

EBC ASSET MANAGEMENT LIMITED
REPORT AND ACCOUNTS

1999

Registered Number 1971681 England and Wales



LD5 *L4W13PNI* 0664
COMPANIES HOUSE 31/10/03

EBC ASSET MANAGEMENT LIMITED

REPORT OF THE DIRECTOR

The director presents his report and the audited accounts for the year ended 31 December 1999.

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 largest single shareholder, Unifina Holding AG ("Unifina") has indemnified the Group in respect of any losses arising in connection with the Group and Company's principal asset, an amount due from clients of £215.7 million at 31 December 1999. Unifina has also agreed to continue to support the Company and the Group as going concerns for the foreseeable future.

Directors

The directors who have served since 31 December 1998:

R.C. Kahrmann (Chairman and Chief Executive)

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

Directors' interests

Mr. R.C. Kahrmann held 14.995% (599,800 shares) and The Viva Trust of which Mr. R.P. Erb is one of the beneficiaries, held 36.005% (1,440,200 shares) of the issued share capital of the Company throughout the year. (See Note 29).

Fixed assets

Changes in fixed assets during the year are set out in Notes 11 to 13 to the accounts. The Group's investment properties were revalued as at 31 December 1999 by the director having regard to agreements intended to be concluded after the year end. Further details are set out in Note 11 to the financial statements.

Post balance sheet events

Details of post balance sheet events are set out in Note 30 to the financial statements.

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

31 October 2003

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

We have audited the financial statements on pages 5 to 22, 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 for 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 director's report 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 director's report 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.

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

Limitations of scope

The evidence available to us was limited because:

- the consolidated financial statements include the unaudited financial statements for the Company's subsidiary undertaking, Primavera Immobilien GmbH; audited financial statements were not available. Because we were unable to perform other adequate audit procedures, we are therefore unable to form a view as to whether figures included in the consolidated financial statements in respect of the overseas subsidiary undertaking, which accounts for 60% of operating profits, 48% of the profit after tax and minority interests and 34% of net assets, are fairly stated.
- current asset investments in the Group and Company balance sheets include £35 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.

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

Fundamental uncertainties

As stated in note 1 (a), the financial statements have been prepared on the basis that the Company and the Group are going concerns. This is based on the undertaking of the largest single shareholder, Unifina Holding AG ("Unifina"), to continue providing financial support to the Company and the Group for the foreseeable future. Should this support not be provided, the going concern basis would not be appropriate and adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, to provide for any losses that might arise and to reclassify fixed assets and long term liabilities as current. Our opinion is not qualified in this respect.

As stated in note 9, the Company has not fully complied with the terms of an agreement reached with HM Inspector of Taxes covering the tax charge for the years 1996 to 2001. Accordingly, the continuing operation of this agreement is uncertain. The director is confident that the original agreement will continue to operate as intended. Should this agreement be revoked then this may result in potentially significant liabilities falling on the Company and the Group, which at present cannot be determined. Our opinion is not qualified in this respect.

Adverse opinion due to disagreements in accounting treatment

As explained in note 14, the balance sheets of the Company and the Group include, within loans and advances, non-performing client accounts of £216 million, which represents 61% of the Company's and 56% of the Group's reported assets. As set out in note 14, these loans and advances relate to the provision of advances to discretionary management clients to finance the purchase of underlying investments which are held as security against these advances. There are investments valued by the director at £112 million, which they consider are held as security for these client accounts. As also explained in note 14, the circumstances surrounding the ownership of these client accounts remains unclear. Unifina has agreed to indemnify the Group for any losses arising from these accounts but the manner in which the indemnity will operate has not been determined. Also included within loans and advances in the balance sheets of the Company and the Group is £75 million due from a related party debtor, as explained in note 29. There is a lack of evidence as to the full recoverability of this debt.

No provisions have been made against the amounts referred to above, as the director considers that no such provisions are necessary having regard to the Unifina indemnity and the investments referred to above held as security. In our opinion, because of the lack of evidence to support the ownership and recoverability of the client accounts, the operation of the indemnity, the availability of all the underlying investments as security for these client accounts, and the recoverability of the debtor, we consider that provisions should be made against these accounts. If these provisions had been made, the effect would have been to reduce the profit of the Group for the year and the net assets of the Company and the Group in the order of £230 million.

