

Gerrard Private Bank (Jersey) Limited

Report and Financial Statements for the year ended

31 December 2003

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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
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 2003**

The directors submit their report and the audited financial statements for the year ended 31 December 2003.

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 amounted to £4,042,000 (2002 - £3,900,000) which has been carried forward to revenue reserves.

DIVIDEND

No interim dividend was paid during the year. The directors do not recommend the payment of a final dividend.

DIRECTORS

The present Board is shown on page 2. Jonathan Saul Sieff resigned as a director of the company on 7 April 2003.

AUDITORS

KPMG Audit LLC, being eligible, have expressed their willingness to continue in office in accordance with article 109 of the Companies (Jersey) Law 1991.

By order of the Board.

N M E James
Secretary

12 March 2004

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 2002. 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.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Notes	12 mths to 31 Dec 03 £'000	12 mths to 31 Dec 02 £'000
Interest receivable		21,176	20,632
Interest payable		(13,860)	(13,386)
Net interest income		<u>7,316</u>	<u>7,246</u>
Fees and commissions receivable		<u>3,555</u>	<u>2,974</u>
Net operating income		10,871	10,220
Administrative expenses		(6,156)	(5,567)
Bad debt write-off		<u>(243)</u>	<u>-</u>
Net operating profit before taxation	2	4,472	4,653
Taxation	3	<u>(430)</u>	<u>(753)</u>
Net operating profit after taxation		4,042	3,900
Dividend		<u>-</u>	<u>-</u>
Retained profit	14	4,042	3,900
		=====	=====

All gains and losses arising during the current and previous year 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.

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2003**

	Notes	31 Dec 03 £'000	31 Dec 02 £'000
ASSETS EMPLOYED			
Advances to group undertakings	4	21,553	56,863
Cash and short term funds with other banks		9,234	9,133
Loans and advances to other banks	5	323,207	214,033
Loans and advances to customers	6	114,323	99,304
Debt securities	7	203,943	201,068
Tangible fixed assets	8	1,059	1,102
Investment in subsidiary company held for resale	9	-	18,000
Prepayments, accrued income and other assets		3,640	3,253
		<hr/>	<hr/>
		676,959	602,756
		<hr/>	<hr/>
LIABILITIES			
Deposits by group undertakings	10	1,640	1,968
Customer accounts	11	637,250	548,382
Bank overdrafts		139	565
Taxation	3	774	1,267
Sundry creditors and accruals		2,114	1,574
		<hr/>	<hr/>
		641,917	553,756
		<hr/>	<hr/>
NET ASSETS		35,042	49,000
		=====	=====
CAPITAL RESOURCES			
Share capital	13	400	535
Reserves	14	34,642	48,465
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS	15	35,042	49,000
		=====	=====

Approved by the Board:

G J Horton
Director

N M E James
Director

12 March 2004

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

**COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2003**

	Notes	31 Dec 03 £'000	31 Dec 02 £'000
ASSETS EMPLOYED			
Advances to group undertakings	4	18,980	77,134
Cash and short term funds with other banks		4,724	4,287
Loans and advances to other banks	5	129,559	213,222
Loans and advances to customers	6	43,308	36,070
Debt securities	7	16,617	183,068
Tangible fixed assets	8	-	3
Investment in subsidiary undertakings	9	3,050	21,050
Prepayments, accrued income and other assets		747	3,047
		-----	-----
		216,985	537,881
		-----	-----
LIABILITIES			
Deposits by group undertakings	10	16,539	379,971
Customer accounts	11	182,216	121,831
Bank overdrafts		16	-
Taxation	3	440	877
Sundry creditors and accruals		769	976
Amount due to subsidiary undertaking	12	319	240
		-----	-----
		200,299	503,895
		-----	-----
NET ASSETS			
		16,686	33,986
		=====	=====
CAPITAL RESOURCES			
Share capital	13	400	535
Reserves	14	16,286	33,451
		-----	-----
EQUITY SHAREHOLDERS' FUNDS			
		16,686	33,986
		=====	=====

Approved by the Board:

