

## 2002

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## **EBC ASSET MANAGEMENT LIMITED**

### **REPORT OF THE DIRECTOR**

The director presents his report and the audited accounts for the year ended 31 December 2002.

#### **Principal activities**

The Company and its subsidiaries, collectively referred to as "the Group" of which these are the consolidated accounts, provide financial services including lending, investment management, securities settlement and safe custody, trust and company administration, and corporate finance advice. Primavera Immobilien GmbH, a subsidiary formed during 1996, is a property company.

#### **Review of business and results**

The results for the year are set out on page 5. The director does not recommend the payment of a dividend. Both the level of business and the year end financial position were considered by the director to be satisfactory and he expects that the present level of activity will be sustained. The director is the largest single shareholder and given that there will be new client support he believes that the Company and the Group will be able to continue as going concern for the foreseeable future.

#### **Directors**

The directors who have served since 31 December 2001:

R.C. Kahrmann (Chairman and Chief Executive)

Mr. R.P. Erb resigned as a director with effect from 5 July 2002.

#### **Directors' interests**

As at 31 December 2002, Mr. R.C. Kahrmann held 14.995% (599,800 shares). With effect from 17<sup>th</sup> October 2003, Mr. Kahrmann owns 51% of the Company (2,040,000 shares).

#### **Fixed assets**

Changes in fixed assets during the year are set out in Notes 10 to 12 to the accounts. The Group's investment properties were revalued as at 31 December 2000 by the director having regard to agreements intended to be concluded after the year end. Further details are set out in Note 10 to the financial statements.

#### **Post balance sheet events**

Details of post balance sheet events are set out in Note 29 to the financial statements.

#### **Appointment of Auditors**

Underwood Lamb Audit were appointed to fill a casual vacancy and will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

**EBC ASSET MANAGEMENT LIMITED**

**REPORT OF THE DIRECTOR (continued)**

**Statement of Director's Responsibilities**

Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the director is 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 financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business (see Note 1(a)).

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. He is also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BY ORDER OF THE BOARD



V. Malde  
Secretary  
6 December 2004

**Report of the independent auditors to the shareholders of  
EBC ASSET MANAGEMENT LIMITED**

We have audited the financial statements on pages 5 to 20, which have been prepared under the accounting policies set out on pages 10 to 12.

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 the opinions we have formed.

**Respective responsibilities of the Director and Auditors**

The Director's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Director's Responsibilities on page 2. 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 Report of the Director is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the Report of the Director and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

**Basis of opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board, except that the scope of our audit was limited as explained below.

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 director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned 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. However, the evidence available to us was limited, due to the following reasons.

**Report of the independent auditors to the shareholders of  
EBC ASSET MANAGEMENT LIMITED (continued)**

**Fundamental Uncertainty**

1. Current asset investments in the Group and Company balance sheets include £33 million relating to bonds issued by a subsidiary undertaking of a related party, CBB Holding AG. These bonds mature at different dates and some are also convertible into equity in CBB Holding AG. At the date of our report, £19 million of these bonds have matured and have not been repaid but have been set aside for conversion into shares. We have been unable to perform adequate audit procedures to confirm the terms and conditions surrounding the repayment or conversion of these bonds or their value. Accordingly, we are unable to form an opinion as to whether these bonds are fairly stated.
2. Included in fixed assets shown in the Group balance sheet are investment properties of £26 million. These properties have been included at the director's valuation. Based on the results of an independent professional valuation carried out during 2000, in our opinion the properties have suffered a permanent diminution in value of £6 million which has not been provided for in these financial statements. This accounting treatment is not in accordance with Statement of Standard Accounting Practice No. 19 'Accounting for Investment Properties'. The directors have confirmed that these properties are currently being realised (see note 10). We have not at the date of this report ascertained the commercial impact of these proposed realisations.

In forming our opinion we have also evaluated the overall adequacy of the presentation of the information in the financial statements.

**Opinion: Disclaimer on the View Given by Financial Statements**

Because of the possible effect of the limitation in evidence available to us we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of the Group and of the Company's affairs as at 31 December 2002 or of its loss for the year then ended.

In respect alone of the limitation of our work as described above,

- We have not obtained all the information and explanations that we considered necessary for the purposes of our audit; and
- We are unable to determine whether proper accounting records have been maintained

In all other respects, in our opinion the financial statements have been properly prepared in accordance with the Companies Act 1985.

