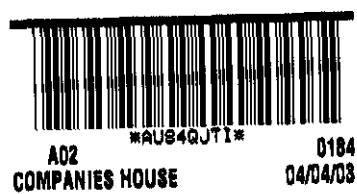


SG HAMBROS BANK & TRUST LIMITED

Report of the Directors and Financial Statements

31 December 2002



SG Hambros Bank & Trust Limited

Registered No. 964058

Board of Directors

Chairman

*The Honourable Nicholas Assheton

Chief Executive

W J Newbury

Directors

*P Citerne

*A Bataille

E E Barnett

*S J M Brisby

*B David

J P Flais

*S J Hild

*N K C Horlick

*P Mathé

R McGregor

*P B Mitford-Slade

J Reed

*Non-executive Director

Secretary

M A Nimmo

Registered Office

SG House

41 Tower Hill

London EC3N 4SG

Auditor

Ernst & Young LLP

Rolls House

7 Rolls Buildings

Fetter Lane

London EC4A 1NH

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REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report, together with the audited financial statements of SG Hambros Bank & Trust Limited (the "Bank") for the year ended 31 December 2002.

RESULTS FOR THE YEAR

Profit on ordinary activities for the financial year ended 31 December 2002 after provision for taxation, as shown in the financial statements, amounted to £7,282,536 compared with a profit of £4,834,113 for the previous year.

No interim dividend was paid in 2002 (2001: £Nil). The directors recommend the payment of a final dividend for year 2002 of £7,000,000 (2001: £6,000,000).

BUSINESS REVIEW

The Bank and its subsidiaries form the private banking arm of the Société Générale Group ("SG") in the UK, the Channel Islands, Gibraltar and the Bahamas. The Bank offers its international on-shore and offshore clientele an integrated wealth management service, including the provision of banking products and trust structures as well as investment management advice. In the future, the Bank is to be one of the principal vehicles through which SG will build and consolidate its group-wide private banking activities.

As an enhancement to its wealth management service, in 2002 the Bank developed some investment management capabilities, previously undertaken by SG Investment Management. These resources have been integrated into the Bank's private banking business and the directors do not consider this to be an additional business line for which segmental reporting is required.

DIRECTORS

The following were directors during the financial year:

Chairman:	The Honourable Nicholas Assheton
Chief Executive:	W J Newbury
Other Directors:	S J M Brisby B David J P Flais N K C Horlick P Mathé J Reed P Citerne S J Hild A Bataille R McGregor P B Mitford-Slade E E Barnett

S J M Brisby resigned as director on the 26 June 2002 and was re-appointed on the 24 July 2002.

J Reed resigned as director on the 13 February 2003.

DIRECTORS' INTERESTS

No director had a beneficial interest in the shares of the Bank or its subsidiaries during the year.

EMPLOYMENT OF DISABLED PERSONS

The Bank supports the employment of disabled people where possible in recruitment, by retention of those who become disabled during their employment, and generally through training, career development and promotion.

REPORT OF THE DIRECTORS

EMPLOYEE INVOLVEMENT

The Bank pays particular regard to the involvement of employees generally in the Bank's activities and achievements. Employees are kept aware of particular developments by means of a regular circulation of copies of press notices, memoranda and a separate employee report.

DONATIONS

The Bank made charitable donations of £440 during the year (2001: £585). No political donations were made during the year.

CREDITORS' PAYMENT POLICY

The Bank is committed to establishing mutually beneficial relationships with its suppliers and it is the policy to pay them within 30 days of the invoice date, or as otherwise agreed. The aggregate amount owed to trade creditors at 31 December 2002 represented 9 days of purchases (based on the aggregate amount invoiced by suppliers during the financial year).

AUDITORS

Ernst & Young LLP will be reappointed as the Bank's auditor in accordance with the elective resolution passed by the Bank under section 386 Companies Act 1985.

BY ORDER OF THE BOARD



Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the Report of the Auditor, is made to distinguish the responsibilities of the directors for the financial statements from those of the Auditor.

The directors are required by the Companies Act 1985 to prepare financial statements which give a true and fair view of the state of affairs of the Bank at the end of the financial year and of the results for that year.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates which 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 financial statements on a going concern basis, unless it is inappropriate to presume that the Bank will continue in business.

The directors have responsibility for ensuring the Bank keeps adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Bank and to enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have a general responsibility for taking reasonable steps to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SG HAMBROS BANK & TRUST LIMITED

We have audited the Bank's financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 29. These financial statements have been prepared on the basis of the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the Bank's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

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


Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Bank'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 Bank as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor

London

Date 20 March 2003

SG Hambros Bank & Trust Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2002

	Notes	31.12.02 £'000	31.12.01 £'000 <i>Restated</i>
Interest receivable:			
- interest receivable and similar income arising from debt securities		15,290	16,900
- other interest receivable and similar income		5,313	9,129
Less: Interest payable		(11,012)	(17,525)
NET INTEREST INCOME		9,591	8,504
Dividend income	2	2,396	1,561
Fees and commissions receivable		3,499	3,429
Dealing profits		431	122
Other operating income		-	133
OPERATING INCOME		15,917	13,749
Administrative expenses	3	(8,360)	(8,012)
Depreciation and amortisation	14	(392)	(413)
Provisions for bad and doubtful debts	10	(66)	1,368
OPERATING PROFIT		7,099	6,692
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	4	7,099	6,692
Tax on profit on ordinary activities	7	183	(1,858)
PROFIT ON ORDINARY ACTIVITIES AFTER TAX		7,282	4,834
Dividend		(7,000)	(6,000)
RETAINED PROFIT		282	(1,166)

The result for the year ended 31 December 2002 is derived from continuing operations.

There is no difference between the profit on ordinary activities before taxation and the retained profits for the year stated above and their historical cost equivalent.

Movements in reserves are shown in note 21.

