

**Gerrard Private Bank (Jersey) Limited**

**Report and Accounts for the year ended**

**31 December 2002**

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# **GERRARD PRIVATE BANK (JERSEY) LIMITED**

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**(Incorporated in Jersey, Channel Islands)**

## **DIRECTORS**

J C Averty  
G J Horton  
T D Mackay  
F A Le Roex  
R F Wooddisse  
J S Sieff  
N M E James

## **SECRETARY**

N M E James

## **REGISTERED OFFICE**

28 New Street  
St Helier  
Jersey  
Channel Islands

## **AUDITORS**

KPMG Audit LLC  
Heritage Court  
41 Athol Street  
Douglas  
Isle of Man

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2002**

The directors submit their report and the audited financial statements for the year ended 31 December 2002.

**PRINCIPAL ACTIVITIES**

The company carries on the business of banking in all its aspects including the management of clients' investments and the acceptance of sterling and foreign currency time deposits. Trustee and company administration services are also provided through the company's wholly owned subsidiaries, Gerrard Trust (Jersey) Limited and Gerrard Corporate Services (Jersey) Limited.

**RESULTS**

The retained profit for the year after taxation and dividends amounted to £3,900k (nine month period to 31 December 2001 - £2,810k) which has been carried forward to revenue reserves.

**DIVIDEND**

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2002 (period ended 31 December 2001 - £Nil).

**DIRECTORS**

The present Board is shown on page 2.

**AUDITORS**

KPMG were re-appointed as auditors by the directors during the year. Subsequent to the re-appointment KPMG indicated that a limited liability company, KPMG Audit LLC, was to assume responsibility for certain aspects of their audit business. Accordingly, KPMG resigned and the directors appointed KPMG Audit LLC in their place. KPMG Audit LLC, being eligible, has expressed its willingness to continue in office.

By Order of the Board.

N M E James  
Secretary

15 April 2003

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

Companies (Jersey) Law 1991 requires the directors to prepare accounts which shall be in accordance with generally accepted accounting principles and show a true and fair view of the profit or loss of the company for the year and of the state of affairs of the company and group at the end of the year.

In preparing the accounts the directors are required to:-

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

The directors are responsible for keeping proper accounting records which are sufficient to show and explain the company's transactions and are such as to disclose with reasonable accuracy, at any time, the financial position of the company and to enable them to ensure that the accounts comply with the Companies (Jersey) Law 1991, the Banking Business (Jersey) Law 1991 and the Financial Services (Investment Business (Accounts, Audits and Reports))(Jersey) Order 2001. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## GERRARD PRIVATE BANK (JERSEY) LIMITED

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### CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	12 months to 31 Dec 02 £'000	9 months to 31 Dec 01 £'000
Interest receivable		20,632	20,462
Interest payable		(13,386)	(14,788)
Net interest income		<u>7,246</u>	<u>5,674</u>
Fees and commissions receivable		<u>2,974</u>	<u>2,226</u>
Net operating income		10,220	7,900
Administrative expenses		<u>(5,567)</u>	<u>(4,484)</u>
Net operating profit before taxation	2	4,653	3,416
Taxation	3	<u>(753)</u>	<u>(606)</u>
Net operating profit after taxation		3,900	2,810
Dividend		<u>-</u>	<u>-</u>
Retained profit	14	<u>3,900</u> =====	<u>2,810</u> =====

All gains and losses arising during the current year and previous period have been recognised in the profit and loss account and derive from continuing operations of the group.

The notes on pages 10 to 28 form part of these financial statements.

# GERRARD PRIVATE BANK (JERSEY) LIMITED

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2002

	Notes	31 Dec 02 £'000	31 Dec 01 £'000
<b>ASSETS EMPLOYED</b>			
Advances to group undertakings	4	56,863	35,213
Cash and short term funds with other banks		9,133	22,532
Loans and advances to other banks	5	214,033	303,119
Loans and advances to customers	6	99,304	77,624
Debt securities	7	201,068	182,599
Tangible fixed assets	8	1,102	1,196
Investment in subsidiary company held for resale	9	18,000	-
Prepayments, accrued income and other assets		3,253	2,980
		<hr/>	<hr/>
		602,756	625,263
		<hr/>	<hr/>
<b>LIABILITIES</b>			
Deposits by group undertakings	10	1,968	1,527
Customer accounts	11	548,382	592,505
Bank overdrafts		565	810
Taxation	3	1,267	1,287
Sundry creditors and accruals		1,574	2,034
		<hr/>	<hr/>
		553,756	598,163
		<hr/>	<hr/>
<b>NET ASSETS</b>		49,000	27,100
		=====	=====
<b>CAPITAL RESOURCES</b>			
Share capital	13	535	400
Reserves	14	48,465	26,700
		<hr/>	<hr/>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	15	49,000	27,100
		=====	=====

Approved by the Board:

G J Horton  
Director

N M E James  
Director

15 April 2003

The notes on pages 10 to 28 form part of these financial statements.