Underwood Lamb Audit  
Glebe House  
Harford Square  
Chew Magna  
Bristol  
BS40 8RA

*Underwood Lamb Audit*

Date *6 Dec 04*

Chartered Certified Accountants  
Registered Auditors

**EBC ASSET MANAGEMENT LIMITED**

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

	Note	2002 £'000	2002 £'000	2001 £'000
<b>Turnover</b>				
Financial services	2		60	673
Rent receivable	2		<u>2,519</u>	<u>2,364</u>
			2,579	3,037
Net interest income/(expenditure)	1a, 5		(227)	3,260
Administrative expenses			(2,692)	(4,619)
Other operating income and charges	4			
Normal		1,104		1,038
Exceptional items:				
Waiver of intercompany debt		46,773		48,313
Loans and advances forgiven		<u>(46,773)</u>		<u>(48,313)</u>
			<u>1,104</u>	<u>1,038</u>
<b>Group operating profit</b>			764	2,716
Provision for diminution in value of investment properties	10		(429)	(403)
Interest payable	5		<u>(1,189)</u>	<u>(1,116)</u>
<b>Profit/(loss) on ordinary activities     before taxation</b>	3, 6		(854)	1,197
Taxation	8		<u>(33)</u>	<u>(404)</u>
<b>Profit/(loss) on ordinary activities     after taxation</b>			(887)	793
Minority share of (profits)/losses	26		<u>(327)</u>	<u>(185)</u>
<b>Retained profit/(loss) for the year     attributable to equity shareholders</b>	24		<u>(1,214)</u>	<u>608</u>

All material items dealt with in arriving at the profit before taxation relate to continuing operations with the exception of EBC Financial Services (Jersey) Limited's disposal, which has no material impact on these financial statements.

There is no difference between the profit before taxation and the profit after taxation, and their historical cost equivalents.

**STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2002**

		2002 £'000	2001 £'000
Profit/(loss) attributable to equity shareholders		(1,214)	608
Exchange adjustments offset in reserves	24	<u>336</u>	<u>(74)</u>
Total recognised profits/(losses) for the year		<u>(878)</u>	<u>534</u>

The Notes on pages 10 to 20 form part of these accounts.  
Auditors' report – pages 3 and 4.

**EBC ASSET MANAGEMENT LIMITED**

**CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2002**

	Note	2002 £'000	2001 £'000
<b>Fixed assets</b>			
Tangible assets	10	26,703	25,489
Investments	12	2,221	2,221
		<u>28,924</u>	<u>27,710</u>
<b>Current assets</b>			
Loans and advances	13	8,765	13,132
Other debtors	14, 15	10,681	8,294
Investments	16	45,556	87,797
Cash in hand, balances with bankers and money at call and short notice	17	509	2,823
		<u>65,511</u>	<u>112,046</u>
<b>Creditors: amounts falling due within one year</b>			
Bank loans and overdrafts	17, 18	901	1,624
Obligations under repurchase agreements	18	16,451	14,924
Group obligations under repurchase agreements	19	44,729	90,296
Other creditors and accruals		1,966	3,188
Other taxation and social security		97	212
		<u>64,144</u>	<u>110,243</u>
<b>Net current assets</b>		<u>1,367</u>	<u>1,803</u>
<b>Total assets less current liabilities</b>		<u>30,291</u>	<u>29,513</u>
<b>Creditors: amounts falling due after more than one year</b>	20	(24,542)	(23,213)
<b>Provision for liabilities and charges</b>			
Deferred taxation	21	-	-
<b>Net Assets</b>		<u>5,749</u>	<u>6,300</u>
<b>Capital and reserves</b>			
Called up share capital	23	4,000	4,000
Profit and loss account	24	(584)	294
<b>Equity Shareholders' Funds</b>	25	3,416	4,294
Minority interests – equity	26	2,333	2,006
		<u>5,749</u>	<u>6,300</u>

These accounts were approved by the board of directors on 3 December 2004 and were signed on its behalf by:

*R C Kahrman*

R C KAHRMANN  
Director

The Notes on pages 10 to 20 form part of these accounts.  
Auditors' report – pages 3 and 4.