Included in fixed assets shown in the Group balance sheet are investment properties of £27 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 £6.9 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'. If the provision had been recognised the effect would have been to reduce the profit before tax and the net assets of the Group by £3.8 million.

In view of the significance of the effect of the matters referred to above, in our opinion the financial statements do not give a true and fair view of the state of affairs of the Company and the Group as at 31 December 1999 or of the profit of the Group for the year then ended.

In respect alone of the limitations on our work described above, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit. In respect of the unaudited subsidiary undertaking and the bonds due from the related party, we have been unable to form an opinion as to whether proper accounting records have been maintained.

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

Wingrave Yeats Partnership LLP
Wingrave Yeats Partnership LLP
Chartered Accountants and Registered Auditors, London, 31st October 2003

EBC ASSET MANAGEMENT LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1999

	Note	1999 £'000	1999 £'000	1998 £'000
Turnover				
Financial services	2, 3		1,012	1,113
Rent receivable	3		<u>3,215</u>	<u>2,735</u>
			4,227	3,848
Net interest income/(expenditure)	1a, 2, 6		1,434	(883)
Administrative expenses			(4,470)	(3,800)
Other operating income and charges	5			
Normal		4,511		(584)
Exceptional items:				
Waiver of intercompany debt		-		157,509
Loans and advances forgiven		-		(157,509)
			<u>4,511</u>	<u>(584)</u>
Group operating profit/(loss)			<u>5,702</u>	<u>(1,419)</u>
Provision for diminution in value of investment properties	11		(539)	(977)
Interest payable	6		<u>(983)</u>	<u>(1,325)</u>
Profit/(loss) on ordinary activities before taxation	4, 7		4,180	(3,721)
Taxation	9		<u>(509)</u>	<u>(518)</u>
Profit/(loss) on ordinary activities after taxation			3,671	(4,239)
Minority share of (profits)/losses	27		<u>(386)</u>	<u>286</u>
Retained profit/(loss) for the year attributable to equity shareholders	25		<u>3,285</u>	<u>(3,953)</u>

All material items dealt with in arriving at the profit before taxation relate to continuing operations.

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 1999

		1999 £'000	1998 £'000
Profit/(loss) attributable to equity shareholders		3,285	(3,953)
Exchange adjustments offset in reserves	25	<u>(243)</u>	<u>227</u>
Total recognised profits/(losses) for the year		<u>3,042</u>	<u>(3,726)</u>

The Notes on pages 10 to 22 form part of these accounts.
Auditors' report – pages 3 and 4.

EBC ASSET MANAGEMENT LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 1999

	Note	£'000	1999 £'000	1998 £'000
Fixed assets				
Tangible assets	11		26,887	33,477
Investments	13		<u>2,221</u>	<u>2,286</u>
			29,108	35,763
Current assets				
Loans and advances	14	300,022		240,159
Other debtors, prepayments and accrued income	15, 16	1,909		3,240
Investments	17	48,800		52,494
Cash in hand, balances with bankers and money at call and short notice	18	<u>4,221</u>		<u>3,977</u>
		354,952		299,870
Creditors: amounts falling due within one year				
Bank loans and overdrafts	18, 19	7,937		20,769
Obligations under repurchase agreements	19	29,151		44,949
Amounts owed to Uniinvest Holding AG	20	260,116		161,899
Group obligations under repurchase agreements	20	44,764		62,303
Stock borrowing		434		750
Other creditors and accruals		5,888		6,286
Other taxation and social security		<u>411</u>		<u>123</u>
		348,701		297,079
Net current assets			6,251	2,791
Total assets less current liabilities			35,359	38,554
Creditors: amounts falling due after more than one year	21		(24,111)	(30,642)
Provision for liabilities and charges				
Deferred taxation	22		<u>(18)</u>	<u>(74)</u>
Net Assets			<u>11,230</u>	<u>7,838</u>
Capital and reserves				
Called up share capital	24		4,000	4,000
Profit and loss account	25		<u>5,639</u>	<u>2,597</u>
Equity Shareholders' Funds	26		9,639	6,597
Minority interests – equity	27		<u>1,591</u>	<u>1,241</u>
			<u>11,230</u>	<u>7,838</u>

These accounts were approved by the board of directors on 31 October 2003 and were signed on its behalf by:

 }

R C KAHRMANN
Director

The Notes on pages 10 to 22 form part of these accounts.
Auditors' report – pages 3 and 4.