## GERRARD PRIVATE BANK (JERSEY) LIMITED

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### COMPANY BALANCE SHEET AS AT 31 DECEMBER 2002

	Notes	31 Dec 02 £'000	31 Dec 01 £'000
<b>ASSETS EMPLOYED</b>			
Advances to group undertakings	4	77,134	62,569
Cash and short term funds with other banks		4,287	17,151
Loans and advances to other banks	5	213,222	288,119
Loans and advances to customers	6	36,070	26,186
Debt securities	7	183,068	182,599
Tangible fixed assets	8	3	61
Investment in subsidiary undertakings	9	21,050	3,050
Prepayments and accrued income		3,047	2,912
		<hr/>	<hr/>
		537,881	582,647
		<hr/>	<hr/>
<b>LIABILITIES</b>			
Deposits by group undertakings	10	379,971	383,882
Customer accounts	11	121,831	181,363
Bank overdrafts		-	4
Taxation	3	877	902
Sundry creditors and accruals		976	1,557
Amount due to subsidiary undertaking	12	240	-
		<hr/>	<hr/>
		503,895	567,708
		<hr/>	<hr/>
<b>NET ASSETS</b>			
		33,986	14,939
		=====	=====
<b>CAPITAL RESOURCES</b>			
Share capital	13	535	400
Reserves		33,451	14,539
		<hr/>	<hr/>
<b>EQUITY SHAREHOLDERS' FUNDS</b>			
		33,986	14,939
		=====	=====

Approved by the Board:

G J Horton  
Director

N M E James  
Director

15 April 2003

The notes on pages 10 to 28 form part of these financial statements.

### CONSOLIDATED CASH FLOW STATEMENT

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**GERRARD PRIVATE BANK (JERSEY) LIMITED**

**FOR THE YEAR ENDED 31 DECEMBER 2002**

	Notes	31 Dec 02 £'000	31 Dec 01 £'000
Net cash (outflow) / inflow from operating activities	(a)	(31,498)	10,974
Taxation		(773)	(688)
Capital expenditure			
Purchase of fixed assets		(26)	-
Disposal of fixed assets		56	-
(Decrease) / increase in cash and deposits with banks	(b)	(32,241) =====	10,286 =====

**(a) Reconciliation of profit before taxation to net cash (outflow) / inflow from operating activities**

	Notes	31 Dec 02 £'000	31 Dec 01 £'000
Profit before taxation		4,653	3,416
Depreciation		68	104
(Increase) / decrease in prepayments, accrued income and other assets		(273)	5,125
Decrease in sundry creditors and accruals		(460)	(331)
Profit on disposal of fixed assets		(4)	-
Net cash inflow from trading activities		3,984	8,314
Increase in debt securities		(18,469)	(182,599)
Increase in loans and advances to customers		(21,680)	(15,325)
(Decrease) / increase in customer accounts		(44,123)	57,467
Increase / (decrease) in advances to group undertakings		(24,867)	6,783
Decrease in loans and advances to other banks		73,216	172,195
Increase / (decrease) in deposits by group undertakings		441	(35,861)
Net cash (outflow) / inflow from operating activities		(31,498) =====	10,974 =====

**CONSOLIDATED CASH FLOW STATEMENT (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2002**

**(b) Analysis of changes in cash and balances at banks during the year**

	<b>Notes</b>	<b>31 Dec 02 £'000</b>	<b>31 Dec 01 £'000</b>
Cash and deposits with banks due on demand			
Balance at 31 December 2001		64,956	54,670
Net cash inflow / (outflow)		(32,241)	10,286
		-----	-----
Balance at 31 December 2002	(c)	32,715	64,956
		=====	=====

**(c) Cash and deposits with banks due on demand comprises the following:**

	<b>31 Dec 02 £'000</b>	<b>31 Dec 01 £'000</b>
Advances to group undertakings repayable on demand	5,183	8,400
Cash and short term funds with other banks	9,133	22,532
Loans and advances to banks repayable on demand	18,964	34,834
Bank overdrafts	(565)	(810)
	-----	-----
	32,715	64,956
	=====	=====

The notes on pages 10 to 28 form part of these financial statements.

**1 ACCOUNTING POLICIES**

**(a) Basis of preparation**

The financial statements have been prepared under the historical cost convention, and in accordance with generally accepted accounting principles in the United Kingdom. A summary of the more important accounting policies is set out below.