**EBC ASSET MANAGEMENT LIMITED**  
**BALANCE SHEET AS AT 31 DECEMBER 2002**

	Note	2002 £'000	2001 £'000
<b>Fixed assets</b>			
Tangible assets	10	25	45
Investment in subsidiary undertakings	11	1,700	1,700
Other investments	12	2,221	2,221
		<u>3,946</u>	<u>3,966</u>
<b>Current assets</b>			
Loans and advances	13	8,765	13,132
Other debtors	14	8,569	7,175
Investments	16	45,556	87,797
Cash in hand, balances with bankers and money at call and short notice	17	145	1,301
		<u>63,035</u>	<u>109,405</u>
<b>Creditors: amounts falling due within one year</b>			
Bank loans and overdrafts	17, 18	901	1,394
Obligations under repurchase agreements	18	16,451	14,924
Group obligations under repurchase agreements	19	44,729	90,296
Amounts owed to subsidiary undertakings		1,998	1,202
Other creditors and accruals		1,776	2,823
Other taxation and social security		-	187
		<u>65,855</u>	<u>110,826</u>
<b>Net current liabilities</b>		<u>(2,820)</u>	<u>(1,421)</u>
<b>Total assets less current liabilities</b>		<u>1,126</u>	<u>2,545</u>
<b>Creditors: amounts falling due after more than one year</b>	20	<u>(992)</u>	<u>(1,108)</u>
<b>Net Assets</b>		<u>134</u>	<u>1,437</u>
<b>Capital and reserves</b>			
Called up share capital	23	4,000	4,000
Profit and loss account	24	(3,866)	(2,563)
<b>Equity Shareholders' Funds</b>		<u>134</u>	<u>1,437</u>

These accounts were approved by the board of directors on 3 December 2004 and were signed on its behalf by:

*Kobmann*

R C KAHRMANN  
Director

The Notes on pages 10 to 20 form part of these accounts.  
Auditors' report – pages 3 and 4.



**EBC ASSET MANAGEMENT LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2002**

	Note (Page 9)	2002 £'000	2002 £'000	2001 £'000
<b>Net cash inflow/(outflow) from operating activities</b>	A		2,236	(14,435)
<b>Returns on investments and servicing of finance</b>				
Interest on long term borrowing		<u>(1,189)</u>		<u>(1,116)</u>
<b>Net cash outflow from returns on investments and servicing of finance</b>			(1,189)	(1,116)
<b>Taxation</b>				
Taxation paid		<u>(142)</u>		<u>(209)</u>
			(142)	(209)
<b>Capital expenditure and financial investment</b>				
Sale of tangible fixed assets		-		-
Purchase of tangible fixed assets		(1)		(35)
Sale of fixed asset investments		-		-
Purchase of current asset investments		(1,500)		(20,580)
Sale of current asset investments		<u>43,045</u>		<u>30,797</u>
			41,544	10,182
<b>Net cash inflow/(outflow) before financing</b>			<u>42,449</u>	<u>(5,578)</u>
<b>Financing</b>				
Long term repayment		-		-
(Decrease)/increase in repurchase agreements		<u>(44,040)</u>		<u>2,550</u>
<b>Net cash (outflow)/inflow from financing</b>			(44,040)	2,550
<b>Increase/(decrease) in cash in the year</b>	B, C		<u>(1,591)</u>	<u>(3,028)</u>

**EBC ASSET MANAGEMENT LIMITED**

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**

**A Reconciliation of operating profit to net cash inflow/(outflow) from operating activities**

	2002 £'000	2001 £'000
Operating profit	764	2,716
Depreciation charges	21	50
(Increase)/decrease in debtors	1,980	(13,441)
Increase/(decrease) in creditors	(1,225)	(4,822)
Realised loss/(profit) on sale of investments	696	1,062
<b>Net cash inflow/(outflow) from operating activities</b>	<u>2,236</u>	<u>(14,435)</u>

**B Reconciliation of net cash flow to movement in net debt**

	2002 £'000	2001 £'000
Increase/(decrease) in cash in the period	(1,591)	(3,028)
Cash inflow/(outflow) from financing	44,040	(1,648)
Change in net debt resulting from cash flow	42,449	(4,676)
Foreign exchange movements	(1,445)	504
Net debt at 1 January	(126,126)	(121,954)
Net debt at 31 December	<u>(85,122)</u>	<u>(126,126)</u>

**C Analysis of changes in net debt**

	2001 £'000	Cash flow £'000	Exchange movements £'000	2002 £'000
Cash at bank and in hand	2,823	(2,314)	-	509
Bank overdrafts	(1,624)	723	-	(901)
	1,199	(1,591)		(392)
Repurchase agreements	(105,220)	44,040	-	(61,180)
Bank loan due after 1 year	(22,105)	-	(1,445)	(23,550)
<b>Total</b>	<u>(126,126)</u>	<u>42,449</u>	<u>(1,445)</u>	<u>(85,122)</u>