EBC ASSET MANAGEMENT LIMITED
BALANCE SHEET AS AT 31 DECEMBER 1999

	Note	1999 £'000	1998 £'000
Fixed assets			
Tangible assets	11	62	48
Investment in subsidiary undertakings	12	1,725	3,198
Other investments	13	<u>2,221</u>	<u>2,221</u>
		4,008	5,467
Current assets			
Loans and advances	14	299,628	239,671
Other debtors, prepayments and accrued income	15	778	2,234
Investments	17	48,747	52,313
Cash in hand, balances with bankers and money at call and short notice	18	<u>1,928</u>	<u>389</u>
		351,081	294,607
Creditors: amounts falling due within one year			
Bank loans and overdrafts	18, 19	7,937	20,769
Obligations under repurchase agreements	19	29,151	44,949
Amounts owed to Uniinvest Holding AG	20	259,991	161,970
Group obligations under repurchase agreements	20	44,764	62,303
Stock borrowing		434	750
Amounts owed to subsidiary undertakings		3,456	1,948
Other creditors and accruals		5,236	4,499
Other taxation and social security		<u>300</u>	<u>-</u>
		351,269	297,188
Net current liabilities		<u>(188)</u>	<u>(2,581)</u>
Total assets less current liabilities		<u>3,820</u>	<u>2,886</u>
Creditors: amounts falling due after more than one year	21	<u>(800)</u>	<u>(900)</u>
Net Assets		<u>3,020</u>	<u>1,986</u>
Capital and reserves			
Called up share capital	24	4,000	4,000
Profit and loss account	25	<u>(980)</u>	<u>(2,014)</u>
Equity Shareholders' Funds		<u>3,020</u>	<u>1,986</u>

These accounts were approved by the board of directors on 3\October 2003 and were signed on its behalf by:



R C KAHRMANN
Director

The Notes on pages 10 to 22 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 1999

	Note (Page 9)	1999 £'000	1999 £'000	1998 £'000
Net cash inflow/(outflow) from operating activities	A		46,775	(3,588)
Returns on investments and servicing of finance				
Interest on long term borrowing		<u>(983)</u>		<u>(1,325)</u>
Net cash outflow from returns on investments and servicing of finance			(983)	(1,325)
Taxation				
Taxation paid		<u>(340)</u>		<u>(45)</u>
			(340)	(45)
Capital expenditure and financial investment				
Sale of tangible fixed assets		1,851		-
Purchase of tangible fixed assets		(84)		(31)
Sale of fixed asset investments		65		-
Purchase of current asset investments		(17,834)		(71,369)
Sale of current asset investments		<u>19,959</u>		<u>35,285</u>
			3,957	(36,115)
Net cash outflow before financing			<u>49,409</u>	<u>(41,073)</u>
Financing				
Long term repayment		(3,082)		(1,433)
(Decrease)/increase in repurchase agreements		<u>(33,337)</u>		<u>62,235</u>
Net cash (outflow)/inflow from financing			(36,419)	60,802
Increase in cash in the year	B, C		<u>12,990</u>	<u>19,729</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

	1999 £'000	1998 £'000
Operating profit/(loss)	5,702	(1,419)
Depreciation charges	49	39
Loss on sale of tangible fixed assets	504	3
(Increase)/decrease in debtors	(58,532)	62,699
Increase/(decrease) in creditors	97,799	(65,260)
Decrease in stock borrowing	(316)	(186)
Loss on marking to market, not realised in cash	1,308	1,075
Realised loss/(profit) on sale of investments	261	(539)
Net cash inflow/(outflow) from operating activities	46,775	(3,588)

B Reconciliation of net cash flow to movement in net debt

	1999 £'000	1998 £'000
Increase in cash in the period	12,990	19,729
Cash inflow/(outflow) from financing	36,419	(60,802)
Change in net debt resulting from cash flow	49,409	(41,073)
Foreign exchange movements	3,435	(1,939)
Net debt at 1 January	(153,786)	(110,774)
Net debt at 31 December	(100,942)	(153,786)