SG Hambros Bank & Trust Limited

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2002

	31.12.02 £'000	31.12.01 £'000
Profit for the financial year	7,282	4,834
Total recognised gains relating to the year	7,282	4,834
Prior year adjustment (statement of accounting policies)	611	-
Total gains and losses recognised since last annual report	7,893	4,834

SG Hambros Bank & Trust Limited

BALANCE SHEET as at 31 December 2002

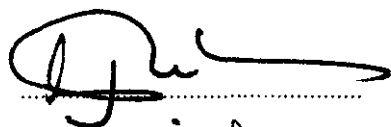
ASSETS	Notes	31.12.02 £'000	31.12.01 £'000 <i>Restated</i>
Cash and balances at central banks		38	22
Loans and advances to banks	8	87,924	46,168
Loans and advances to customers	9	62,156	60,352
Debt securities	11	326,088	362,109
Investments	12	3,256	2,160
Shares in group undertakings	13	133,088	138,828
Tangible fixed assets	14	632	987
Other assets	15	1,849	2,594
Prepayments and accrued income		2,943	2,556
Total assets		<u>617,974</u>	<u>615,776</u>
LIABILITIES			
Deposits by banks	17	103,586	73,183
Customer accounts	18	281,069	308,068
Other liabilities	19	9,204	9,419
Accruals and deferred income		5,195	6,468
Called up share capital	20	143,800	143,800
Share premium account	21	45,500	45,500
Profit and loss account	21	29,620	29,338
Shareholder's funds	22	218,920	218,638
Total liabilities and shareholder's funds		<u>617,974</u>	<u>615,776</u>

SG Hambros Bank & Trust Limited

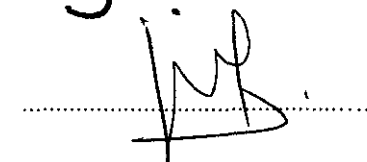
BALANCE SHEET (CONTINUED) as at 31 December 2002

	Notes	31.12.02 £'000	31.12.01 £'000
MEMORANDUM ITEMS			
Contingent liabilities:			
guarantees and assets pledged as collateral security	23	7,332 =====	8,032 =====
Commitments:			
other commitments	23	31,732 =====	18,320 =====

Approved by the Board of Directors on 26th March 2003 and
signed on its behalf by:



WJ Newbury



J P Flais

STATEMENT OF ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The financial statements are prepared on the historical cost basis of accounting. They have been drawn up in accordance with applicable accounting standards in the United Kingdom. The Bank's financial statements are prepared in accordance with current British Banking Association's SORPs covering Advances, Securities, Derivatives, Contingent Liabilities and Commitments and Segmental Reporting, and are prepared in accordance with Schedule 9 of the Companies Act 1985.

In preparing the financial statements for the current year, the bank has adopted Financial Reporting Standards ('FRS') 18 'Accounting Policies', FRS 19 'Deferred Tax' and the transitional arrangements of FRS 17 'Retirement Benefits' relating to accounting periods ending on or after 22 June 2002. The adoption of FRS 19 has resulted in a change in accounting policy for deferred tax. Deferred tax is recognised on a full provision basis in accordance with the accounting policy described below. Previously, deferred tax was provided for on a partial provision basis, whereby provision was made on all timing differences to the extent that they were expected to reverse in the future without replacement.

This change in accounting policy has resulted in a prior year adjustment for the Bank. The Bank's shareholders' funds at 1 January 2001 have been increased by £2,175,000 and the tax charge for the year ended 31 December 2001 has been increased by £1,564,000. An asset for deferred tax has been created of £611,000 at 31 December 2001. Profit for the current year has been decreased by £555,000 as a result of the change in accounting policy. Adoption of FRS 18 has not required any revisions to the financial statements in either the current or prior years.

GROUP FINANCIAL STATEMENTS

The Bank is exempt by virtue of Section 228 of the Companies Act 1985 from the requirement to prepare group financial statements and deliver them to Registrar of Companies. These financial statements present information about the Bank as an individual undertaking and not about its group. The Bank is included in the consolidated financial statements of Société Générale SA ("SG") which is incorporated in France.

NET INTEREST INCOME

Net interest income comprises income from banking activities, namely interest receivable on loans, advances, deposits placed and investment debt securities less interest payable on deposits taken. Interest arising from the internal funding of dealing activities is included within interest receivable.

FOREIGN CURRENCIES

Monetary assets and liabilities denominated in foreign currencies have been translated into sterling at the rates of exchange ruling at the balance sheet date. Net income in foreign currencies is translated into sterling and recorded at the rates of exchange ruling at the end of each month.

Foreign currency equity investments hedged by foreign currency borrowings or foreign exchange contracts are retranslated into sterling at the rates of exchange ruling at the balance sheet date and the exchange difference arising taken direct to statement of Total Recognised Gains and Losses. The exchange difference arising on the foreign currency borrowings or foreign exchange contracts is offset, as a reserve movement, against this exchange difference.

FEES AND COMMISSIONS RECEIVABLE

Fees and commissions are recognised on an accruals basis.

DEALING PROFITS

This comprised profits and losses from foreign exchange activities and from dealing in financial instruments, including interest and dividends receivable, less associated funding costs.

STATEMENT OF ACCOUNTING POLICIES

PENSION COSTS

The Bank operates a defined contribution pension scheme and contributes to a number of Group defined benefit pension schemes. Contributions are charged in the profit and loss account as they become payable.

DEFERRED TAXATION

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

PROVISIONS FOR BAD AND DOUBTFUL DEBTS

Specific provisions are made against advances when, as a result of a detailed appraisal of the advances portfolio, it is considered that recovery is doubtful. The specific provisions are deducted from advances. Provisions made during the year (less amounts released and recoveries of amounts written off in previous years) are charged against profits. When the collection of interest is in significant doubt it is credited to a suspense account. Where there is no longer any realistic prospect of recovery the outstanding debt is written off.