**EBC ASSET MANAGEMENT LIMITED**

**NOTES TO THE ACCOUNTS – 31 DECEMBER 2002**

**1. Accounting policies**

**a) Basis of accounting**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties, and the marking to market of current asset investments, and in accordance with applicable accounting standards. Compliance with SSAP 19 "Accounting for Investment Properties" requires a departure from the requirements of the Companies Act 1985 relating to depreciation and amortisation. An explanation of this departure is given in Note 1d. The accounting policy set out in Note 1c regarding the treatment of readily marketable investments departs from Schedule 4 of the Companies Act 1985 which requires that current assets are stated at the lower of cost and net realisable value, or if they are revalued, revaluation differences be taken to a revaluation reserve. The director considers that this departure is in accordance with generally accepted accounting principles for companies involved in investment finance and is necessary to give a true and fair view. No quantification of their impact has been given as such information would be meaningless and potentially misleading.

The accounts have been prepared on a going concern basis on the director's expectation of new client support for the Company.

The director has adapted the statutory formats required by the Companies Act 1985 where such adaptation is required because of the special nature of the Group's business and it is necessary for the financial statements to show a true and fair view.

Net interest income comprises interest receivable less payable arising from financial services activities and is included in arriving at group operating profit. The director believes that the resultant figure for group operating profit gives a true and fair view of the results from the group's operations. Interest payable on long term property investment loans is recorded below the group operating profit, as is the provision for diminution in the value of investment properties.

**b) Basis of consolidation**

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 2002. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, which arise after the group has gained control of the subsidiary, are charged to the post acquisition profit and loss account.

**c) Investments**

Readily marketable investments held for dealing or not intended to be retained are disclosed as current asset investments and are marked to market at their current market value. All other current asset investments are stated at the lower of cost and net realisable value at the balance sheet date. Long-term investments are included in fixed assets and are stated at cost less provision for any permanent diminution in value.

**EBC ASSET MANAGEMENT LIMITED**

**NOTES TO THE ACCOUNTS - 31 DECEMBER 2002 (continued)**

**d) Tangible fixed assets**

Investment properties are revalued annually and the aggregate surplus or deficit is written off. They are included in the financial statements at open market values as assessed by the directors. Where the deficit is deemed to be permanent, provision is made in the profit and loss account. This policy represents a departure from statutory accounting principles which require depreciation to be provided on all fixed assets. The directors consider that this policy is necessary in order that the financial statements may give a true and fair view, because current values and changes in current values are of prime importance rather than the calculation of systematic depreciation. Depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Other tangible fixed assets are written off on a straight line basis over their estimated useful lives, as follows:

Leasehold improvements	over the remaining period of the leases
Motor vehicles, office machines, furniture and computer equipment	3-5 years

**e) Foreign currencies**

Assets and liabilities in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Income and expenditure in foreign currencies is taken to the profit and loss account at the relevant month-end exchange rate.

Assets and liabilities of subsidiaries in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year and the results of foreign subsidiaries are translated at the average rates of exchange for the year.

**f) Deferred taxation**

Provision is made or credit taken for deferred taxation at the expected future rates of taxation to the extent that any liability is expected to crystallise or benefit to be realised in the foreseeable future.

**g) Loans and advances**

Loans and advances are stated in the balance sheet less provisions for loan losses. Specific provisions are determined by reference to loans and advances which, in the opinion of the directors, are of a doubtful nature.

**h) Interest income**

Interest income is accounted for on an accruals basis except that, where the directors consider that interest will not be received within a reasonable period of its due date, such interest is credited to income when received.

**i) Stock borrowing**

Stock borrowed from third parties is stated in the balance sheet at market value.

**j) Operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term.

**EBC ASSET MANAGEMENT LIMITED**

**NOTES TO THE ACCOUNTS - 31 DECEMBER 2002 (continued)**

**k) Pension costs**

Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the Company or Group benefits from employees' services. The effects of variations from regular cost are spread over the expected average remaining lives of members of the scheme.

**l) Goodwill**

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising on the acquisition of subsidiaries is charged to the profit and loss account.

**m) Obligations under repurchase agreements**

Repurchase agreements represent short term borrowing facilities in the form of legal sales of the underlying securities with obligations to repurchase these securities in the future. In accordance with FRS 5 "Reporting the substance of transactions" the sale of the underlying securities is recognised as a liability of the company and interest is accrued to reflect the difference between the sales value and the ultimate purchase price.