C Analysis of changes in net debt

	1998 £'000	Cashflow £'000	Exchange movements £'000	1999 £'000
Cash at bank and in hand	3,977	158	86	4,221
Bank overdrafts	(20,769)	12,832	-	(7,937)
	(16,792)	12,990	86	(3,716)
Repurchase agreements	(107,252)	33,337	-	(73,915)
Bank loan due after 1 year	(29,742)	3,082	3,349	(23,311)
Total	(153,786)	49,409	3,435	(100,942)

EBC ASSET MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS – 31 DECEMBER 1999

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 largest single shareholder, Unifina Holding AG ("Unifina") has agreed to continue to support the Company and the Group as going concerns for the foreseeable future and the accounts have therefore been prepared on a going concern basis. Unifina has also agreed to indemnify the Company and the Group against any losses arising from the client accounts referred to in Note 14.

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 1999. 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, that 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 1999 (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 (unless it is indemnified by Unifina), 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 1999 (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. Consolidated profit and loss account

Of the Group's income arising under Turnover and Net interest income, £31.8 million (1998: £27.1 million) is derived from client accounts referred to in Note 14. This income is recognised in these accounts as a result of Unifina's agreement to provide the indemnities referred to in Notes 1a and 14.

3. 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 (formerly Concordia Bau und Boden AG), a related party (see Note 29) at an annual rental of £444,000 (1998 - £444,000).

4. Segmental analysis

	1999 £'000	1998 £'000
Gross interest income		
By market:-		
United Kingdom	32,493	27,711
Rest of Europe	3,348	3,199
	<u>35,841</u>	<u>30,910</u>
Profit/(loss) on ordinary activities before taxation		
By class:-		
Property investment	1,335	(824)
Financial services	2,845	(2,897)
	<u>4,180</u>	<u>(3,721)</u>

EBC ASSET MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1999 (continued)

5. Other operating income and charges	1999	1998
Other operating income and charges comprise:-	£'000	£'000
Other operating profit/(loss)	5,686	(965)
Profit/(loss) on current asset investments	(1,175)	381
Other operating income and charges before exceptional items	4,511	(584)
Exceptional items:		
Group borrowings waived by Uniinvest Holding AG	-	157,509
Loans and advances waived	-	(157,509)
Other operating income and charges after exceptional items	4,511	(584)
6. Interest	1999	1998
Net interest income comprises:-	£'000	£'000
Interest receivable (see Note 2)	35,841	30,910
Interest payable:		
Uniinvest Holding AG (Notes 20 and 29)	(25,257)	(20,858)
Bank loans and other	(9,150)	(10,935)
	<u>1,434</u>	<u>(883)</u>
Interest payable on property investment bank loans	<u>(983)</u>	<u>(1,325)</u>
7. Profit before taxation	1999	1998
Profit before taxation is stated after charging:-	£'000	£'000
Interest payable - Bank loans and other	10,133	12,260
- Group companies	25,257	20,858
	<u>35,390</u>	<u>33,118</u>
Auditors' remuneration (the Company: £450,000 {1998 £85,000})	470	120
Operating lease rentals - land and buildings	144	89
Depreciation	49	39

EBC ASSET MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1999 (continued)

8. Directors' and employees' remuneration	1999	1998
	£'000	£'000
Directors' emoluments (including benefits in kind)	103	96

(a) The remuneration of the Chairman and highest paid director was £103,243 (1998- £95,763). The Chairman was the only director who accrued retirement benefits under the Company's pension scheme during both 1999 and 1998.

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

	1999	1998
	£'000	£'000
Salaries	731	713
Social security costs	55	52
Other pension costs	56	57
	<u>842</u>	<u>822</u>

(c) The average monthly number of staff in the Group (including executive directors and temporary staff) was 18 (1998 - 18).

9. Taxation	1999	1998
The charge for the year is made up as follows:-	£'000	£'000
UK Corporation tax at 30.0% (1998-30%)	314	379
Overseas tax charge	195	139
	<u>509</u>	<u>518</u>

The tax charge for the year forms part of an agreement with the Inspector of Taxes covering the years from 1996 to 2001 was conditional on the transfers referred to in Note 14 being made by 31 December 2001 to a non-UK resident entity. As the transfers have not yet been made, at the date of these accounts the terms of the agreement may have technically been breached, however the director is confident that the original agreement will continue to operate as intended. Under the terms of this agreement corporation tax liabilities arising on interest receivable on loans and advances have been agreed at £1,800,000 for the six years up to and including the year ending 31 December 2001.