SHARES IN GROUP UNDERTAKINGS

The carrying value of the Bank's investments in subsidiary undertakings is stated at historical cost less any provisions for impairment.

PARTICIPATING INTERESTS

Participating interests are those companies, not being subsidiary undertakings, whose directors include representatives of the Bank. The Bank intends to hold these investments long term with the purpose of securing a contribution to the Bank's activities. Such interests are stated at cost less any provision for permanent diminution in value.

DEBT SECURITIES AND EQUITY SHARES

Securities and shares intended for use on a continuing basis in the Bank's activities are classified as investment securities. Such shares and securities are carried at amortised cost less any provision for permanent diminution in value. Realised profits and losses are calculated by reference to book value. The cost of dated investment securities is adjusted for the amortisation of premiums or discounts on a straight-line basis over the period to maturity. Realised profits and losses on such securities are calculated by reference to amortised cost.

Securities maintained for the purpose of hedging are carried at a value that reflects the accounting treatment of the items being hedged.

TANGIBLE FIXED ASSETS

Tangible fixed assets are written off on the straight-line basis over their estimated useful lives as follows:

Computer equipment	3 – 5 years
Motor vehicles	4 years
Furniture, fixtures and fittings	10 years

STATEMENT OF ACCOUNTING POLICIES

DERIVATIVE CONTRACTS AND OTHER OFF-BALANCE SHEET INSTRUMENTS

Off-balance sheet instruments are valued at market prices and the resultant profits and losses are included in income, except for transactions designated as hedges which are treated in accordance with the accounting treatment of the items being hedged.

CASH FLOW STATEMENT

Under Financial Reporting Standard 1 (Revised) the Bank is exempt from the requirement to prepare a cash flow statement. This is on the grounds that for the year ended 31 December 2002 more than 90% of the voting rights were controlled by SG and a consolidated cash flow statement, including the cash flows of the Bank for this year, is included in SG's financial statements for the year ended 31 December 2002 which are publicly available.

RELATED PARTY TRANSACTIONS

Under Financial Reporting Standard 8, the Bank is exempt from the requirement to disclose related party transactions within the SG Group on the grounds that for the year ended 31 December 2002 more than 90% of the voting rights were controlled by SG whose financial statements are publicly available.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

1. SEGMENTAL ANALYSIS

The directors consider that the Bank has one line of business, private banking, based principally in the United Kingdom.

2. DIVIDEND INCOME

	31.12.02 £'000	31.12.01 £'000
Income from subsidiary undertakings	2,396	1,420
Income from participating interests	—	141
	<u>2,396</u>	<u>1,561</u>

3. ADMINISTRATIVE EXPENSES

	31.12.02 £'000	2001 £'000
Staff costs		
- Wages and salaries	6,978	5,812
- Social security costs	696	592
- Pension costs (Note 6)	761	604
- Other staff costs	734	748
Other administrative expenses	(809)	256
	<u>8,360</u>	<u>8,012</u>

The average number of employees during the year was 98 (2001: 89). All employees were employed in private banking based principally in the United Kingdom.

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

	31.12.02 £'000	31.12.01 £'000
Profit on ordinary activities before taxation is stated after the following charges:		
Auditor's remuneration	33	24
Auditor's remuneration for non-audit work	58	20
	<u>=====</u>	<u>=====</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

5. EMOLUMENTS OF DIRECTORS

The emoluments of directors comprised:

	31.12.02 £'000	31.12.01 £'000
Salary and benefits	787	730
Performance related benefits	314	297
Pension contributions	13	11
	<u>1,114</u>	<u>1,038</u>
	=====	=====

Benefits comprise provision of motor cars, subsidised loans and private health care insurance.

The emoluments of the highest paid director were as follows:

	31.12.02 £'000	31.12.01 £'000
Salary and benefits and performance related bonuses	293	292
	===	===

Accrued pension of the highest paid director as at December 2002 was £18,514 per annum.

The highest paid Director was not entitled to receive and did not exercise any options in the year.

	31.12.02	31.12.01
The number of directors accruing benefits under the following schemes during the year was		
SG Hambros Staff Pension Scheme	3	3
SG Money Purchase Scheme	1	1
SG Group Scheme	1	1

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

6. PENSION COSTS

All employees are covered by SG Group pension schemes, subject to their satisfying minimum entry requirements. The schemes are of both the defined benefit and defined contribution type. The total pension cost for the Bank was £760,742 (2001: £603,817).

Defined Benefit schemes

The Bank "SG Hambros Staff Pension Scheme" is a funded defined benefit scheme. This scheme is not open to new members. From May 1998 SG is the principal employer of this scheme and SGHBT is a participating employer. All existing and future liabilities for pensions relating to staff not involved in private banking and previously employed by Hambros Bank were assumed by SG from this date. We have been advised by the independent qualified actuaries of the scheme that the underlying assets and liabilities of the scheme cannot be separated by legal entity on a consistent and reasonable basis. Accordingly, the effect of the scheme deficit on the company cannot be determined.

With effect from 1 January 2003, the SG Hambros Staff Pension Scheme was renamed the SG UK Defined Benefit Scheme. This follows the merger of the Société Générale Group Retirement and Death Benefit Scheme for United Kingdom Staff (the London Branch Scheme) and the Société Générale Strauss Turnbull Securities Limited Pension Scheme (the SGST Scheme) with the SG Hambros Staff Pension Scheme (the Hambros Scheme). To effect this merger, the assets and liabilities of the SGST and London Branch schemes were transferred into the SG Hambros Scheme. In addition, members of the SG Hambros Scheme received benefit improvements and the financial effects of these benefit improvements are reflected in the disclosures below.

