CONTINUED

	Attributable to equity holders of the Group										
	Share capital £000	Share premium account £000	Foreign currency translation reserve £000	Revaluation reserve £000	Capital redemption reserve £000	Available-for-sale reserve £000	Cash flow hedging reserve £000	Treasury shares £000	Retained earnings £000	Non-controlling interests £000	Total £000
Balance at 1 January 2012	**153**	**21,085**	**(570)**	**140**	**20**	**–**	**(329)**	**(1,097)**	**21,571**	**5,998**	**46,971**
Total comprehensive income for the period											
Profit for the six months ended 30 June 2012	–	–	–	–	–	–	–	–	7,783	2,642	10,425
Other comprehensive income, net of income tax											
Foreign currency translation reserve	–	–	570	–	–	–	–	–	–	–	570
Cash flow hedging reserve											
– Effective portion of changes in fair value	–	–	–	–	–	–	(97)	–	–	–	(97)
Total other comprehensive income	**–**	**–**	**570**	**–**	**–**	**–**	**(97)**	**–**	**–**	**–**	**473**
Total comprehensive income for the period	**–**	**–**	**570**	**–**	**–**	**–**	**(97)**	**–**	**7,783**	**2,642**	**10,898**
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Transfer of share premium	–	(21,085)	–	–	–	–	–	–	21,085	–	–
Purchase of own shares	–	–	–	–	–	–	–	(34)	–	–	(34)
Final dividend relating to 2011	–	–	–	–	–	–	–	–	(2,081)	–	(2,081)
Total contributions by and distributions to owners	**–**	**(21,085)**	**–**	**–**	**–**	**–**	**–**	**(34)**	**19,004**	**–**	**(2,115)**
Balance at 30 June 2012	**153**	**–**	**–**	**140**	**20**	**–**	**(426)**	**(1,131)**	**48,358**	**8,640**	**55,754**

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CONSOLIDATED STATEMENT OF CASH FLOW

	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000
Cash flows from operating activities		
Interest income received	40,471	22,540
Interest paid	(11,185)	(7,302)
Fees and commissions received	13,135	10,603
Net trading and other income	842	9,516
Cash payments to employees and suppliers	(38,252)	(29,061)
Taxation paid	(689)	(159)
Cash flows from operating profits before changes in operating assets and liabilities	4,322	6,137
Changes in operating assets and liabilities:		
– net decrease in derivative financial instruments	192	1,959
– net increase in loans and advances to customers	(91,678)	(156,946)
– net (increase)/decrease in other assets	(5,444)	2,178
– net increase in deposits from banks	790	1,105
– net (decrease)/increase in amounts due to customers	(54,187)	9,861
– net increase in other liabilities	6,734	543
Net cash outflow from operating activities	**(139,271)**	**(135,163)**
Cash flows from investing activities		
Disposal of financial investments	–	567
Purchase of computer software	(3,631)	(152)
Purchase of property, plant and equipment	(286)	(1,251)
Proceeds from sale of computer software	2,000	–
Proceeds from sale of property, plant and equipment	11	–
Purchases of debt securities	(6,957)	(43,127)
Proceeds from redemption of debt securities	4,006	50,449
Net cash (outflow)/inflow from investing activities	**(4,857)**	**6,486**
Cash flows from financing activities		
Dividends paid	(4,054)	(2,081)
Net cash used in financing activities	**(4,054)**	**(2,081)**
Net decrease in cash and cash equivalents	(148,182)	(130,758)
Cash and cash equivalents at 1 January	348,074	310,144
Cash and cash equivalents at 30 June	**199,892**	**179,386**

The notes on pages 8 to 11 are an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Operating segments

The Group is organised into two main operating segments, arranged over two separate companies with each having its own specialised banking service, as disclosed below:

1) Retail banking — incorporating household cash management, personal lending and banking and insurance services.
2) UK Private banking — incorporating private banking and wealth management.

Transactions between the operating segments are on normal commercial terms. Centrally incurred expenses are charged to operating segments on an appropriate pro-rata basis. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the statement of financial position.

	Discontinued operations	Continuing operations				
Six months ended 30 June 2013	Investment banking £000	Retail banking £000	UK Private banking £000	Group (reconciling items) £000	Total £000	Group Total £000
Interest revenue	–	33,171	7,876	50	**41,097**	
Inter-segment revenue	–	–	(116)	(50)	**(166)**	
Interest revenue from external customers	–	33,171	7,760	–	**40,931**	
Fee and commission income	–	8,163	5,899	–	**14,062**	
Revenue from external customers	–	**41,334**	**13,659**	–	**54,993**	
Interest expense	–	(6,602)	(4,108)	50	**(10,660)**	
Subordinated loan note interest	–	–	–	(208)	**(208)**	
Segment operating income	–	33,989	9,483	(274)	**43,198**	
Segment profit / (loss) before tax	–	6,207	970	(5,140)	**2,037**	
Income tax (expense) / income	–	(1,375)	424	318	**(633)**	
Segment profit / (loss) after tax	–	**4,832**	**1,394**	**(4,822)**	**1,404**	**1,404**
Segment total assets	–	463,828	512,954	(25,651)	**951,131**	**951,131**
Segment total liabilities	–	414,608	487,079	(16,671)	**885,016**	**885,016**
Other segment items:						
Capital expenditure	–	(347)	(453)	–	**(800)**	**(800)**
Depreciation and amortisation	–	(1,524)	(326)	(6)	**(1,856)**	**(1,856)**

The "Group" segment above includes the parent entity and all intercompany eliminations.