10. 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 profit of £1,034,000 (1998: loss of £4,032,000) has been dealt with in the accounts of the Company.

EBC ASSET MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1999 (continued)

11. Tangible fixed assets

	Investment properties £'000	Short leaseholds £'000	Motor vehicles, office machines, furniture & computer equipment £'000	Total £'000
THE GROUP				
Cost or valuation				
at 1 January 1999	37,358	91	722	38,171
Foreign exchange adjustment	(4,206)	-	-	(4,206)
Additions	-	-	84	84
Disposals	(3,102)	-	(55)	(3,157)
at 31 December 1999	<u>30,050</u>	<u>91</u>	<u>751</u>	<u>30,892</u>
Depreciation				
at 1 January 1999	4,007	71	616	4,694
Diminution in value	539	-	-	539
Charge for the year	-	4	45	49
Disposals	(783)	-	(43)	(826)
Foreign exchange adjustment	(451)	-	-	(451)
at 31 December 1999	<u>3,312</u>	<u>75</u>	<u>618</u>	<u>4,005</u>
Net book value				
at 31 December 1999	<u>26,738</u>	<u>16</u>	<u>133</u>	<u>26,887</u>
at 31 December 1998	<u>33,351</u>	<u>20</u>	<u>106</u>	<u>33,477</u>
THE COMPANY				
Cost				
at 1 January 1999	-	27	366	393
Additions	-	-	38	38
Disposals	-	-	(17)	(17)
at 31 December 1999	<u>-</u>	<u>27</u>	<u>387</u>	<u>414</u>
Depreciation				
at 1 January 1999	-	27	318	345
Charge for the year	-	-	24	24
Disposals	-	-	(17)	(17)
at 31 December 1999	<u>-</u>	<u>27</u>	<u>325</u>	<u>352</u>
Net book value				
at 31 December 1999	<u>-</u>	<u>-</u>	<u>62</u>	<u>62</u>
at 31 December 1998	<u>-</u>	<u>-</u>	<u>48</u>	<u>48</u>

The investment properties which are located overseas were acquired by the Company's subsidiary Primavera Immobilien GmbH ("Primavera") from Concordia (see Note 29). The net book value is the director's valuation as at 31 December 1999 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 controlling shareholders Messrs Hugo, Rolf and Christian Erb ("Erb family"); 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. To the extent that the proceeds are insufficient to pay off the bank loans, the shortfall will be shared directly between the Erb family and CDC. Thereafter the Company will acquire the minority interest in Primavera for a nominal consideration.

EBC ASSET MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS – 31 DECEMBER 1999 (continued)

12. 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:

Cost	£'000
At 1 January 1999 and 31 December 1999	<u>4,181</u>
Amounts written off	
At 1 January 1999	983
Provided in the year	<u>1,473</u>
At 31 December 1999	<u>2,456</u>
Net book value	
At 31 December 1999	<u>1,725</u>
At 31 December 1998	<u>3,198</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.

Name of company	Description and proportion of shares held	Country of Incorporation
<u>Held by the Company (see below)</u>		
EBC Corporate Consultants Limited	Ordinary £1,	100% England and Wales
EBC Financial Services (Jersey) Limited (formerly EBC Trust Company (Jersey) Limited)	Ordinary £1,	100% Channel Islands
EBC Securities Services Limited	Ordinary £1,	100% England and Wales
Primavera Immobilien GmbH	Ordinary DEM,	55% Germany
<u>Held by a subsidiary</u>		
Formula Capital Management Inc	Bearer US\$5,	67% Panama
Formula Capital Management SA	Ordinary CHF1,000,	100% Luxembourg

In order to satisfy the Regulatory Authorities, on 11 December 1996 the Company transferred the whole of the issued share capital of its subsidiary undertaking EBC Corporate Consultants Limited ("CCL") to the Royal Bank of Canada Trust Corporation Limited ("Trustee"), for the Trustee to hold the shares of CCL upon the trusts of a Trust Deed made between the Company, CCL and Trustee. The provisions of the Trust Deed required the Trustee to hold all of the shares of CCL and 99.5% of the income of CCL upon trust for the benefit of the Company, for a period of five years. In November 2001 the Trust Deed was renewed for a further five years from the original expiry date of 10th December 2001. On expiry of the Trust Deed, the Trustee shall transfer CCL's shares back to the Company.