The total defined benefit pension cost and contribution for the Bank was £355,780 in 2002. The contributions to this fund are currently 25% of pensionable salary and the Bank has no knowledge of any increase in contribution rate. The pension costs are determined with the advice of independent qualified actuaries using the projected unit method. The results of the most recent valuations, which were conducted as at 31 December 2001, are as follows:

(a) SSAP 24 Disclosures

Main assumptions:

Rate of return on investments (per annum)	6.2%
Rate of salary increases (per annum)	4.35%
Rate of pension increases (per annum)	2.6%

Level of funding being the actuarial value of assets expressed as a percentage of the benefits accrued to members, after allowing for future salary increases

92%

(b) FRS 17 Disclosures

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 31 December 2001 and updated by a qualified independent actuary to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2002 and 31 December 2001. Scheme assets are stated at their market values at the respective balance sheet dates.

SG Hambros Bank & Trust Limited

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

6. PENSION COSTS (Continued)

Fair value Review	31.12.02 £m	31.12.01 £m
Fair value of scheme assets	157.1	175.1
Actuarial value of Scheme liabilities	(170.6)	(169.5)
(Deficit)/surplus in the Scheme	(13.5)	5.6
Pension scheme (liabilities)/assets (before deferred tax)	(13.5)	5.6

Movement in deficit during the year

	Year to 2002 £m
Surplus in scheme at beginning of year	5.6
Movement in year:	
Current service cost	(1.7)
Contributions	1.6
Net return on assets	(22.5)
Actuarial gain	3.5
	—
Deficit in scheme at end of year	(13.5)
	=====

Level of funding being the actuarial value of assets expressed as a percentage of the benefits accrued to members, after allowing for future salary increases

92%

Financial assumptions

	31.12.02	31.12.01
Inflation	2.25%	2.5%
Rate of increase in salaries	3.75%	4.25%
Rate of increase of pensions in payment (post 5 April 1997 accruals)	2.25%	2.5%
Rate of increase for deferred pensioners	2.25%	2.5%
Discount rate	5.75%	5.8%

Fair value of Assets

	31.12.02 £m	31.12.02 Projected Rtn	31.12.01 £m	31.12.01 Projected Rtn
Equities	78.6*	8.2%	87.6*	8.0%
Bonds	78.6*	5.25%	87.5*	5.0%
Total	157.1	6.72%	175.1	6.5%

*Distribution of assets in line with Statement of Investment Principles.

In addition the Bank provides pension contributions for one individual to the SGSL Defined Benefit Pension scheme. This contribution is not significant and is not disclosed separately.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

6. PENSION COSTS (Continued)

We have been advised by the independent qualified actuaries of the schemes that the underlying assets and liabilities of the schemes cannot be separated by legal entity on a consistent and reasonable basis. Accordingly, the effect of the schemes' deficit on the company cannot be determined. On the basis that the effect of the schemes' deficit or surplus on the company can not be determined on adoption of the full recognition of FRS 17, the schemes will be accounted for as a defined benefit contribution scheme, and the effect of the schemes' surplus or deficit will not be recognised in the Profit and Loss Statement, the Balance Sheet or the Statement of Recognised Gains and Losses.

The Bank also participates in a non-contributory unapproved pension scheme, the actuarial deficit of which calculated on the same actuarial basis as the review above is £154,062 (2001: £176,335). This contribution is not significant and is not disclosed separately.

Defined Contribution Scheme

The Banks also provides employees access to a Defined Contribution scheme "SG Money Purchase Scheme". Contributions to this scheme were £ 336,595 during the year (2001: £215,842). No contributions were outstanding at the year end. The contributions to this fund currently range from 6% to 15% of pensionable salary and the Bank has no knowledge of any increase in contribution rate.

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	31.12.02 £'000	31.12.01 £'000 <i>Restated</i>
UK Corporation tax		
UK Corporation tax at 30% (2001: 30%)	(893)	(294)
Prior year UK Corporation tax	1,631	-
	<u>738</u>	<u>(294)</u>
Deferred tax		
Deferred tax in respect of current year	(564)	(1,564)
Deferred tax in respect of prior years	9	-
	<u>-</u>	<u>-</u>
Total taxation credit/(charge)	<u>183</u>	<u>(1,858)</u>

The expected tax charge at the UK rate of 30% and the explanation for the increased/reduced charge is as follows:

	31.12.02 £'000	31.12.01 £'000
Profit on ordinary activities before tax	7,099	6,692
Notional charge at 30% (2001 - 30%)	(2,130)	(2,008)
Permanent differences	(47)	(38)
Movement on provisions/other	565	1,571
Dividends from subsidiaries	719	420
UK tax on profits of overseas subsidiary	-	(239)
Prior year adjustment	1,631	-
	<u>738</u>	<u>(294)</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

8. LOANS AND ADVANCES TO BANKS

	31.12.02 £'000	31.12.01 £'000
Repayable on demand	1,674	43,971
Remaining maturity		
- 3 months or less	84,567	485
- 1 year or less but over 3 months	-	-
- 5 years or less but over 1 year	1,683	1,712
	<u>87,924</u>	<u>46,168</u>
	=====	=====
Amounts include:		
Due from group undertakings		
- unsubordinated	10,754	6,935
	<u>10,754</u>	<u>6,935</u>
	=====	=====

9. LOANS AND ADVANCES TO CUSTOMERS

	31.12.02 £'000	31.12.01 £'000
Remaining maturity:		
- 3 months or less	55,321	37,125
- 1 year or less but over 3 months	2,678	5,857
- 5 years or less but over 1 year	4,028	15,909
- Over 5 years	260	1,526
Provisions for bad and doubtful debts (Note 10)	(131)	(65)
	<u>62,156</u>	<u>60,352</u>
	=====	=====
	31.12.02 £'000	31.12.01 £'000
Of which repayable on demand	37,025	34,153
	<u>37,025</u>	<u>34,153</u>
	=====	=====
Amounts include:		
	31.12.02 £'000	31.12.01 £'000
Due from group undertakings		
- unsubordinated	812	1,410
- subordinated	3,500	3,500
	<u>4,312</u>	<u>4,910</u>
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

10. PROVISIONS FOR BAD AND DOUBTFUL DEBTS

	Specific £'000
Brought forward	65
Released	(9)
Charged against profits	78
Exchange Rate Movement	(3)
	—
Carried forward	131
	=====

All of the above provisions relate to loans and advances to customers.