G J Horton
Director

N M E James
Director

12 March 2004

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	31 Dec 03 £'000	31 Dec 02 £'000
Net cash outflow from operating activities	(a)	(18,252)	(31,498)
Taxation		(923)	(773)
Capital expenditure			
Purchase of fixed assets		(10)	(26)
Disposal of fixed assets		-	56
		<u> </u>	<u> </u>
Decrease in cash and deposits with banks	(b)	(19,185)	(32,241)
		<u> </u>	<u> </u>

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

	Notes	31 Dec 03 £'000	31 Dec 02 £'000
Profit before taxation		4,472	4,653
Depreciation		53	68
Increase in prepayments, accrued income and other assets		(387)	(273)
Increase / (decrease) in sundry creditors and accruals		540	(460)
Profit on disposal of fixed assets		-	(4)
		<u> </u>	<u> </u>
Net cash inflow from trading activities		4,678	3,984
Increase in debt securities		(2,875)	(18,469)
Increase in loans and advances to customers		(15,019)	(21,680)
Increase / (decrease) in customer accounts		88,868	(44,123)
Decrease / (increase) in advances to group undertakings		32,709	(24,867)
(Increase) / decrease in loans and advances to other banks		(126,285)	73,216
(Decrease) / increase in deposits by group undertakings		(328)	441
		<u> </u>	<u> </u>
Net cash outflow from operating activities		(18,252)	(31,498)
		<u> </u>	<u> </u>

**CONSOLIDATED CASH FLOW STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2003**

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

	Notes	31 Dec 03 £'000	31 Dec 02 £'000
Cash and deposits with banks due on demand			
Balance at 31 December 2002		32,715	64,956
Net cash outflow		(19,185)	(32,241)
		—————	—————
Balance at 31 December 2003	(c)	13,530	32,715
		=====	=====

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

	31 Dec 03 £'000	31 Dec 02 £'000
Advances to group undertakings repayable on demand	2,582	5,183
Cash and short term funds with other banks	9,234	9,133
Loans and advances to banks repayable on demand	1,853	18,964
Bank overdrafts	(139)	(565)
	—————	—————
	13,530	32,715
	=====	=====

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

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2003****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 2003. 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 2003**

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.

(k) Interest rate swaps

Profits and losses on interest rate swaps which are used to hedge interest rate exposure are recognised in a manner that reflects the accounting treatment of the assets and liabilities hedged. The net income or expense on swaps is recorded in net interest income on an accruals basis.

2 NET OPERATING PROFIT

Net operating profit before taxation is stated after charging:-

	31 Dec 03	31 Dec 02
	£'000	£'000
Directors' fees	20	20
Auditors' remuneration	65	48
Depreciation	53	68
Operating lease rental costs - Leasehold premises	204	137
Operating lease rental costs - Other equipment	25	33
	===	===

FOR THE YEAR ENDED 31 DECEMBER 2003

3 TAXATION

(a) Analysis of charge	31 Dec 03 £'000	31 Dec 02 £'000
Current tax:		
Jersey/Manx income tax at 20% / 10% (2002 – 20% / 15%) based on the profits for the year	569	761
Adjustments in respect of previous periods	(118)	(18)
Total current tax	<u>451</u>	<u>743</u>
Deferred tax in respect of accelerated capital allowances	(21)	10
Tax on operating profit	<u>430</u> =====	<u>753</u> =====

(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:

	31 Dec 03 £'000	31 Dec 02 £'000
Operating profit before taxation	4,472 =====	4,653 =====
Operating profit at standard rate of Jersey income tax of 20% (2002 – 20%)	894	931
Effects of:		
Profits taxed at lower Isle of Man rates	(352)	(160)
Over provision in previous period	(118)	(18)
Other sundry differences	27	(10)
Current tax charge for the year	<u>451</u> =====	<u>743</u> =====

3 TAXATION (continued)**(c) Taxation creditor**

	31 Dec 03	31 Dec 02
GROUP	£'000	£'000
Income tax due in less than one year	266 =====	611 =====
Income tax due in more than one year	508 =====	656 =====
COMPANY		
Income tax due in less than one year	266 =====	611 =====
Income tax due in more than one year	174 =====	266 =====