Formula Capital Management Inc. ("FCMI") was dissolved on 2nd December 1999 with the assets and liabilities being purchased for net book value by Formula Capital Management SA, Luxembourg ("FCMSA"). There was no reduction in net assets as FCMSA is 100% owned by a subsidiary of the group, and goodwill in FCMI was written off in the year of acquisition.

EBC ASSET MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1999 (continued)

13. Other fixed asset investments

Long-term investments comprise:

	1999 £'000	1998 £'000
THE GROUP		
Unlisted investments	2,221	2,221
Freehold interest in agricultural land	-	65
	<u>2,221</u>	<u>2,286</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 1999 were £3.7 million (1998 - £4.2 million) and its loss for the year then ended was £111,000 (1998 - loss £15,000).

14. 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. Unifina and Uniinvest Holding AG have undertaken to ensure that the value of these investments will, if realised, be credited to the Company. 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 19 and 20.

These loans and advances include connected client accounts amounting to £215.7 million at 31 December 1999 (1998 - £158.0 million) including unpaid interest and fees and other charges amounting to £31.8 million for 1999, £27.1 million for 1998 and £190.2 million for earlier years and after taking account of the waivers referred to in Note 5. The circumstances surrounding the ownership of these accounts require the transfer of ownership to a company nominated by Unifina. The implementation of this transfer has been delayed for several years during which period additional advances have been made. Unifina has undertaken to indemnify the Group for any ultimate losses arising from these accounts. The manner in which the indemnity will operate has not yet been determined.

15. Other debtors, prepayments and accrued income

Other debtors, prepayments and accrued income include an amount of £60,000 (1998 - £1,799,000) advanced to a client company of which Mr. R. C. Kahrman is also a director. Subsequent to the year end, further advances have been made to this client company (the "client"). At 31 December 1999, the client issued shares in full satisfaction of this debt. The client has allocated treasury shares in respect of further advances.

Other debtors, prepayments and accrued income include an amount of £ NIL (1998 - £214,651) advanced to a company that is majority owned by a private client.

EBC ASSET MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1999 (continued)

16. Loans to Director

During the year, the Company advanced amounts totalling £857,660 (1998 - £736,531) to, or on behalf of Mr. R.C. Kahrmann, a director of the Company. The maximum amount outstanding during the year was £857,660 (1998 - £736,531). An interest rate of 1 month LIBOR plus a 2% margin was applied on the outstanding balance. During 1999 and 1998 these amounts were assumed by a related third party referred to in Note 29. Therefore Mr. Kahrmann's liabilities to the Company were nil as at the balance sheet date (1998 - £ nil).

During 1996, Mr. R.C. Kahrmann assumed a liability of £288,798 arising from lending by a subsidiary company to a third party. This balance was still outstanding at the balance sheet date. The accounts include £18,329 (1998 - £23,763) of interest income due to the subsidiary company in the year on the loan of which £18,329 (1998 - £23,763) was outstanding and included in debtors at the year end. The loan is secured on a property owned by Mr. Kahrmann and carries interest at a commercial rate.

17. Current Asset Investments

Current Asset Investments comprise:-

	1999 £'000	1998 £'000
THE GROUP		
Securities listed in the United Kingdom	531	382
Securities listed on overseas exchanges	12,629	13,022
Unlisted securities	35,640	39,090
	<u>48,800</u>	<u>52,494</u>
THE COMPANY		
Securities listed in the United Kingdom	531	382
Securities listed on overseas exchanges	12,629	13,022
Unlisted securities	35,587	38,909
	<u>48,747</u>	<u>52,313</u>

Included in unlisted securities is an interest in Concordia's debt of £34.6 million (1998 - £37.3 million). (See Note 29).

18. 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.

19. Bank loans, overdrafts and obligations under repurchase agreements

Bank loans and overdrafts

The Company and Group have negotiated short term facilities with banks which, together with borrowings from Uniinvest Holding AG (see Note 20), 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 totalling £7,937,000 (1998: £20,769,000).

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 £35.4 million (1998 - £43.2m).