During 2001 the Bank released the General provision for doubtful debt of £1,352,000. The Bank has experienced a low level of client default since concentrating on Private client banking in 1998.

Loans and advances where interest and capital is provided for at the end of the year:

	31.12.02 £'000	31.12.01 £'000
Before provisions	84	155
After provisions	4	90
	=====	=====

Loans and advances where interest only is provided for at the end of the year:

	31.12.02 £'000	31.12.01 £'000
Before provisions	821	—
After provisions	770	—
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

11. DEBT SECURITIES

(a) Analysed by issuer

	Balance Sheet £'000	31.12.02 Market Value £'000	Balance Sheet £'000	31.12.01 Market Value £'000
<u>Investment securities</u>				
Issued by public bodies:				
- Government securities	124,481	129,915	115,255	119,741
Issued by other issuers:				
- Bank and building society certificates of deposit	201,607	201,799	246,854	247,021
Total investment securities	326,088	331,714	362,109	366,762
Total debt securities	326,088	331,714	362,109	366,762

(b) Analysed by listing status

<u>Investment securities</u>				
- Listed	124,481	129,915	115,255	119,741
- Unlisted	201,607	201,799	246,854	247,021
	326,088	331,714	362,109	366,762
Total debt securities	326,088	331,714	362,109	366,762

The Bank intends to hold investment securities to maturity. The Capital Gains Tax implications of early sale of investment securities are not material.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

11. DEBT SECURITIES (continued)

(c) Analysed by maturity

	31.12.02 Balance Sheet £'000	31.12.01 Balance Sheet £'000
Due within one year	65,782	152,075
Due in one year and over	260,306	210,034
Total debt securities	<u>326,088</u>	<u>362,109</u>

Movements in investment securities:

	Cost £'000	Discounts and premiums £'000	Carrying value £'000
At 1 January 2002	353,494	8,615	362,109
Additions	697,416	507	697,923
Disposals	(728,789)	-	(728,789)
Amortisation of discounts and premiums	-	(1,696)	(1,696)
Exchange rate movement	(3,459)	-	(3,459)
At 31 December 2002	<u>318,662</u>	<u>7,426</u>	<u>326,088</u>

12. INVESTMENTS

(a) Participating interests

	31.12.02 Balance Sheet £'000	31.12.01 Balance Sheet £'000
At 1 January 2002	2,160	1,436
Additions	-	724
At 31 December 2002	<u>2,160</u>	<u>2,160</u>

The investment in participating interests includes the following:

A 24.5% holding of the ordinary shares of DAH Holdings Limited, a company incorporated in Bermuda, whose principal activity is private banking was purchased for £1,436,263 (HKD 18,065,316) on 21 February 1997. The functional currency of the operation is the US dollar. The Bank's structural foreign currency risk arising from this investment is hedged by means of a forward foreign exchange contract.

A shareholding in SG Trust (Asia) Ltd purchased for £224,000 (SGD 570,000) on 25 January 2001, representing 19% of the ordinary share capital of the company. This company's principal activity is executor and trustee services.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

12. INVESTMENTS (continued)

A stake in SG Life Guernsey Ltd purchased for £ 500,000 on 21 May 2001. Control of this company rests with Sogelife (100% owned by SG).

The historical cost of the investments in participating interests is £2,160,000 (31 December 2001: £2,160,000).

These investments are not recorded as associates as the Bank has no significant influence over their activities.

(b) Other investments

	31.12.02 £'000
At 1 January 2002	—
Additions	1,096
	<hr/>
At 31 December 2002	1,096
	<hr/> <hr/>

The Bank purchased 350,000 London Stock Exchange shares on the 18 December 2002 from subsidiary undertaking, SG Investment Management Ltd, at market value. The Bank plans to hold these shares as a short term investment. The carrying value of the Bank's investment is recorded at historical cost. The market value of these shares at 31 December 2002 was £1,105,125.

13. SHARES IN GROUP UNDERTAKINGS

	£'000
At 1 January 2002	138,828
Exchange movements (note 21)	(5,740)
	<hr/>
At 31 December 2002	133,088
	<hr/> <hr/>

The carrying value of the Bank's investments in subsidiary undertakings is recorded at historical cost.

	31.12.02 £'000	31.12.01 £'000
Subsidiary Undertakings:		
Credit institutions	85,610	91,350
Other	47,478	47,478
	<hr/>	<hr/>
	133,088	138,828
	<hr/> <hr/>	<hr/> <hr/>

All of the shares in subsidiary undertakings are unlisted.

SG Hambros Bank & Trust Limited

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

13. SHARES IN GROUP UNDERTAKINGS (continued)

The cost of investments in overseas operations at 31 December 2002 was as follows:

Functional currency of Operation	Cost of investment £'000
US \$	51,560

As at 31 December 2002, US dollar borrowings of £51,326,866 (2001: £57,067,602) had been taken out as a hedge against the structural currency exposure associated with this investment.

The principal subsidiary undertakings are as follows:

<u>Country of incorporation</u>	<u>Company</u>	<u>Activity</u>	<u>Interest %</u>
Bahamas	SG Hambros Bank & Trust (Bahamas) Ltd.	Private banking and trustee services	100
Gibraltar	SG Hambros Bank & Trust (Gibraltar) Ltd.	Private banking	100
Guernsey	SG Hambros Bank & Trust (Guernsey) Ltd.	Private banking	100
Guernsey	SG Hambros Trust Company (Guernsey) Ltd.	Executor & trustee services	100
Jersey	SG Hambros Bank & Trust (Jersey) Ltd.	Private banking	100
Jersey	SG Hambros Trust Company (Jersey) Ltd.	Executor & trustee services	100
UK	Hambros Tower Hill Holdings Ltd.	Investment holding	100
UK	SG Hambros Trust Company Ltd.	Executor & trustee services	100
UK	SG Investment Management Ltd	Investment Management	100

All the above holdings are in ordinary shares and with the exception of SG Hambros Trust Company (Guernsey) Ltd and SG Hambros Trust Company (Jersey) Ltd are owned directly by the Bank.