(d) Deferred tax asset / (liability)

	31 Dec 03	31 Dec 02
GROUP	£'000	£'000
Balance at 01 January	(9)	1
Movement during the year	21	(10)
Balance at 31 December	<u>12</u> =====	<u>(9)</u> =====
COMPANY		
Balance at 01 January	-	1
Movement during the year	15	(1)
Balance at 31 December	<u>15</u> =====	<u>-</u> =====

Deferred tax assets are included the "prepayments, accrued income and other assets" balance in the balance sheet. Deferred tax liabilities are included within "sundry creditors and accruals".

4 ADVANCES TO GROUP UNDERTAKINGS

GROUP	31 Dec 03 £'000	31 Dec 02 £'000
Repayable on demand	2,582	5,183
Other loans and advances repayable:		
in 3 months or less	5,471	46,628
between 3 months and 1 year	9,000	5,052
over 1 year	4,500	-
	<hr/>	<hr/>
	21,553	56,863
	=====	=====
COMPANY		
Repayable on demand	1,184	5,706
Other loans and advances repayable:		
in 3 months or less	12,296	66,376
between 3 months and 1 year	5,500	5,052
	<hr/>	<hr/>
	18,980	77,134
	=====	=====

5 LOANS AND ADVANCES TO OTHER BANKS

GROUP	31 Dec 03 £'000	31 Dec 02 £'000
Repayable on demand	1,853	18,964
Other loans and advances repayable:		
in 3 months or less	301,262	154,854
between 3 months and 1 year	20,092	40,215
	<hr/>	<hr/>
	323,207	214,033
	=====	=====
COMPANY		
Repayable on demand	1,853	18,964
Other loans and advances repayable:		
in 3 months or less	127,614	154,043
between 3 months and 1 year	92	40,215
	<hr/>	<hr/>
	129,559	213,222
	=====	=====

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2003**

6 LOANS AND ADVANCES TO CUSTOMERS

GROUP	31 Dec 03 £'000	31 Dec 02 £'000
Repayable on demand	2,385	2,535
Other loans and advances repayable:		
in 3 months or less	1,073	113
between 3 months and 1 year	26,671	4,466
between 1 and 5 years	83,299	90,994
over 5 years	895	1,196
	-----	-----
	114,323	99,304
	=====	=====
 COMPANY		
Repayable on demand	1,300	1,900
Other loans and advances repayable:		
in 3 months or less	-	40
between 3 months and 1 year	5,248	4,072
between 1 and 5 years	36,474	29,888
over 5 years	286	170
	-----	-----
	43,308	36,070
	=====	=====

7 DEBT SECURITIES

The company and its principal subsidiary company hold debt securities comprising certificates of deposit and floating rate notes. As at 31 December 2003 the carrying value of these securities in the group balance sheet is £203,943,000 (2002 - £201,068,000). The carrying value in the company balance sheet is £16,617,000 (2002 - £183,068,000)

The company does not hold any debt securities with group companies, at the balance sheet date (2002 - £10,000,000). The principal subsidiary company, Gerrard Private Bank (IOM) Limited, holds debt securities with group companies, comprising £40,617,000 (2002 - nil) with Nedcor Limited - London Branch.

The market valuation of debt securities at 31 December 2003 for the group is £203,793,000 (2002 - £201,050,000) and for the company is £16,601,000 (2002 - £183,071,000)

NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2003

8 TANGIBLE FIXED ASSETS

Freehold	Motor	Total
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GROUP	Land & Buildings £'000	Vehicles & Equipment £'000	£'000
Cost			
At 31 December 2002	1,075	503	1,578
Additions	-	10	10
Disposals	-	(6)	(6)
At 31 December 2003	<u>1,075</u>	<u>507</u>	<u>1,582</u>
	=====	=====	=====
Depreciation			
At 31 December 2002	36	440	476
Charge for the year	14	39	53
Disposals	-	(6)	(6)
At 31 December 2003	<u>50</u>	<u>473</u>	<u>523</u>
	=====	=====	=====
Net Book Value			
At 31 December 2003	<u>1,025</u>	<u>34</u>	<u>1,059</u>
	=====	=====	=====
At 31 December 2002	<u>1,039</u>	<u>63</u>	<u>1,102</u>
	=====	=====	=====