**(b) Basis of consolidation**

Except for those interests in subsidiaries held exclusively with a view to subsequent resale, the group financial statements incorporate the financial statements of Gerrard Private Bank (Jersey) Limited and its subsidiaries for the year ended 31 December 2002. Details of all its subsidiaries are shown in note 9. Interests in subsidiaries held exclusively with a view to subsequent resale are carried at cost.

**(c) Interest and other income**

Income receivable and payable is accounted for on an accruals basis.

**(d) Foreign currency translation**

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated at the rate of exchange ruling at the date of the transactions. Foreign exchange profits and losses are taken to the profit and loss account.

**(e) Tangible fixed assets and depreciation**

All ongoing expenditure on premises and equipment is written off against the income for the year in which it is incurred.

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life, as follows:

Freehold buildings	- over 50 years
Equipment, fixtures and fittings	- over 4, 5 and 6 years
Computer equipment	- over 3 years

**(f) Pensions**

The group, via its principal subsidiary undertaking Gerrard Private Bank (IOM) Limited, operate a pension scheme with both defined contribution and defined benefit elements. Contributions in respect of the defined contribution element are charged to the profit and loss account when they become payable in accordance with the rules of the scheme. The pension cost of the defined benefit element is determined in accordance with the advice of qualified actuaries so as to recognise the cost on a systematic basis over the employees' service lives.

**(g) Debt securities**

Debt securities, which consist of Certificates of Deposit and Floating Rate Notes, are held for investment purposes only and are stated at cost, adjusted for discount accretion or premium amortisation where appropriate.

NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2002

1 ACCOUNTING POLICIES (continued)

(h) Provisions for bad and doubtful debts

Specific provisions for bad and doubtful debts are made against identified doubtful advances. When there is no longer any prospect of recovery, the outstanding debt is written off.

(i) Deferred taxation

Deferred taxation is recognised in respect of all material timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

(j) Operating leases

Payments under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

2 NET OPERATING PROFIT

Net operating profit before taxation is stated after charging:-

	12 months to 31 Dec 02 £'000	9 months to 31 Dec 01 £'000
Directors' fees	20	19
Auditors' remuneration	48	37
Depreciation	68	104
Operating lease rental costs - Leasehold premises	137	97
Operating lease rental costs - Other equipment	33	25
	==	==

3 TAXATION

(a) Analysis of charge

	12 months to 31 Dec 02 £'000	9 months to 31 Dec 01 £'000
Current tax:		
Jersey/Manx income tax at 20% / 15% (2001 – 20% / 18%) based on the profits for the year/period	761	606
Adjustments in respect of previous periods	(18)	-
Total current tax	743	606
Deferred tax in respect of accelerated capital allowances	10	-
Tax on operating profit	753	606
	=====	=====

**FOR THE YEAR ENDED 31 DECEMBER 2002**

**3 TAXATION (continued)**

**(b) Factors affecting tax charge**

The tax assessed for the year is lower than the standard rate of Jersey income tax of 20%. The differences are explained below:

	<b>31 Dec 02</b>	<b>31 Dec 01</b>
	<b>£'000</b>	<b>£'000</b>
Operating profit before taxation	4,653	3,416
	=====	=====
Operating profit at standard rate of Jersey income tax of 20% (2001 – 20%)	931	683
Effects of:		
Profits taxed at lower Isle of Man rates	(160)	(76)
Over provision in previous period	(18)	-
Other sundry differences	(10)	(1)
Current tax charge for the year	<u>743</u>	<u>606</u>
	=====	=====

**(c) Taxation creditor**

	<b>31 Dec 02</b>	<b>31 Dec 01</b>
	<b>£'000</b>	<b>£'000</b>
<b>GROUP</b>		
Income tax due in less than one year	611	696
	=====	=====
Income tax due in more than one year	656	591
	=====	=====
<b>COMPANY</b>		
Income tax due in less than one year	611	696
	=====	=====
Income tax due in more than one year	266	207
	=====	=====

Financial Reporting Standard number 19 "Deferred Taxation" has been adopted in this year's financial statements. Due to the immateriality of the amounts involved, a prior year adjustment has not been made in respect of this change in accounting policy.