All the above group undertakings incorporated in the UK are registered in England and Wales.

The country of incorporation is also the principal area of operation for each of the above undertakings.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

14. TANGIBLE FIXED ASSETS

	Computer equipment £'000	Motor vehicles £'000	Furniture fixtures & fittings £'000	Total £'000
Cost				
At 1 January 2002	1,796	15	415	2,226
Additions	105	—	5	110
Disposals	(65)	(15)	—	(80)
At 31 December 2002	1,836	—	420	2,256
Depreciation				
At 1 January 2002	(1,118)	(5)	(116)	(1,238)
Charge for the year	(342)	5	(48)	(386)
At 31 December 2002	(1,460)	—	(164)	(1,624)
Net book value at 31 December 2002	376	—	256	632
Net book value at 31 December 2001	678	10	299	987

15. OTHER ASSETS

	31.12.02 £'000	31.12.01 £'000 <i>Restated</i>
Other debtors	493	583
Dividends receivable	1,300	1,400
Deferred tax debtor (see note 16)	56	611
	1,849	2,594

Other debtors include £1,416,293 due from group companies (2001: £1,421,586).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

16. DEFERRED TAXATION

	31.12.02 £'000	31.12.01 £'000 <i>Restated</i>
Provision for deferred tax	611	2,174
- Temporary timing differences	(555)	(1,564)
	<u>56</u>	<u>611</u>
	=====	=====
	2002 £'000	2001 £'000
At 1 January	611	2,174
Arising during the year	(555)	(1,564)
	<u>56</u>	<u>611</u>
	=====	=====
At 31 December		

The provision for UK deferred taxation relating to capital allowances has been made at 30%, being the rate of corporation tax at which the liability is expected to crystallise.

Provision is not made for any liability which might arise if the reserves of overseas subsidiary and associated undertakings were to be remitted, as a substantial proportion are required to be retained by the overseas undertakings to meet their local regulatory requirements.

The comparative figures for 2001 have been restated on the adoption of FRS 19; Deferred Tax. See Statement of accounting policies for a fuller explanation of the impact of adoption FRS 19.

17. DEPOSITS BY BANKS

	31.12.02 £'000	31.12.01 £'000
Repayable on demand	8,221	221
With agreed maturity dates or periods of notice, by remaining maturity:		
- 3 months or less but not repayable on demand	95,365	70,962
- 1 year or less but over 3 months	-	2,000
	<u>103,586</u>	<u>73,183</u>
	=====	=====
Amounts include:		
Due to group undertakings	95,369	73,183
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

18. CUSTOMER ACCOUNTS

	31.12.02 £'000	31.12.01 £'000
Repayable on demand	33,370	49,383
With agreed maturity dates or periods of notice, by remaining maturity:		
- 3 months or less but not repayable on demand	240,584	255,612
- 1 year or less but over 3 months	5,402	1,361
- 5 years or less but over 1 year	1,713	1,712
	<u>281,069</u>	<u>308,068</u>
Amounts include:		
Due to group undertakings	<u>46,731</u>	<u>51,638</u>

19. OTHER LIABILITIES

	31.12.02 £'000	31.12.01 £'000
Taxation	368	2,460
Other creditors	8,836	6,959
	<u>9,204</u>	<u>9,419</u>

Other creditors include £7,688,527 owed to group companies (2001: £6,000,000).

20. SHARE CAPITAL

	Number of shares £'000	31.12.02 £'000	Number of shares £'000	31.12.01 £'000
Authorised:				
Ordinary shares of £1 each	150,000	150,000	150,000	150,000
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
Allotted, called up and fully paid:				
Ordinary shares of £1 each	143,800	143,800	143,800	143,800
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

21. RESERVES

	Share premium £'000	Profit and loss account £'000	Total reserves £'000
At 1 January 2002	45,500	29,338	74,838
Retained profit for the financial year	—	282	282
At 31 December 2002	<u>45,500</u>	<u>29,620</u>	<u>75,120</u>

An exchange gain of £140,905 (2001: (£23,440)) on a forward foreign exchange contract and an exchange gain of £5,740,736 on foreign currency borrowings (2001: £1,535,443) have been offset in the profit and loss reserve against equal exchange losses arising on the foreign currency investments being hedged. In accordance with Urgent Issues Task Force Abstract 19 the tax credit associated with these exchange losses will be taken to reserves.

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	31.12.02 £'000	31.12.01 £'000 <i>Restated</i>
Profit for the year (as previously reported)	7,282	6,398
Prior year adjustment (statement of accounting policies)	—	(1,564)
Dividends	(7,000)	(6,000)
	<u>282</u>	<u>(1,166)</u>
Net increase in shareholder's funds	282	(1,166)
Opening shareholder's funds (as previously reported)	218,027	217,629
Prior year adjustment (statement of accounting policies)	611	2,175
Opening shareholder's funds (as restated)	218,638	219,804
Closing shareholder's funds	<u>218,920</u>	<u>218,638</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

23. MEMORANDUM ITEMS

At the year end the contract amounts and risk weighted amounts of contingent liabilities and commitments were:

CONTINGENT LIABILITIES

	Contract amount £'000	31.12.02 Risk weighted amount £'000	Contract amount £'000	31.12.01 Risk weighted amount £'000
Guarantees and assets pledged as collateral security:				
- guarantees and irrevocable letters of credit	7,332	3,359	8,032	3,312
	<u>7,332</u>	<u>3,359</u>	<u>8,032</u>	<u>3,312</u>
	=====	=====	=====	=====

Included in the above are guarantees given on behalf of subsidiary undertakings of £979,000 (2001: £1,162,000) and guarantees given on behalf of fellow subsidiary undertakings of £63,000 (2001: £100,000).