COMPANY	Motor Vehicles & Equipment £'000	Total £'000
Cost		
At 31 December 2002 and 31 December 2003	268	268
	=====	=====
Depreciation		
At 31 December 2002	265	265
Charge for the year	3	3
At 31 December 2003	<u>268</u>	<u>268</u>
	=====	=====
Net Book Value		
At 31 December 2003	-	-
	=====	=====
At 31 December 2002	<u>3</u>	<u>3</u>
	=====	=====

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2003**

9	SUBSIDIARY UNDERTAKINGS	Activity	Holding Place of
	Name		

			Incorporation
Direct subsidiaries			
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
Indirect subsidiaries			
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 ("FTC"), 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 FTC should be sold back to the Old Mutual Group for the same consideration of £18,000,000. This transfer occurred on 17 December 2003 and the 134,902 shares were re-acquired and cancelled by the company. In accordance with Financial Reporting Standard 2 "Subsidiary Undertakings", the results of FTC were not consolidated within these group accounts as it was held with a view to subsequent resale.

10 DEPOSITS BY GROUP UNDERTAKINGS

GROUP	31 Dec 03 £'000	31 Dec 02 £'000
Repayable on demand	171	-
Other deposits repayable: in 3 months or less	1,469	1,968
	-----	-----
	1,640	1,968
	=====	=====
COMPANY		
Repayable on demand	1,981	129,815
Other deposits repayable: in 3 months or less	12,499	240,783
between 3 months and 1 year	2,059	9,373
	-----	-----
	16,539	379,971
	=====	=====

NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2003

11 CUSTOMER ACCOUNTS

GROUP	31 Dec 03 £'000	31 Dec 02 £'000
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Repayable on demand	154,747	161,068
Other deposits repayable:		
in 3 months or less	445,111	364,022
between 3 months and 1 year	32,892	23,292
over 1 year	4,500	-

637,250	548,382
=====	=====

COMPANY

Repayable on demand	37,550	27,918
Other deposits repayable:		
in 3 months or less	142,757	88,107
between 3 months and 1 year	1,909	5,806

182,216	121,831
=====	=====

12 AMOUNT DUE TO SUBSIDIARY UNDERTAKING

The amount of £319,000 (2002 - £240,000) due to a subsidiary undertaking is due to Gerrard Trust (Jersey) Limited. It is interest free, unsecured and repayable upon demand.

13 SHARE CAPITAL

	Authorised		Issued and fully paid	
	31 Dec 03 £'000	31 Dec 02 £'000	31 Dec 03 £'000	31 Dec 02 £'000
Ordinary equity shares of £1 each	800	800	400	535
	=====	=====	=====	=====

On 17 December 2003, the entire share capital of Fairbairn Trust Company Limited, incorporated in Guernsey, was transferred to the Old Mutual Group for £18,000,000. As a result of this transaction, 134,902 ordinary shares were cancelled and an amount of £134,902, representing the nominal value of the shares, was transferred to a capital redemption reserve.

NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2003

14 STATEMENT OF MOVEMENTS ON RESERVES

GROUP	Profit and Loss	Share Premium	General Risk	Other Reserves	Total Reserves
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	Account £'000	£'000	Provision £'000	£'000	£'000
As at 1 January 2003	20,573	23,465	2,427	2,000	48,465
Profit for the year	4,042	-	-	-	4,042
Transfer to General Risk Provision	(265)	-	265		-
Arising on cancellation of shares (note 13)	(135)	(17,865)	-	135	(17,865)
	-----	-----	-----	-----	-----
As at 31 December 2003	24,215	5,600	2,692	2,135	34,642
	=====	=====	=====	=====	=====