**4 ADVANCES TO GROUP UNDERTAKINGS**

<b>GROUP</b>	<b>31 Dec 02 £'000</b>	<b>31 Dec 01 £'000</b>
Sterling	12,176	18,400
Currency	44,687	16,813
	<u>56,863</u> =====	<u>35,213</u> =====
Repayable on demand	5,183	8,400
Other loans and advances repayable:		
in 3 months or less	46,628	12,947
between 3 months and 1 year	5,052	13,866
	<u>56,863</u> =====	<u>35,213</u> =====
<b>COMPANY</b>	<b>31 Dec 02 £'000</b>	<b>31 Dec 01 £'000</b>
Sterling	12,153	20,000
Currency	64,981	42,569
	<u>77,134</u> =====	<u>62,569</u> =====
Repayable on demand	5,706	9,110
Other loans and advances repayable:		
in 3 months or less	66,376	39,593
between 3 months and 1 year	5,052	13,866
	<u>77,134</u> =====	<u>62,569</u> =====

NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2002

5 LOANS AND ADVANCES TO OTHER BANKS

<b>GROUP</b>	<b>31 Dec 02 £'000</b>	<b>31 Dec 01 £'000</b>
Sterling	126,665	146,436
Currency	87,368	156,683
	<u>214,033</u>	<u>303,119</u>
	=====	=====
Repayable on demand	18,964	34,834
Other loans and advances repayable:		
in 3 months or less	154,854	218,434
between 3 months and 1 year	40,215	49,851
	<u>214,033</u>	<u>303,119</u>
	=====	=====
 <b>COMPANY</b>	 <b>31 Dec 02 £'000</b>	 <b>31 Dec 01 £'000</b>
Sterling	126,415	131,436
Currency	86,807	156,683
	<u>213,222</u>	<u>288,119</u>
	=====	=====
Repayable on demand	18,964	34,834
Other loans and advances repayable:		
in 3 months or less	154,043	203,434
between 3 months and 1 year	40,215	49,851
	<u>213,222</u>	<u>288,119</u>
	=====	=====

**GERRARD PRIVATE BANK (JERSEY) LIMITED****FOR THE YEAR ENDED 31 DECEMBER 2002****6 LOANS AND ADVANCES TO CUSTOMERS**

<b>GROUP</b>	<b>31 Dec 02 £'000</b>	<b>31 Dec 01 £'000</b>
Sterling	59,453	17,953
Currency	39,851	59,671
	<hr/>	<hr/>
	99,304	77,624
	=====	=====
Repayable on demand	2,535	908
Other loans and advances repayable:		
in 3 months or less	113	-
between 3 months and 1 year	4,466	3,979
between 1 and 5 years	90,994	70,417
over 5 years	1,196	2,320
	<hr/>	<hr/>
	99,304	77,624
	=====	=====
 <b>COMPANY</b>	 <b>31 Dec 02 £'000</b>	 <b>31 Dec 01 £'000</b>
Sterling	25,978	16,208
Currency	10,092	9,978
	<hr/>	<hr/>
	36,070	26,186
	=====	=====
Repayable on demand	1,900	459
Other loans and advances repayable:		
in 3 months or less	40	-
between 3 months and 1 year	4,072	3,018
between 1 and 5 years	29,888	21,491
over 5 years	170	1,218
	<hr/>	<hr/>
	36,070	26,186
	=====	=====

NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2002

7 DEBT SECURITIES

<b>GROUP</b>	<b>31 Dec 02 £'000</b>	<b>31 Dec 01 £'000</b>
Sterling	173,016	155,000
Currency	28,052	27,599
	<hr/>	<hr/>
	201,068	182,599
	=====	=====

<b>COMPANY</b>	<b>31 Dec 02 £'000</b>	<b>31 Dec 01 £'000</b>
Sterling	155,016	155,000
Currency	28,052	27,599
	<hr/>	<hr/>
	183,068	182,599
	=====	=====

NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2002

8 TANGIBLE FIXED ASSETS

GROUP	Freehold Land & Buildings £'000	Motor Vehicles & Equipment £'000	Total  £'000
<b>Cost</b>			
At 31 December 2001	1,075	585	1,660
Additions	-	26	26
Disposals	-	(108)	(108)
At 31 December 2002	<u>1,075</u> =====	<u>503</u> =====	<u>1,578</u> =====
<b>Depreciation</b>			
At 31 December 2001	23	441	464
Charge for the year	13	55	68
Disposals	-	(56)	(56)
At 31 December 2002	<u>36</u> =====	<u>440</u> =====	<u>476</u> =====
<b>Net Book Value</b>			
At 31 December 2002	<u>1,039</u> =====	<u>63</u> =====	<u>1,102</u> =====
At 31 December 2001	<u>1,052</u> =====	<u>144</u> =====	<u>1,196</u> =====
<b>COMPANY</b>			
<b>Cost</b>			
At 31 December 2001		331	331
Additions		-	-
Disposals		(63)	(63)
At 31 December 2002		<u>268</u> =====	<u>268</u> =====
<b>Depreciation</b>			
At 31 December 2001		270	270
Charge for the year		19	19
Disposals		(24)	(24)
At 31 December 2002		<u>265</u> =====	<u>265</u> =====
<b>Net Book Value</b>			
At 31 December 2002		<u>3</u> =====	<u>3</u> =====
At 31 December 2001		<u>61</u> =====	<u>61</u> =====

NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2002

9 SUBSIDIARY UNDERTAKINGS

Name	Activity	Holding	Place of Incorporation
<b>Direct subsidiaries</b>			
Gerrard Private Bank (IOM) Limited	Banking & Asset Management	100%	Isle of Man
Gerrard Corporate Services (Jersey) Limited	Corporate Services	100%	Jersey
Gerrard Nominees (Jersey) Limited	Nominee	100%	Jersey
Gerrard Trust (Jersey) Limited	Trust	100%	Jersey
Gerrard Fiduciary Services (Jersey) Limited	Trust	100%	Jersey
Fairbairn Trust Company Limited	Trust	100%	Guernsey
<b>Indirect subsidiaries</b>			
Gerrard Nominees (IOM) Limited	Nominee	100%	Isle of Man
Gerrard Trust (IOM) Limited	Trust	100%	Isle of Man

On 28 March 2002 the entire share capital of Fairbairn Trust Company Limited, incorporated in Guernsey, was acquired from the Old Mutual Group for a consideration of £18,000,000 with the consideration comprising the issue of 134,902 shares in the company to the Old Mutual Group.

It was subsequently determined that Fairbairn Trust Company Limited was to be sold back to the Old Mutual Group for a consideration of £18,000,000 with the sale to be completed early in the year ended 31 December 2003.

In accordance with Financial Reporting Standard 2 "Subsidiary Undertakings", the results of Fairbairn Trust Company Limited have not been consolidated as it is held with a view to subsequent resale and it has not previously been consolidated in group accounts prepared by the company.

**GERRARD PRIVATE BANK (JERSEY) LIMITED****FOR THE YEAR ENDED 31 DECEMBER 2002****10 DEPOSITS BY GROUP UNDERTAKINGS**

<b>GROUP</b>	<b>31 Dec 02 £'000</b>	<b>31 Dec 01 £'000</b>
Sterling	1,235	-
Currency	733	1,527
	<hr/>	<hr/>
	1,968	1,527
	=====	=====
Repayable on demand	-	-
Other loans and advances repayable:		
Repayable in 3 months or less	1,968	1,527
	<hr/>	<hr/>
	1,968	1,527
	=====	=====
<b>COMPANY</b>	<b>31 Dec 02 £'000</b>	<b>31 Dec 01 £'000</b>
Sterling	227,868	206,191
Currency	152,103	177,691
	<hr/>	<hr/>
	379,971	383,882
	=====	=====
Repayable on demand	129,815	252,041
Other loans and advances repayable:		
Repayable in 3 months or less	240,783	123,031
Repayable between 3 months and 1 year	9,373	8,810
	<hr/>	<hr/>
	379,971	383,882
	=====	=====

**NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2002**

## GERRARD PRIVATE BANK (JERSEY) LIMITED

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### 11 CUSTOMER ACCOUNTS

<b>GROUP</b>	<b>31 Dec 02 £'000</b>	<b>31 Dec 01 £'000</b>
Sterling	316,598	314,918
Currency	231,784	277,587
	<hr/>	<hr/>
	548,382	592,505
	=====	=====
Repayable on demand	161,068	216,497
Repayable in 3 months or less	364,022	350,016
Repayable between 3 months and 1 year	23,292	25,992
	<hr/>	<hr/>
	548,382	592,505
	=====	=====
<b>COMPANY</b>	<b>31 Dec 02 £'000</b>	<b>31 Dec 01 £'000</b>
Sterling	81,449	102,522
Currency	40,382	78,841
	<hr/>	<hr/>
	121,831	181,363
	=====	=====
Repayable on demand	27,918	56,917
Repayable in 3 months or less	88,107	108,014
Repayable between 3 months and 1 year	5,806	16,432
	<hr/>	<hr/>
	121,831	181,363
	=====	=====

### 12 AMOUNT DUE TO SUBSIDIARY UNDERTAKING

The amount of £240,000 is due to Gerrard Trust (Jersey) Limited. It is interest free, unsecured and repayable upon demand.

NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2002

13 SHARE CAPITAL

	Authorised		Issued and fully paid	
	31 Dec 02 £'000	31 Dec 01 £'000	31 Dec 02 £'000	31 Dec 01 £'000
Ordinary equity shares of £1 each	800 =====	800 =====	535 =====	400 =====

On 28 March 2002, the entire share capital of Fairbairn Trust Company Limited, incorporated in Guernsey, was acquired for £18,000,000. As consideration for this acquisition, 134,902 ordinary shares were issued resulting in share premium of £17,865,098.