**2. Turnover**

Turnover from financial services excludes value added tax and represents fee income receivable in respect of investment management, advisory and administrative services provided to clients, net of commissions payable.

Rent receivable is from investment properties. One of these properties was occupied by CBB Holding AG a related party (see Note 28) at an annual rental of £444,000 (2001 - £444,000).

**3. Segmental analysis**

	2002 £'000	2001 £'000
<b>Gross interest income</b>		
By market:-		
United Kingdom	12,071	11,345
Rest of Europe	-	-
	<u>12,071</u>	<u>11,345</u>
<b>Profit/(loss) on ordinary activities before taxation</b>		
By class:-		
Property investment	594	557
Financial services	(1,448)	640
	<u>(854)</u>	<u>1,197</u>

**EBC ASSET MANAGEMENT LIMITED**

**NOTES TO THE ACCOUNTS - 31 DECEMBER 2002 (continued)**

<b>4. Other operating income and charges</b>	2002	2001
Other operating income and charges comprise:-	£'000	£'000
Other operating profit/(loss)	1,800	2,100
Profit/(loss) on current asset investments	(696)	(1,062)
<b>Other operating income and charges before exceptional items</b>	<b>1,104</b>	<b>1,038</b>
<b>Exceptional items:</b>		
Group borrowings waived by an affiliate company	46,773	48,313
Loans and advances waived	(46,773)	(48,313)
<b>Other operating income and charges after exceptional items</b>	<b>1,104</b>	<b>1,038</b>
<b>5. Interest</b>	2002	2001
Net interest income comprises:-	£'000	£'000
Interest receivable	12,071	11,345
Interest payable:		
Bank loans and other	(12,298)	(8,085)
	(227)	3,260
Interest payable on property investment bank loans	(1,189)	(1,116)
<b>6. Profit before taxation</b>	2002	2001
Profit before taxation is stated after charging:-	£'000	£'000
Interest payable - Bank loans and other	13,487	9,201
- Group companies	-	-
	<b>13,487</b>	<b>9,201</b>
Auditors' remuneration (the Company: £15,000 {2001 £15,000})	20	45
Operating lease rentals - land and buildings	87	151
Depreciation	21	50

**EBC ASSET MANAGEMENT LIMITED**

**NOTES TO THE ACCOUNTS - 31 DECEMBER 2002 (continued)**

<b>7. Directors' and employees' remuneration</b>	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Directors' emoluments (including benefits in kind)	107	109
(a) The remuneration of the Chairman and highest paid director was £106,592 (2001 - £108,690). The Chairman was the only director who accrued retirement benefits under the Company's pension scheme during both 2002 and 2001.		

(b) Group staff (including executive directors) costs may be analysed as follows:-

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	466	838
Social security costs	47	85
Other pension costs	-	95
	<u>513</u>	<u>1,018</u>

(c) The average monthly number of staff in the Group (including executive directors and temporary staff) was 9 (2001 - 17).

<b>8. Taxation</b>	<b>2002</b>	<b>2001</b>
The charge for the year is made up as follows:-	<b>£'000</b>	<b>£'000</b>
UK Corporation tax at 30.0% (2001-30%)	(44)	325
Overseas tax charge	77	79
	<u>33</u>	<u>404</u>

**9. Company's profit and loss account**

As permitted by section 230 of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements. A loss of £1,303,000 (2001: profit of £295,000) has been dealt with in the accounts of the Company.

**EBC ASSET MANAGEMENT LIMITED**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 2002 (continued)**

**10. Tangible fixed assets**

	Investment properties £'000	Short leaseholds £'000	Motor vehicles, office machines, furniture & computer equipment £'000	Total £'000
<b>THE GROUP</b>				
<b>Cost or valuation</b>				
at 1 January 2002	29,501	27	427	29,955
Foreign exchange adjustment	1,929	-	-	1,929
Additions	-	-	1	1
at 31 December 2002	<u>31,430</u>	<u>27</u>	<u>428</u>	<u>31,885</u>
<b>Depreciation</b>				
at 1 January 2002	4,057	27	382	4,466
Diminution in value	429	-	-	429
Charge for the year	-	-	21	21
Foreign exchange adjustment	266	-	-	266
at 31 December 2002	<u>4,752</u>	<u>27</u>	<u>403</u>	<u>5,182</u>
<b>Net book value</b>				
at 31 December 2002	<u>26,678</u>	<u>-</u>	<u>25</u>	<u>26,703</u>
at 31 December 2001	<u>25,444</u>	<u>-</u>	<u>45</u>	<u>25,489</u>
<b>THE COMPANY</b>				
<b>Cost</b>				
at 1 January 2002	-	27	427	454
Additions	-	-	1	1
Disposals	-	-	-	-
at 31 December 2002	<u>-</u>	<u>27</u>	<u>428</u>	<u>455</u>
<b>Depreciation</b>				
at 1 January 2002	-	27	382	409
Charge for the year	-	-	21	21
Disposals	-	-	-	-
at 31 December 2002	<u>-</u>	<u>27</u>	<u>403</u>	<u>430</u>
<b>Net book value</b>				
at 31 December 2002	<u>-</u>	<u>-</u>	<u>25</u>	<u>25</u>
at 31 December 2001	<u>-</u>	<u>-</u>	<u>45</u>	<u>45</u>