COMMITMENTS

	Contract amount £'000	31.12.02 Risk weighted amount £'000	Contract amount £'000	31.12.01 Risk weighted amount £'000
Other commitments				
- undrawn formal standby facilities, credit lines and other commitments to lend:				
- 1 year and over	49	17	167	70
- less than 1 year	31,683	—	18,153	—
	<u>31,732</u>	<u>17</u>	<u>18,320</u>	<u>70</u>
	=====	=====	=====	=====

The credit equivalent and risk weighted amounts have been calculated in accordance with the Bank of England's guidelines implementing the Basle agreement on capital adequacy.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

24. REVIEW OF THE BANK'S RISK PROFILE

The Bank's financial instruments, other than derivatives, comprise deposits, money market assets and liabilities, some cash and liquid resources, and other various items that arise directly from its operations. In the ordinary course of business Customer deposits are invested in Floating Rates Notes, Certificates of Deposit and in the inter-bank money market, the Bank's share capital is invested in Government bonds with maturity up to 10 years. The Bank considers that the balance sheet at the year-end reflects the Bank's ordinary course of business.

The Bank in addition enters into derivatives transactions (principally interest rate swaps and forward foreign currency contracts). The purpose of such transactions is to manage the interest rate and currency risks arising from the Bank's operations and other financial instruments.

The main risks arising from the Bank's financial instruments are credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies were comprehensively revised in May 1999, following completion of the transition from an investment bank to a private bank, and are reviewed at the Group Risk committee on an annual basis.

Credit risk

Credit risk is the risk that a customer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Bank. The SG Group manages its bank counterparty credit risk centrally to optimise the use of credit availability and to avoid excessive risk concentration. Non-bank counterparty credit risk is managed locally. Credit risk is reported to the Asset and Liability Committee and to the Risk Committee, including the Credit sub-committee, which are sub-committees of the Group Management Committee. Credit matters are reported to the Board via the Chief Executive's report or by way of a special agenda item. Reports to the above management committees include information on large credit exposures, asset concentration, industry and country exposures and provisioning levels.

Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in realising assets or otherwise raising funds to meet commitments. The Bank monitors expected cash inflow and outflow for the following year. Its policy throughout the year has been at all times to maintain sufficient high quality liquid assets to cover the expected net cash outflow and to comfortably exceed the limits for the 0 to 8 and 0 to 30 day periods set by the Financial Services Authority. The maturity analyses of the assets and liabilities are disclosed in the respective notes above.

The customer deposit base represents a stable source of funding due to the number and diversity of depositors. Liquidity is managed through dealings in the money markets.

At 31 December 2002, none of the Bank's deposits and money market liabilities was due to mature in more than five years.

Interest rate risk

Exposure to interest rate risk is the risk that arises when there is an imbalance between rate and non rate-sensitive assets, liabilities and off-balance sheet items. The Bank's policy is to enhance the return on financial instruments by controlled mismatching of the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates or if earlier, the dates on which the instruments mature. The Bank's free capital is invested in government securities of varying maturities up to ten years in line with SG group policy. At 31 December 2002 £124.5m (2001: £115.3m) of the Bank's free capital was invested in UK government securities with a weighted average duration of 4.4 years (2001: 4.5 years).

Interest rate swaps may be used to manage the interest rate exposure.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

24. REVIEW OF THE BANK'S RISK PROFILE (continued)

The table in note 26 shows the interest rate sensitivity gap as at 31 December 2002. Assets and liabilities are included in the table at the earliest date at which the applicable interest rate can change.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Bank's foreign exchange exposure arises from providing services to customers and from its investment in overseas subsidiary and associated undertakings. In the case of the latter, the Bank's policy is to hedge against these structural foreign exchange risks with currency borrowings, forward currency transactions or currency swaps. The Group Head of Risk and Compliance receives regular reports on foreign currency exposures. Levels of risk are within SG defined limits and are monitored daily. The Risk Committee considers all exposures on a regular basis and the Asset and Liability committee on a monthly basis.

The table in note 27 shows the Bank's exposure to major currencies as at 31 December 2002.

Operational risk

Procedures and controls to manage operational risk are codified in manuals. Breaches are reported to management and all losses exceeding a minimum level are recorded. Losses or control failures above a certain level, or of a repetitive or serious nature, are reported to certain Board directors who have executive responsibility for risk.

25. DERIVATIVE CONTRACTS

The Bank entered into an agreement with Dah Sing Financial Holdings Limited to purchase a put option and write a call option on the shares of DAH Holdings Limited. The option was exercisable in September 2002 and was due to lapse in December 2002. Therefore on the 30th September 2002 the Bank entered into a new agreement with Dah Sing Financial Holdings Limited to obtain a new put option on the shares of DAH Holdings Limited. The Bank does not consider that there is intrinsic value in the put option based on the valuation of the investment in DAH holdings Ltd.

The Bank seeks to minimise structural currency risk and therefore hedges its foreign currency investments. The investment in DAH Holdings Ltd is hedged with a forward foreign exchange contract shown below for \$2,000,000 (£ 1,256,044). This is a commercial hedge and is not accounted for as a hedge. The Bank's Dollar Investment in SG Hambros Bank and Trust (Bahamas) Ltd is hedged by an equivalent amount of approximately \$83m of Customer Deposits.

The Bank enters into various transactions involving off-balance sheet financial instruments to manage balance sheet interest rate and foreign exchange rate risk.

The derivative contracts are held for customer facilitation. Currency exposure arising from customer facilitation transactions is not material.