1. Operating segments (continued)

Six months ended 30 June 2012	Discontinued operations Investment banking £000	Continuing operations Retail banking £000	UK Private banking £000	Group (reconciling items) £000	Total £000	Group Total £000
Interest revenue	–	15,647	6,943	162	**22,752**	
Inter-segment revenue	–	(73)	(79)	(162)	**(314)**	
Interest revenue from external customers	–	15,574	6,864	–	**22,438**	
Fee and commission income	–	5,390	5,467	–	**10,857**	
Revenue from external customers	**–**	**20,964**	**12,331**	**–**	**33,295**	
Interest expense	–	(4,222)	(2,573)	217	**(6,578)**	
Subordinated loan note interest	–	–	–	(262)	**(262)**	
Segment operating income	–	16,815	9,583	(511)	**25,887**	
Impairment losses	–	(3,070)	(609)	–	**(3,679)**	
Segment (loss) / profit before tax	(210)	12,523	1,437	(3,192)	**10,768**	
Income tax (expense) / income	–	(717)	–	584	**(133)**	
Segment (loss) / profit after tax	**(210)**	**11,806**	**1,437**	**(2,608)**	**10,635**	**10,425**
Segment total assets	–	342,162	480,438	(32,545)	**790,055**	**790,055**
Segment total liabilities	–	312,480	457,346	(35,525)	**734,301**	**734,301**
Other segment items:						
Capital expenditure	–	(975)	(379)	(12)	**(1,366)**	**(1,366)**
Depreciation and amortisation	–	(324)	(172)	(8)	**(504)**	**(504)**

Segment profit is shown prior to any intra-group eliminations.

All the Group's operations are currently conducted wholly within the United Kingdom and geographical information is therefore not presented.

2. Other income

On 3 August 2012 the Group acquired freehold premises at 7-21 Wilson Street, London, EC2M 2TD for £15.7 million plus acquisition costs (including stamp duty) of £1.1m. It is intended that in due course the building will become the head office for Arbuthnot Banking Group PLC ("ABG"), the principal location for Arbuthnot Latham & Co., Limited ("AL") and London offices for Secure Trust Bank PLC. 7-21 Wilson Street is currently let at a rent of £1.65 million per annum. The lease is due to expire on 1 October 2013 and as the building will be 25 years old it is planned that a renovation and fit out programme will be undertaken. The lease on the Group's current premises at 20 Ropemaker Street, London, EC2Y 9AR has a break option in June 2015. The Group has exercised the break option and will move together with AL to Wilson Street in June 2015. As it is intended to use this building as the principal office for AL, the building has been classified as freehold land and buildings in these financial statements. Other income for 2013 mainly consist out of rental income received (£825k) from the letting of the premises at Wilson Street.

On 20 March 2012 ABG agreed terms for the sale of Arbuthnot AG. The company was sold to Ducartis Holding AG for a total cash consideration of CHF 2.0m which resulted in a profit for the Group of approximately £0.7m, which is recorded in other income in 2012. Up to the date of sale, the purchaser funded most of the running costs for this entity. This is also included in other income in 2012, and amounted to £0.3m.

On 8 June 2012 Secure Trust Bank PLC ("STB") acquired 100% of the shares in Everyday Loans Holdings Limited and its wholly owned subsidiaries Everyday Loans Limited and Everyday Lending Limited (together "ELL"). STB acquired ELL for consideration of £1. Upon acquisition STB provided funding so that ELL could redeem the remaining £34 million of subordinated debt and also provided a loan facility of £37 million to refinance ELL's existing bank debt and to fund future loans. Included in other income in 2012 is a gain on acquisition of £8.9m, which arose from fair value adjustments and the recognition of intangible assets. This is expected to amortise through the profit and loss account over the next 2 to 3 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

3. Operating expenses

Included in operating expenses are £2.0m of share option scheme costs and £3.2m of costs relating to the amortisation of acquired intangibles and other accounting adjustments required as a result of the recent acquisitions.

4. Earnings per ordinary share

Basic and fully diluted

Earnings per ordinary share are calculated on the net basis by dividing the profit attributable to equity holders of the Company of £5,000 (2012: profit of £7,783,000) by the weighted average number of ordinary shares 15,279,322 (2012: 15,279,322) in issue during the year. There is no difference between basic and fully diluted earnings per ordinary share.