The investment properties which are located overseas were acquired by the Company's subsidiary Primavera Immobilien GmbH ("Primavera") from Concordia (see Note 28). The net book value is the director's valuation as at 31 December 2000 having regard to agreements intended to be concluded after the year-end. The counterparties to the proposed agreements are drawn from:- (i) the Company; (ii) Primavera; (iii) the Company's shareholders and (iv) Caisse des Dépôts et Consignations ("CDC") the minority shareholder of Primavera which provided the bank loan to enable Primavera to acquire the investment properties. In the opinion of the director, the effect of these proposed agreements is that Primavera's remaining property portfolio will be disposed of and the proceeds used to pay off the bank loans. Thereafter the Company will acquire the minority interest in Primavera for a nominal consideration.



**EBC ASSET MANAGEMENT LIMITED**

**NOTES TO THE ACCOUNTS – 31 DECEMBER 2002 (continued)**

**11. Investment in subsidiary undertakings**

The amount shown in the Company's balance sheet in respect of each subsidiary undertaking is stated at cost less any provision for permanent diminution in value and comprises the following:

<b>Cost</b>	£'000
At 1 January 2002 and 31 December 2002	4,156
<b>Amounts written off</b>	
At 1 January 2002	2,456
Provided in the year	-
At 31 December 2002	<u>2,456</u>
<b>Net book value</b>	
At 31 December 2002	<u>1,700</u>
At 31 December 2001	<u>1,700</u>

The principal subsidiaries of the Company, all of which are consolidated in the group accounts, are set out below. With the exception of Primavera Immobilien GmbH which is a property company, all the subsidiaries are involved in the provision of financial services.

<b>Name of company</b>	<b>Description and proportion of shares held</b>	<b>Country of Incorporation</b>
<u>Held by the Company</u> (see below)		
EBC Corporate Consultants Limited	Ordinary £1,	100% England and Wales
EBC Securities Services Limited	Ordinary £1,	100% England and Wales
Primavera Immobilien GmbH	Ordinary DEM,	55% Germany

Management accounts of Primavera Immobilien GmbH for the year 2002 have been used, in the absence of audited accounts, for the preparation of these consolidated financial statements.

# **EBC ASSET MANAGEMENT LIMITED**

## **NOTES TO THE ACCOUNTS – 31 DECEMBER 2002 (continued)**

### **12. Other fixed asset investments**

Long-term investments comprise:

	2002	2001
	£'000	£'000
THE GROUP		
Unlisted investments	<u>2,221</u>	<u>2,221</u>
THE COMPANY		
Unlisted investments	<u>2,221</u>	<u>2,221</u>

Unlisted investments comprise an investment in Billecart Expansion Holdings SA ("BEH"), a company incorporated in Luxembourg, of 19,973 ordinary shares representing 41.6% of that company's share capital. BEH is an investment holding company whose sole purpose is to hold minority investment positions, over which it exercises no significant influence, in unquoted companies operating in areas of activity unrelated to those of the Group. On this basis BEH has not been treated as an associate in these accounts. The consolidated share capital and reserves of BEH as at 31 December 2002 were £3.5 million (2001 - £3.4 million) and its profit for the year then ended was £673,000 (2001 - loss £146,000).

### **13. Loans and advances**

The loans relate mainly to the provision of advances by the Group and Company to discretionary management clients of subsidiary companies to finance the portfolios of such clients. The directors consider that the investments in these portfolios are held as security against the loans and advances. The investments consist of shares and bonds in listed and unlisted companies. Some of these shares and bonds are held in related companies and other companies in which there is no market for the sale of the shares or bonds or where the market is limited. Accordingly there are uncertainties as to the underlying value of some of the investments held as security. These loans and advances are funded by borrowings as set out in Notes 18 and 19.