COMPANY	Profit and Loss Account £'000	Share Premium £'000	General Risk Provision £'000	Other Reserves £'000	Total Reserves £'000
As at 1 January 2003	3,408	23,465	1,578	5,000	33,451
Profit for the year	700	-	-	-	700
Transfer from General Risk Provision	222	-	(222)	-	-
Arising on cancellation of shares (note 13)	(135)	(17,865)	-	135	(17,865)
	-----	-----	-----	-----	-----
As at 31 December 2003	4,195	5,600	1,356	5,135	16,286
	=====	=====	=====	=====	=====

As the company is 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 £2,692,000 (2002 – £2,427,000) of which £1,356,000 (2002 - £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 2003**

15 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

31 Dec 03 £'000	31 Dec 02 £'000
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Profit for the financial year	4,042	3,900
Movements in equity shares re sale/purchase of Fairbairn Trust Company Limited	(135)	135
Movements in share premium re sale/purchase of Fairbairn Trust Company Limited	(17,865)	17,865
Opening equity shareholders' funds	49,000	27,100
	—————	—————
Closing equity shareholders' funds	35,042	49,000
	=====	=====

16 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 provided they joined the company prior to 01 January 2002. All members who join the company after 01 January 2002 receive defined contribution benefits regardless of age. As the scheme comprises employees of both companies, 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 which represented 73% of the value of the accrued benefits after allowing for expected future increases in pensionable salaries.

The combined pension cost charged in respect of the scheme was £466,000 (2002 - £348,000) 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 2003

16 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 2003 by the appointed actuary. The major assumptions used by the actuary for the updated valuation were:

	31 Dec 03	31 Dec 02
i) Rate of price inflation	2.8% p.a.	2.3% p.a.
ii) Rate of increase in pensionable salaries	3.3% p.a.	4.3% p.a.
i) Rate of increase in Basic State Pension	2.8% p.a.	2.3% p.a.
ii) 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	2.8% p.a.	2.3% p.a.
iii) Discount Rate	5.4% p.a.	5.4% 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 2003, 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 03	31 Dec 02
	£'000	£'000
Equities	1,348	454
Bonds	-	98
Cash	487	709
Total market value of assets	<u>1,835</u>	<u>1,261</u>
Present value of scheme liabilities	(2,383)	(1,933)
Deficit in the scheme	<u>(548)</u>	<u>(672)</u>
	=====	=====

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 5.6% 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 2003

16 PENSION SCHEME (continued)

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

	31 Dec 03	31 Dec 02
i) Equities	8.25%	8.50%
ii) Bonds	5.00%	5.00%

iii) Cash (see comments on previous page)	5.60%	8.00%
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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 liability would have a consequential effect on reserves.

Movement in deficit during the year

	31 Dec 03	31 Dec 02
	£'000	£'000
Deficit in scheme at the beginning of the year	(672)	(190)
Current service cost	(457)	(353)
Contributions paid	408	265
Other finance (costs) / income	(17)	6
Actuarial gain / (loss)	190	(400)
Deficit in scheme at the end of the year	<u>(548)</u>	<u>(672)</u>
	=====	=====

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

	31 Dec 03	31 Dec 02
	£'000	£'000
Current service cost	(457)	(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	-	-
Total operating charge	<u>(457)</u>	<u>(353)</u>
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2003

16 PENSION SCHEME (continued)

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

	31 Dec 03	31 Dec 02
	£'000	£'000
Expected return on pension scheme assets	100	94

Interest on pension scheme liabilities	(117)	(88)
	—	—
Net (costs) / income	(17)	6
	====	====

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

	31 Dec 03 %	31 Dec 03 £'000
Actual return on assets less expected return		89
Percentage of year end scheme assets	4.9	
Experience gains and losses arising on scheme liabilities		20
Percentage of present value of year end scheme liabilities	0.8	
Changes in assumptions underlying the present value of scheme liabilities		81
Percentage of present value of year end scheme liabilities	3.4	
		—
Actuarial gain recognised in statement of total recognised gains and losses		190
		====
Percentage of present value of year end scheme liabilities	8.0	

17 CONTINGENT LIABILITIES

The company had no capital commitments at 31 December 2003 (2002 - £Nil).