14 STATEMENT OF MOVEMENTS ON RESERVES

GROUP	Profit and Loss Account £'000	Share Premium £'000	Merger Reserve £'000	General Risk Provision £'000	Total Reserves £'000
As at 31 December 2001	16,600	5,600	2,000	2,500	26,700
Profit for the year	3,900	-	-	-	3,900
Transfer from General Risk Provision	73	-	-	(73)	-
Arising on issue of shares	-	17,865	-	-	17,865
	-----	-----	-----	-----	-----
As at 31 December 2002	20,573 =====	23,465 =====	2,000 =====	2,427 =====	48,465 =====
COMPANY	Profit and Loss Account £'000	Share Premium £'000	Capital Distribution Reserve £'000	General Risk Provision £'000	Total Reserves £'000
As at 31 December 2001	2,439	5,600	5,000	1,500	14,539
Profit for the year	1,047	-	-	-	1,047
Transfer to General Risk Provision	(78)	-	-	78	-
Arising on issue of shares	-	17,865	-	-	17,865
	-----	-----	-----	-----	-----
As at 31 December 2002	3,408 =====	23,465 =====	5,000 =====	1,578 =====	33,451 =====

As the company is, indirectly, a subsidiary of a bank incorporated in South Africa, it is required to set up a General Risk Provision Reserve (GRP) against its loans and advances and thus a group reserve of £2,427,000 of which £1,578,000 is specific to the company, has been retained at the year end.

NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2002

15 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	31 Dec 02 £'000	31 Dec 01 £'000
Profit for the financial year	3,900	2,810
Increase in share capital to purchase subsidiary	135	-
Share premium on purchase of subsidiary	17,865	
Opening equity shareholders' funds	27,100	24,290
	-----	-----
Closing equity shareholders' funds	49,000	27,100
	=====	=====

16 CONTINGENT LIABILITIES

The company had no capital commitments at 31 December 2002 (2001 - £Nil).

There are commitments outstanding that have been entered into during the normal course of business. These comprise unutilised client loan facilities of £18,228,000 for the group (2001 - £14,158,000), which includes £13,223,000 for the company (2001 - £10,735,000).

The company has no guarantees in issue on behalf of customers (2001 - £Nil). The principal subsidiary undertaking, Gerrard Private Bank (IOM) Limited, has given guarantees of £383,000 on behalf of customers (2001 - £69,000).

17 PENSION SCHEME

The company and its subsidiary, Gerrard Private Bank (IOM) Limited, operate a hybrid scheme, the Gerrard Private Bank Pension Scheme. The scheme provides benefits on a defined contribution basis to members under the age of 30 and on a defined benefit basis to members over that age. As the scheme comprises employees of both companies it is difficult to accurately separately identify the actuarial information for the company's employees only. Thus all subsequent financial information in this note relates to the combined group scheme.

Contributions to the scheme are assessed in accordance with the advice of an independent, qualified actuary. The most recent full actuarial valuation was carried out as at 1 April 2002. As at that date the market value of the Scheme's assets was £1,061,000 (excluding members' AVCs) and that value represented 73% of the value of the accrued benefits after allowing for expected future increases in pensionable salaries.

The pension cost charged in respect of the scheme was £348,000 (period to 31 December 2001 - £160,000) which was also the amount contributed by the employer during the year. There were no outstanding or prepaid contributions at either the beginning or end of the financial year. As a result of the 2002 actuarial valuation the employer's contribution rate, in respect of the defined benefit element of the scheme, has been increased to 23% of pensionable salaries until the results of the next valuation, due as at 1 April 2005, are available.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2002

17 PENSION SCHEME (continued)

Whilst the company continues to account for pension costs in accordance with SSAP 24 'Accounting for Pension Costs', under FRS 17 'Retirement Benefits' the following transitional disclosures are required:

As required by FRS 17 the 2002 valuation of the scheme has been updated to 31 December 2002 by the appointed actuary. The major assumptions used by the actuary for the updated valuation were:

	31 Dec 02	31 Dec 01
i) Rate of price inflation	2.3% p.a.	2.5% p.a.
ii) Rate of increase in pensionable salaries	4.3% p.a.	4.5% p.a.
iii) Rate of increase in Basic State Pension	2.3% p.a.	2.5% p.a.
iv) Rate of increase of pensions in payment:		
a. Pre 01.04.97	3.0% p.a.	3.0% p.a.
b. Post 31.03.97	2.3% p.a.	2.5% p.a.
v) Discount Rate	5.4% p.a.	5.8% p.a.