EBC ASSET MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1999 (continued)

20. Amounts owed to Uniinvest Holding AG and group obligations under repurchase agreements

Amounts owed to Uniinvest Holding AG

Borrowings from Uniinvest Holding AG, a wholly owned subsidiary of Unifina, are unsecured. Of the total, £2,983,000 (1998 - £32,995,000) is renewable at monthly or quarterly intervals. Interest is calculated monthly or quarterly at market rates and is payable in arrears. The balance of £257,133,000 (1998 - £128,904,000) is repayable on demand. Interest is calculated at market rates and charged monthly in arrears.

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 (See Note 29). The securities sold under repurchase agreements where the obligation to repurchase is by an Erb Group company total £48.8 million (1998 - £75.8 million).

21. Creditors – amounts falling due after more than one year

	Group 1999 £'000	Company 1999 £'000	Group 1998 £'000	Company 1998 £'000
Bank loans	23,311	-	29,742	-
Corporation tax	800	800	900	900
	<u>24,111</u>	<u>800</u>	<u>30,642</u>	<u>900</u>

Bank borrowings and repurchase agreements are repayable as follows:

	Group 1999 £'000	Company 1999 £'000	Group 1998 £'000	Company 1998 £'000
Within one year	81,852	86,078	128,021	128,021
Between 2 and 5 years	23,311	-	29,742	-
After five years	-	-	-	-
	<u>105,163</u>	<u>86,078</u>	<u>157,763</u>	<u>128,021</u>

The Group's bank loan of £23.3 million (1998 - £29.7 million) is denominated in Deutschemarks 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 11 fail 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.

Under the terms of the agreement referred to in Note 9 the corporation tax liability will be settled in instalments to be completed by 5 April 2010.

EBC ASSET MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1999 (continued)

22. Deferred taxation

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

	1999		1998	
	Provision made £'000	Full potential liability /(asset) £'000	Provision made £'000	Full potential liability /(asset) £'000
THE GROUP				
Timing differences in respect of fixed assets	-	(15)	-	(21)
Overseas tax	18	18	74	74
	<u>18</u>	<u>3</u>	<u>74</u>	<u>53</u>
THE COMPANY				
Timing differences in respect of fixed assets	-	(15)	-	(21)
	<u>-</u>	<u>(15)</u>	<u>-</u>	<u>(21)</u>

23. Pension arrangements

The group has operated two main pension schemes, one for Jersey and the other for UK based staff. Both schemes are funded, non-contributory and of the defined benefit type. The assets of the schemes are held in separate trustee administered funds.

The total pension cost for the Group was £56,447 (1998: £57,000) of which £52,329 (1998: £48,509) relates to the overseas scheme.

UK Scheme

The latest actuarial assessment of the UK Scheme was as at 1 June 1999. Based on the advice of a qualified independent actuary using the attained age method for the triennial valuation, the Company maintained contributions at the rate of 15% of pensionable pay until July 1993. 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. It was assumed that the investment returns would be greater than average salary increases by 2% per annum. As at 1 June 1999, the market value of the assets was £2,467,000 and the actuarial value of the assets was sufficient to cover 136% of the benefits accrued to members, after allowing for expected future increases in earnings. As a result of this and previously disclosed surpluses and on actuarial advice the monthly contributions to the scheme, previously maintained at 15% of pensionable pay, were stopped with effect from (and including) August 1993. In addition, the decision was taken to equalise normal retirement age to 60 for all members.

Overseas Scheme

The contributions are determined by a qualified actuary on the basis of triennial valuations using the attained age method. 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 rates of increases in salaries and pensions. It was assumed that the investment returns would be 8.5% per annum and that the salary increases would average 8% per annum.

The most recent actuarial valuation at 1 January 1999 showed that the market value of the scheme's assets was £706,380 and that the actuarial value of those assets represented 248% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contribution rate payable from 1 January 1999 was 15.5% of pensionable salaries.

EBC ASSET MANAGEMENT LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 1999 (continued)

24. Called up share capital	1999	1998
	£'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>

25. Profit and loss account

The movement on the profit and loss account has been as follows:-

	Group 1999 £'000	Company 1999 £'000	Group 1998 £'000	Company 1998 £'000
At 1 January	2,597	(2,014)	6,323	2,018
Foreign exchange adjustment	(243)	-	227	-
Retained profit/(loss) for the year	<u>3,285</u>	<u>1,034</u>	<u>(3,953)</u>	<u>(4,032)</u>
At 31 December	<u>5,639</u>	<u>(980)</u>	<u>2,597</u>	<u>(2,014)</u>

Of the Group reserves, £975,000 (1998 - £975,000) has been capitalised by a subsidiary into ordinary share capital.