There are commitments outstanding that have been entered into during the normal course of business. These comprise unutilised client loan facilities of £24,088,000 for the group (2002 - £18,228,000), which includes £12,098,000 for the company (2002 - £13,223,000).

The company has no guarantees in issue on behalf of customers (2002 - £Nil). The principal subsidiary undertaking, Gerrard Private Bank (IOM) Limited, has given guarantees of £1,166,000 on behalf of customers (2002 - £383,000).

NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2003

18.1 FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS ANALYSIS

a) Interest Rate Sensitivity Gap

At 31 December 2003

Not more than 3	Over 3 months	Over 6 months	Over 1 year but	Over 2 years	Over 5	Non - interest	Total
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	months	but not over 6 months	but not over 1 year	not over 2 years	but not over 5 years	years	bearing	
Assets:	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash and loans to banks	312,349	10,000	10,092	-	-	-	-	332,441
Loans and advances to customers	112,326	347	1,650	-	-	-	-	114,323
Debt Securities	152,709	35,617	15,617	-	-	-	-	203,943
Other assets	-	-	-	-	-	-	4,699	4,699
Advances to group undertakings	8,053	4,500	4,500	-	4,500	-	-	21,553
Total Assets	585,437	50,464	31,859	-	4,500	-	4,699	676,959
	=====	=====	=====	=====	=====	=====	=====	=====
Liabilities:								
Customer accounts	599,858	7,155	25,737	-	4,500	-	-	637,250
Bank overdrafts	139	-	-	-	-	-	-	139
Other liabilities	-	-	-	-	-	-	2,888	2,888
Shareholder's Funds	-	-	-	-	-	-	35,042	35,042
Deposits by group undertakings	1,640	-	-	-	-	-	-	1,640
Total liabilities	601,637	7,155	25,737	-	4,500	-	37,930	676,959
	=====	=====	=====	=====	=====	=====	=====	=====
Interest rate sensitivity gap	(16,200)	43,309	6,122	-	-	-	(33,231)	-
Cumulative gap	(16,200)	27,109	33,231	33,231	33,231	33,231	-	-
	=====	=====	=====	=====	=====	=====	=====	=====

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2003**

18.1 FINANCIAL INSTRUMENTS ANALYSIS (continued)

a) Interest Rate Sensitivity Gap (continued)

At 31 December 2002

	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
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Assets:	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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
Total Assets	438,479	43,877	5,856	4,594	87,425	170	22,355	602,756
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
Total liabilities	528,333	15,948	7,344	-	-	-	51,131	602,756
Interest rate sensitivity gap	(89,854)	27,929	(1,488)	4,594	87,425	170	(28,776)	-
Cumulative gap	(89,854)	(61,925)	(63,413)	(58,819)	28,606	28,776	-	-

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2003**

18.1 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	290	(338)	(6)	(93)	75	(72)

18.2 FINANCIAL INSTRUMENTS DISCLOSURES**a) Short term Debtors / Creditors**

Short term debtors and creditors have been included within the interest rate sensitivity analysis on pages 24 and 25.

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.

ii) Interest rate risk:

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2003****18.2 FINANCIAL INSTRUMENTS DISCLOSURES (continued)****c) Risk control (continued)****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.

19 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.

20 INTEREST RATE SWAPS HELD FOR PURPOSES OTHER THAN TRADING

The company's principal subsidiary, Gerrard Private Bank (IOM) Limited, uses interest rate swaps to manage specified interest rate positions relative to assets and liabilities. These contracts are accounted for in a manner that reflects the accounting treatment of the underlying positions. At the year end the notional principal amounts, by maturity, of these non-trading derivatives (all held with Nedcor Bank Limited – London Branch) were:

	31 Dec 03 £'000	31 Dec 02 £'000
1 year or less	15,617 =====	- =====

NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2003

21 ULTIMATE HOLDING COMPANY

As at 31 December 2003 Gerrard Private Bank (Jersey) Limited was a subsidiary of BOE International Holdings 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.

22 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.

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 2002. 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 2003 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 2002.

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

12 March 2004