### **14. Other debtors**

Other debtors, prepayments and accrued income include Loans to Director (see Note 15) and other amounts realisable within one year.

# **EBC ASSET MANAGEMENT LIMITED**

## **NOTES TO THE ACCOUNTS - 31 DECEMBER 2002 (continued)**

### **15. Loans to Director**

During the year, the Company advanced amounts totalling £1,407,377 (2001 - £2,173,400) to a director of the Company. The maximum amount outstanding during the year was £6,606,192 (2001 - £5,198,815). The advances are non-interest bearing.

### **16. Current Asset Investments**

Current Asset Investments comprise:-	2002 £'000	2001 £'000
<b>THE GROUP</b>		
Securities listed on overseas exchanges	28,803	56,377
Unlisted securities	16,753	31,420
	<u>45,556</u>	<u>87,797</u>
<b>THE COMPANY</b>		
Securities listed on overseas exchanges		56,377
Unlisted securities	16,753	31,420
	<u>45,556</u>	<u>87,797</u>

Included in unlisted securities is an interest in CBB Holding AG's debt of £16.6 million (2001 - £33.2 million). (See Note 28)

### **17. Balances with bankers**

One of the Company's subsidiary undertakings, EBC Securities Services Limited operates, as agent for the Company, bank accounts in a number of different currencies. The balances on those accounts are accounted for as assets and liabilities of the Company and the Group.

### **18. Bank loans, overdrafts and obligations under repurchase agreements**

#### **Bank loans and overdrafts**

The Company and Group have negotiated short term facilities with banks which have funded the lending to the client portfolios. Liens over equity stakes in client portfolios have been granted to banks as security for these loans.

#### **Obligations under repurchase agreements**

The Company and Group have negotiated short term borrowings in the form of legal sales of the underlying securities with obligations to repurchase these securities in the future. The securities sold under repurchase agreements total £12.7 million (2001 - £12.3m).

**EBC ASSET MANAGEMENT LIMITED**

**NOTES TO THE ACCOUNTS - 31 DECEMBER 2002 (continued)**

**19. Amounts owed to an affiliate company and group obligations under repurchase agreements**

**Amounts owed to an affiliate company**

As per the director's interpretation of the arrangements intended to be applicable following the post balance sheet ownership changes, borrowings from an affiliate company have been treated as waived ( see Note 4 ).

**Group obligations under repurchase agreements**

The Company and Group have negotiated short term borrowings in the form of legal sales of the underlying securities where the obligations to repurchase the securities in the future are with Erb group companies. The securities sold under repurchase agreements where the obligation to repurchase is by an Erb Group company total £40.9 million (2001 - £78.6 million).

**20. Creditors – amounts falling due after more than one year**

	Group 2002 £'000	Company 2002 £'000	Group 2001 £'000	Company 2001 £'000
Bank loans	23,550	-	22,105	-
Corporation tax	992	992	1,108	1,108
	<u>24,542</u>	<u>992</u>	<u>23,213</u>	<u>1,108</u>

Bank borrowings and repurchase agreements are repayable as follows:

	Group 2002 £'000	Company 2002 £'000	Group 2001 £'000	Company 2001 £'000
Within one year	62,081	62,081	106,844	106,844
Between 2 and 5 years	23,550	-	22,105	-
	<u>85,631</u>	<u>62,081</u>	<u>128,949</u>	<u>106,844</u>

The Group's bank loan of £23.55 million (2001 - £22.1 million) is denominated in Euros and was repayable in full in March 2003. Interest is charged at FIBOR plus 0.75% with an overall minimum rate of 4%. If the eventual sale of the investment properties shown in Note 10 fails to realise the full value of the associated loans, the Company has undertaken to make good the shortfall. The Company's obligation is further guaranteed by Unifina.

The Company's corporation tax liability will be settled in instalments currently being paid and to be completed by 5 April 2010. The instalment arrangement is non-interest bearing.

**EBC ASSET MANAGEMENT LIMITED**

**NOTES TO THE ACCOUNTS - 31 DECEMBER 2002 (continued)**

**21. Deferred taxation**

The provision for deferred tax and the full potential liability/(asset) are as follows:-

	2002		2001	
	Provision made £'000	Full potential liability/ (asset) £'000	Provision made £'000	Full potential liability/ (asset) £'000
<b>THE GROUP</b>				
Timing differences in respect of fixed assets	-	-	-	-
Overseas tax	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>THE COMPANY</b>				
Timing differences in respect of fixed assets	-	(7)	-	(7)
	<u>-</u>	<u>(7)</u>	<u>-</u>	<u>(7)</u>

**22. Pension arrangements**

The company has operated a pension scheme for its staff which is funded, non-contributory and of the defined benefit type. The assets of the scheme are held in a separate trustee administered fund.