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The fair value of the scheme's assets as at 31 December 2002, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain were:

	31 Dec 02 £'000	31 Dec 01 £'000
Equities	454	879
Bonds	98	189
Cash	709	79
	———	———
Total market value of assets	1,261	1,147
Present value of scheme liabilities	1,933	1,337
	———	———
Deficit in the scheme	(672)	(190)
	=====	=====

The assets of the scheme currently include a high proportion of cash. This is a temporary measure and the assets will be transferred to equity and bond based investments in the future. The actuary has, therefore, allowed for a long-term return of 8.0% on cash, being a combination of the equity rate of return and the bond rate of return. The long-term rate of return assumed on cash would normally be only 4.0%.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2002

**17 PENSION SCHEME (continued)**

The expected rates of return on the various asset categories are:

	<b>31 Dec 02</b>	<b>31 Dec 01</b>
i) Equities	8.50%	8.00%
ii) Bonds	5.00%	5.50%
iii) Cash (see comments on previous page)	8.00%	4.00%

The FRS 17 valuation is carried out on a market-related basis, assets being taken into account at fair (market) value and liabilities being valued by reference to corporate bond yields as at the balance sheet date. The surplus or deficit may therefore be expected to be volatile from one financial year to another.

The amount of this net pension asset/liability would have a consequential effect on reserves.

Movement in surplus/(deficit) during the year

	<b>31 Dec 02</b>
	<b>£'000</b>
Deficit in the scheme at beginning of year	(190)
Current service cost	(353)
Contributions paid	271
Past service cost	-
Other finance income/cost	-
Actuarial loss	(400)
	<hr/>
Deficit in the scheme at end of year	(672)
	====

If FRS 17 had been fully adopted in these financial statements the pension costs for the defined benefit element of the scheme would have been:

Analysis of other pension costs charged in arriving at operating profit/(loss)

	<b>31 Dec 02</b>
	<b>£'000</b>
Current service cost	(353)
Past service cost	-
Previously unrecognised surplus deducted from past service cost	-
Gains/losses on settlements or curtailments	-
Previously unrecognised surplus deducted from the settlement or curtailment losses	-
	<hr/>
Total operating charge	(353)
	====

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2002**

**17 PENSION SCHEME (continued)**

Analysis of amounts included in other finance income/(costs)

	<b>31 Dec 02</b> <b>£'000</b>
Expected return on pension scheme assets	94
Interest on pension scheme liabilities	(88)
	<hr/>
Net return	6
	<hr/> <hr/>

Analysis of amount recognised in statement of total recognised gains and losses

	<b>31 Dec 02</b> <b>%</b>	<b>31 Dec 02</b> <b>£'000</b>
Actual return on assets less expected return		(251)
Percentage of year end scheme assets	(19.9)	
Experience gains and losses arising on scheme liabilities		(51)
Percentage of present value of year end scheme liabilities	(2.6)	
Changes in assumptions underlying the present value of scheme liabilities		(98)
Percentage of present value of year end scheme liabilities	(5.1)	
		<hr/>
Actuarial loss recognised in statement of total recognised gains and losses		(400)
		<hr/> <hr/>
Percentage of present value of year end scheme liabilities	(20.7)	

**18 RELATED PARTY TRANSACTIONS**

As a wholly owned subsidiary, the company is taking advantage of the exemption granted by Financial Reporting Standard No.8 not to disclose transactions with entities that are part of the group or investees of the group qualifying as related parties.

**19 ULTIMATE HOLDING COMPANY**

As at 31 December 2002 Gerrard Private Bank (Jersey) Limited was a subsidiary of Lancelot Limited which is incorporated in the Isle of Man. The ultimate holding company and controlling party was Old Mutual plc, which is incorporated in England and Wales.

**NOTES TO THE ACCOUNTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2002**

20.1 FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS ANALYSIS

a) Interest Rate Sensitivity Gap

	Not more than 3 months	Over 3 months but not over 6 months	Over 6 months but not over 1 year	Over 1 year but not over 2 years	Over 2 years but not over 5 years	Over 5 years	Non - interest bearing	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets:								
Cash and loans to banks	182,951	38,600	1,615	-	-	-	-	223,166
Loans and advances to customers	2,649	225	4,241	4,594	87,425	170	-	99,304
Debt Securities	201,068	-	-	-	-	-	-	201,068
Other assets	-	-	-	-	-	-	22,355	22,355
Advances to group undertakings	51,811	5,052	-	-	-	-	-	56,863
<b>Total Assets</b>	<b>438,479</b>	<b>43,877</b>	<b>5,856</b>	<b>4,594</b>	<b>87,425</b>	<b>170</b>	<b>22,355</b>	<b>602,756</b>
	=====	=====	=====	=====	=====	=====	=====	=====
Liabilities:								
Customer accounts	525,090	15,948	7,344	-	-	-	-	548,382
Bank overdrafts	565	-	-	-	-	-	-	565
Other liabilities	710	-	-	-	-	-	2,131	2,841
Shareholder's Funds	-	-	-	-	-	-	49,000	49,000
Deposits by group undertakings	1,968	-	-	-	-	-	-	1,968
<b>Total liabilities</b>	<b>528,333</b>	<b>15,948</b>	<b>7,344</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51,131</b>	<b>602,756</b>
	=====	=====	=====	=====	=====	=====	=====	=====
Interest rate sensitivity gap	(89,854)	27,929	(1,488)	4,594	87,425	170	(28,776)	-
<b>Cumulative gap</b>	<b>(89,854)</b>	<b>(61,925)</b>	<b>(63,413)</b>	<b>(58,819)</b>	<b>28,606</b>	<b>28,776</b>	<b>-</b>	<b>-</b>
	=====	=====	=====	=====	=====	=====	=====	=====

NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2002

20.1 FINANCIAL INSTRUMENTS ANALYSIS (continued)

b) Currency Exposures

Net foreign currency monetary assets/(liabilities) in £'000

Functional currency of Group operation	EUR	USD	YEN	CHF	Other	Total
GBP	283	(254)	(20)	(45)	(56)	(92)

20.2 FINANCIAL INSTRUMENTS DISCLOSURES

a) Short term Debtors / Creditors

Short term debtors and creditors have been included within the interest rate sensitivity analysis on page 26.

b) Fair value of financial assets and liabilities

The fair value of financial assets and liabilities disclosed is not materially different to that of their carrying value.

c) Risk control

The company has an established and comprehensive policy for the control of risks associated with its business activities. Risk exists principally from the failure of counterparties to meet the terms of their obligations (credit risk), from movements in interest rates, foreign exchange rates and from operational processes (operational risk).

Risk policies, including limits, reporting lines and control procedures are reviewed regularly by the various committees of the company. Compliance with all limits on their behalf is carried out by the company in conjunction with the Credit and Risk Department of Nedcor Bank Limited – London Branch which is independent of the business. Nedcor Bank Limited is a subsidiary of Old Mutual Plc which is the ultimate parent company of Gerrard Private Bank (Jersey) Limited.

i) Liquidity risk:

The company operates a prudent liquidity policy in line with its parent company's guidelines. Instant access liabilities are apportioned, for liquidity purposes, according to guidelines defined by the lead UK regulator.

**NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2002**

**ii) Interest rate risk:**

Mismatching of assets and liabilities is permitted in accordance with policies agreed by the Credit and Risk Department of Nedcor Bank Limited – London Branch.

**iii) Credit risk:**

Interbank placement limits and third party non-bank lending commitments available to the company are approved by the Credit Committee of the company, which comprises of Senior Management and Directors of the company together with individuals of the Credit and Risk Department of Nedcor Bank Limited – London Branch.

**iv) Exchange rate risk:**

The company operates a foreign exchange policy that allows spot intra-day foreign exchange exposure up to a permitted level of currency risk and revaluation loss. A residual overnight position of up to £500,000 is permitted. Any breaches of position are reported to the Credit and Risk Department of Nedcor Bank Limited – London Branch and the board of directors immediately.

Since the company prepares its financial statements in sterling, its consolidated balance sheet is affected by movements in the exchange rates between sterling and other currencies. Gains and losses arising from such currency exposures are not hedged, which is consistent with the policy of the parent company. These gains and losses are converted to sterling as soon as possible after they have been identified at each month end.

**21 SEGMENTAL ANALYSIS**

All income arises from the provision of banking, investment management and company/trustee administration services from both Jersey and the Isle of Man.

**22 COMPARATIVE PERIOD**

The comparative period is for the nine months ended 31 December 2001.

# GERRARD PRIVATE BANK (JERSEY) LIMITED

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## REPORT OF THE INDEPENDENT AUDITORS, KPMG Audit LLC,

### to the members of Gerrard Private Bank (Jersey) Limited

We have audited the financial statements on pages 5 to 28.

This report is made solely to the company's members, as a body, in accordance with Article 110 of the Companies (Jersey) Law 1991. 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 are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with the applicable Jersey law and United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in Jersey by law, the United Kingdom Auditing Practices Board and by our profession's ethical guidance.

We report to you in our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Jersey) Law 1991, the Banking Business (Jersey) Law 1991 and the Financial Services (Investment Business (Accounts, Audits and Reports)) (Jersey) Order 2001. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards issued by the United Kingdom Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and group as at 31 December 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies (Jersey) Law 1991, the Banking Business (Jersey) Law 1991 and the Financial Services (Investment Business (Accounts, Audits and Reports)) (Jersey) Order 2001.

Heritage Court  
41 Athol Street  
Douglas  
Isle of Man

15 April 2003