5. Acquisition of V12 Finance Group Limited

On 2 January 2013 Secure Trust Bank acquired 100% of the ordinary share capital of V12 Finance Group Limited, which along with its wholly owned subsidiaries V12 Retail Finance Limited and V12 Personal Finance Limited provide retail loans, typically for 12 months on an unsecured basis to consumers who are predominantly classified as prime borrowers. The cash consideration for the companies of £3.5 million was paid on completion. The acquisition is complementary to the Group's existing retail finance proposition and the V12 management team will continue in the business.

As part of the acquisition Secure Trust Bank provided funding such that the V12 Finance Group could redeem £7.0 million of subordinated debt and repay existing bank finance amounting to £28.1 million.

The acquisition of V12 Finance Group Limited is accounted for in accordance with IFRS 3 'Business Combinations', which requires the recognition of the identifiable assets acquired and liabilities assumed at their acquisition date fair values. As part of this process, it is also necessary to identify and recognise certain assets and liabilities which are not included on the acquiree's balance sheet, for example intangible assets. The exercise to fair value the balance sheet is inherently subjective and required management to make a number of assumptions and estimates.

The following unaudited assets were acquired as part of the acquisition of the V12 Finance Group Limited and its wholly owned subsidiary entities:

	Acquired assets / liabilities £000	Fair value adjustments £000	Recognised values on acquisition £000
Cash at bank	150	–	150
Loans and advances to customers	32,744	–	32,744
Property, plant and equipment	176	–	176
Intangible assets	17	5,443	5,460
Deferred tax assets	292	–	292
Prepayments and accrued income	546	–	546
Other assets	73	–	73
Total assets	**33,998**	**5,443**	**39,441**
Loans and debt securities	35,076	–	35,076
Deferred tax liability	34	1,252	1,286
Accruals and deferred income	126	–	126
Other liabilities	150	–	150
Total liabilities	**35,386**	**1,252**	**36,638**
Net identifiable (liabilities)/assets	**(1,388)**	**4,191**	**2,803**
Consideration			3,507
Goodwill arising on acquisition			**704**

6. Acquisition of Debt Managers

On 15 January 2013 Debt Managers (Services) Limited (DMS), a wholly owned subsidiary of Secure Trust Bank PLC, acquired certain trade and assets from Debt Managers Holdings Ltd, Debt Managers (AB) Limited and Debt Managers Limited (together "Debt Managers"). Debt Managers collects debt on behalf of a range of clients including banks and utility companies.

Key benefits of this acquisition to Secure Trust Bank PLC include:

- Broadening the income base of Secure Trust Bank PLC without the requirement for large amounts of capital;
- The acquisition of a scalable collections platform through which Secure Trust Bank PLC intends to channel its delinquent debt; and
- The acquisition of the latest call centre and collections technology, including market leading dialler capability, IVR technology and payment websites.

DMS acquired Debt Managers for an initial cash payment of £0.4 million paid on completion of the transaction. In addition deferred consideration of up to £0.3 million in cash is payable by Secure Trust Bank PLC one year after completion subject in part to the business achieving certain income criteria. It is the opinion of the management of DMS that only £0.1 million of this deferred consideration is likely to be paid out.

The acquired assets included a software platform jointly developed with a third party. Upon completion the rights to this software were sold to that third party for consideration of £2 million. DMS then proceeded to lease back the internal rights to use this software. On completion Secure Trust Bank PLC provided DMS with £2.2 million of funding to clear an outstanding overdraft of £1.8 million and to fund the working capital requirements of DMS.

	Acquired assets / liabilities £000	Fair value adjustments £000	Recognised values on acquisition £000
Clients cash at bank	1,362	–	1,362
Trade debtors	664	–	664
Property, plant and equipment	67	–	67
Intangible assets	1,250	750	2,000
Prepayments and accrued income	246	–	246
Other assets	207	–	207
Total assets	**3,796**	**750**	**4,546**
Bank overdraft	1,846	-	1,846
Client account	1,301	–	1,301
Deferred tax liabilities	–	173	173
Accruals and deferred income	194	–	194
Other liabilities	535	–	535
Total liabilities	**3,876**	**173**	**4,049**
Net identifiable (liabilities)/assets	**(80)**	**577**	**497**
Consideration			519
Goodwill arising on acquisition			**22**

7. Basis of reporting

The interim financial statements have been prepared on the basis of accounting policies set out in the Group's 2012 statutory accounts as amended by standards and interpretations effective during 2013. The statements were approved by the Board of Directors on 17 July 2013 and are unaudited. The interim financial statements will be posted to shareholders and copies may be obtained from The Company Secretary, Arbuthnot Banking Group PLC, Arbuthnot House, 20 Ropemaker Street, London EC2Y 9AR.

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Lloyds TSB Bank plc

Stockbrokers:
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Nominated Advisor:
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