The total pension cost for the Group was Nil (2001: £73,499) of which Nil (2001: £73,499) relates to the overseas scheme.

**UK Scheme**

The latest actuarial assessment of the UK Scheme was as at 1 June 2002. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries. The method used by the qualified independent actuary was the "Attained Age" method with interest at 7.6% p.a. in the period to retirement, 5.0% p.a. in the period after retirement and annual salary growth of 4.7% p.a.. The Attained Age method was also used to value future service liabilities, with interest at 4.7% p.a. in the period to retirement, 4.7% p.a. in the period after retirement, annual salary growth of 4.4% and an assumption that expenses would be payable in addition. As at 1 June 2002, the market value of the assets was £2,603,000 and the actuarial value of the assets was sufficient to cover 106% of the benefits accrued to members, after allowing for expected future increases in earnings. As a result of this valuation, the actuary advised the Company to resume contributions to the scheme at the rate of £9,000 per month with effect from 1<sup>st</sup> June 2003.

**EBC ASSET MANAGEMENT LIMITED**  
**NOTES TO THE ACCOUNTS - 31 DECEMBER 2002 (continued)**

<b>23. Called up share capital</b>	2002		2001	
	£'000		£'000	
Ordinary shares £1 each				
Authorised: 5,000,000 shares	5,000		5,000	
Allotted, called up and fully paid: 4,000,000 shares	<u>4,000</u>		<u>4,000</u>	
<b>24. Profit and loss account</b>				
The movement on the profit and loss account has been as follows:-				
	Group	Company	Group	Company
	2002	2002	2001	2001
	£'000	£'000	£'000	£'000
At 1 January	294	(2,563)	4,111	(2,858)
Foreign exchange adjustment	336	-	(74)	-
Eliminated on sale of subsidiaries	-	-	(4,351)	-
Retained profit/(loss) for the year	<u>(1,214)</u>	<u>(1,303)</u>	<u>608</u>	<u>295</u>
At 31 December	<u>(584)</u>	<u>(3,866)</u>	<u>294</u>	<u>(2,563)</u>
<b>25. Reconciliation of movements in equity shareholders' funds</b>	2002		2001	
	£'000		£'000	
Profit/(loss) for the financial year	(1,214)		608	
Other recognised gains and losses	336		(4,425)	
Net increase/(decrease) in shareholders' funds	<u>(878)</u>		<u>(3,817)</u>	
Shareholders' funds at 1 January	4,294		8,111	
Shareholders' funds at 31 December	<u>3,416</u>		<u>4,294</u>	
<b>26. Minority interests</b>	2002		2001	
	£'000		£'000	
At 1 January	2,006		1,821	
Profit and loss account	327		185	
Equity minority interest at 31 December	<u>2,333</u>		<u>2,006</u>	
<b>27. Commitments and contingencies</b>				
At 31 December 2002, the Company and Group were committed to making the following payments during the next year in respect of operating leases:				
	Group	Company	Group	Company
	2002	2002	2001	2001
	£'000	£'000	£'000	£'000
Re buildings:				
Leases which expire after 5 years	87	87	87	87

**EBC ASSET MANAGEMENT LIMITED**

**NOTES TO THE ACCOUNTS – 31 DECEMBER 2002 (continued)**

**28. Controlling and related parties**

**Controlling party**

As noted under “Directors’ interests” in the Report of the Director, the Director Mr R. C. Kahrman is now the ultimate controlling party of the Company and the Group.

**Related parties**

The director considers CBB Holding AG to be a related party because the director of the Company is the Managing Director of CBB Holding AG. Included in loans and advances at the year end are amounts due to the Group and Company from CBB Holding AG of £8,600,000 (2001: £12,270,000).

Transactions with the directors during the year are set out in Notes 14 and 15.

**29. Post balance sheet events**

As noted under “Directors’ interests” in the Report of the Director as well as under Note 28 “Controlling party”, the Director Mr. R.C. Kahrman has become, since 31 December 2002, the ultimate controlling party of the Company and the Group.

Auditors' report – pages 3 and 4.