At 31 December 2002, the notional principal amounts and maturity profile of instruments entered into by the Bank with third parties were as follows:

Non trading book

	One year or less £'000	Total 31.12.02 £'000	Total 31.12.01 £'000
Exchange rate contracts			
Forwards	1,256 =====	1,256 =====	1,364 =====

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

25. DERIVATIVE CONTRACTS (continued)

Interest rate SWAPs	One year or less £'000	Total £'000	Total £'000
Interest rate SWAPS	260	260	260
	=====	=====	=====

An analysis of the fair value of instruments entered into by the Bank with third parties by counterparty type is set out below:

	31.12.02 £'000	31.12.01 £'000
Banks	5	(27)
	=====	=====

An analysis of the net replacement cost of instruments entered into by the Bank with third parties by counterparty type is set out below:

	31.12.02 £'000	31.12.01 £'000
Banks	5	—
	=====	=====

Trading book

Derivative contracts are at times held for customer facilitation. This constitutes a "trading book" activity for FRS 13 disclosure purposes. Currency exposure arising from customer facilitation transactions is not material.

At 31 December 2002, the notional principal amounts and maturity profile of instruments entered into by the Bank with third parties relating to the trading book were as follows:

Exchange rate contracts	One year Or less £'000	Total 31.12.02 £'000	Total 31.12.01 £'000
Forwards	309	309	—
	=====	=====	=====

An analysis of the fair value of instruments entered into by the Bank with third parties by counterparty type is set out below:

	31.12.02 £'000	31.12.01 £'000
Clients	2	—
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

25. DERIVATIVE CONTRACTS (continued)

An analysis of the net replacement cost of instruments entered into by the Bank with third parties by counterparty type is set out below:

	31.12.02 £'000	31.12.01 £'000
Clients	2	-
	===	===

26. INTEREST RATE RISK

The table below provides an indication of the re-pricing mismatch in the Bank's non-trading book. Items are allocated to time bands by reference to the earlier of the next interest re-pricing date and the maturity date.

Interest Rate Risk Profile as at 31.12.01

	< 3m	3 – 6m	6 – 12m	1–5 yrs	>5 yrs	Non – interest bearing	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash and balances at central banks	22	-	-	-	-	-	22
Loans & advances to banks	44,456	-	-	1,712	-	-	46,168
Loans & advances to customers	37,125	1,183	4,674	15,909	1,526	(65)	60,352
Debt Securities	246,854	5,026	-	65,323	44,906	500	362,609
Other assets	-	-	-	-	-	146,016	146,016
ASSETS	328,457	6,209	4,674	82,944	46,432	146,451	615,167
Deposits by banks	71,183	-	2,000	-	-	-	73,183
Customer accounts	304,995	1,319	42	1,712	-	-	308,068
Shareholder's funds	-	-	-	-	-	217,940	217,940
Other liabilities	-	-	-	-	-	15,976	15,976
LIABILITIES	376,178	1,319	2,042	1,712	-	233,916	615,167
Gap	(47,721)	4,890	2,632	81,232	46,432	(87,465)	-
Cumulative gap	(47,721)	(42,831)	(40,199)	41,033	87,465	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

26. INTEREST RATE RISK (continued)

Interest Rate Risk Profile as at 31.12.02

	< 3m	3 – 6m	6 – 12m	1–5 yrs	>5 yrs	Non – interest bearing	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash and balances at central banks	38	-	-	-	-	-	38
Loans & advances to banks	86,241	-	-	1,683	-	-	87,924
Loans & advances to customers	55,321	2,079	599	4,028	260	(131)	62,156
Debt Securities	37,901	168,757	14,252	60,331	44,847	502	326,590
Other assets	-	-	-	-	-	141,266	141,266
ASSETS	179,501	170,836	14,851	66,042	45,107	141,637	617,974
Deposits by banks	103,586	-	-	-	-	-	103,586
Customer accounts	273,954	4,652	750	1,713	-	-	281,069
Shareholder's funds	-	-	-	-	-	218,920	218,920
Other liabilities	-	-	-	-	-	14,400	14,400
LIABILITIES	377,540	4,652	750	1,713	-	233,319	617,974
Gap	(198,039)	166,184	14,101	64,329	45,107	(91,682)	-
Cumulative gap	(198,039)	(31,855)	(17,754)	46,575	91,682	-	-

In addition to the above interest rate risk disclosures, the Bank entered in to an Interest rate SWAP with a nominal value of £260,326 (Non trading book, Maturity less than 3 months).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

27. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

	31.12.02 £'000	31.12.01 £'000
Total assets denominated in currencies other than sterling	162,796	184,750
Total liabilities denominated in currencies other than sterling	111,681	129,198

Due to off balance sheet items the above should not be considered to demonstrate the Bank's exposure to foreign exchange risk.

At 31 December 2002, non-trading book currency positions arising on monetary assets and liabilities comprise:

	31.12.02 £'000
US \$	(3)
Euro	269
Other	66

28. TRANSACTIONS WITH DIRECTORS AND RELATED PARTIES

The aggregate amounts outstanding under transactions, arrangements and agreements entered into by the Bank with directors and officers were:

	Number of Persons	31.12.02 Amount £'000	Number of Persons	31.12.01 Amount £'000
Directors' loans	2	543	1	25
Officers' loans	1	23	3	43

The above information concerning Officers is presented in respect of those Officers as defined by the 1987 Banking Act.

No other loans, arrangements or agreements require disclosure under the Companies Act 1985 or under the requirements of Financial Reporting Standard No. 8 regarding transactions with related parties.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

29. ULTIMATE PARENT COMPANY

The Bank's ultimate parent undertaking and controlling party is Société Générale SA which is incorporated in France.

The largest and smallest group in which the results of the Bank are consolidated is Société Générale SA. The consolidated financial statements of the group are available from the Company Secretary, Société Générale, 29 Boulevard Haussmann, 75009 Paris, France.