26. Reconciliation of movements in equity shareholders' funds	1999	1998
	£'000	£'000
Profit/(loss) for the financial year	3,285	(3,953)
Other recognised gains and losses	(243)	227
Net increase/(decrease) in shareholders' funds	<u>3,042</u>	<u>(3,726)</u>
Shareholders' funds at 1 January	6,597	10,323
Shareholders' funds at 31 December	<u>9,639</u>	<u>6,597</u>

27. Minority interests	1999	1998
	£'000	£'000
At 1 January	1,241	1,527
Foreign exchange adjustment	(36)	-
Profit and loss account	<u>386</u>	<u>(286)</u>
Equity minority interest at 31 December	<u>1,591</u>	<u>1,241</u>

28. Commitments and contingencies

(a) In relation to the indemnity from Unifina described in Note 14, any ultimate losses to the Group cannot be determined until the manner in which the indemnity will operate has been established.

(b) At 31 December 1999, the Company and Group were committed to making the following payments during the next year in respect of operating leases:

	Group 1999 £'000	Company 1999 £'000	Group 1998 £'000	Company 1998 £'000
Re buildings:				
Leases which expire after 5 years	<u>172</u>	<u>87</u>	<u>172</u>	<u>87</u>

(c) The group currently has an obligation to purchase certain minority holdings in a group of companies in which a private client of the company has a significant interest, in the sum of £1,413,000. These obligations are currently subject to negotiations and remain outstanding.

(d) The director is currently in negotiations with the Inspector of Taxes regarding the settlement of an outstanding personal tax liability relating to loans and advances made to, or on behalf of the director as set out in notes 16 and 30. The director does not believe that the resolution of these negotiations or any resultant settlement will have any adverse financial impact on the Company.

EBC ASSET MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS – 31 DECEMBER 1999 (continued)

29. Controlling and related parties

Controlling party

No single entity holds a majority of the Company's shares. Unifina is the largest single shareholder, with 49% of the Company's shares. Unifina is one of three independent holding companies privately owned by the Erb family. The Estate of the late Mr. Hugo Erb and Messrs Rolf and Christian Erb control the financial and operating policies of these Erb family companies ("the Erb Group"). The Viva Trust, an Erb family trust, holds 36.005% of the Company's shares.

Taking an overall view, the director considers the Erb Group to be the ultimate controlling party of the Company and the Group.

Related parties

The director considers CBB Holding AG to be a related party due to the Erb Group's significant holding in that company and because the director of the Company is a member of the Supervisory Board of CBB Holding AG. Included in creditors at the year end are amounts due from the Group and Company to CBB Holding AG of £2,109,000 (1998: £1,104,000). The amount owed on secured lending to a third party (who until April 1996 was the chairman of the Board of Management of the related company), included in the balance sheet under loans and advances, was £74.6 million (1998: £67.4 million).

Transactions with the directors during the year are set out in Notes 15 and 16.

30. Post balance sheet events

Since the year end the Company has advanced amounts totalling £6,491,000 to, or on behalf of Mr. R.C. Kahrman, a director of the Company which remain outstanding. An interest rate of 1 month LIBOR plus a 2% margin is applied to the outstanding balance.

During 2000 a loan of £600k made by the company to Devonfield Limited, which is included in other debtors as at 31 December 1999, was capitalised as part of a £3.5m investment in that company representing a holding of 50% of its ordinary share capital. On 29 November 2000 and 17 April 2001 respectively the company purchased the entire share capital of two new subsidiary undertakings, Larkmont Properties Limited, and Windrose Holdings Limited, for a consideration of £300,000 and £100,000 respectively. Since these dates both companies have ceased to trade and have been removed from the Register of Companies.

On 31 December 2001 the company disposed of the entire ordinary share capital of its subsidiary undertaking, EBC Financial Services (Jersey) Limited, to Unifina for a consideration of £4,180,000.

Auditors' report – pages 3 and 4.