



THE EQUITY PARTNERSHIP LIMITED

ANNUAL REPORT AND ACCOUNTS

31 DECEMBER 2001



Registered No. 4196006

THE EQUITY PARTNERSHIP LIMITED

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THE EQUITY PARTNERSHIP LIMITED

Company Information

Directors

J M P Welman
N D Eckert
J McGrane
R Shankar
M J Williamson

Appointed 20 April 2001
Appointed 9 August 2001
Appointed 9 August 2001
Appointed 20 April 2001
Appointed 7 September 2001

Secretary

P J Goddard

Appointed 20 April 2001

Registered Office

55 Bishopsgate
London
EC2N 3AS

Registered Number

4196006

Auditors

Mazars Neville Russell
Chartered Accountants & Registered Auditors
24 Bevis Marks
London
EC3A 7NR

THE EQUITY PARTNERSHIP LIMITED

Report of the Directors

The directors present their report and the financial statements of the company for the period ended 31 December 2001.

Date of Incorporation

The company was incorporated on 6 April 2001 as Northfield Limited and changed its name to The Equity Partnership Limited on 20 April 2001.

Principal activities and business review

The company acts as Investment Manager to The Equity Partnership Investment Company PLC (EPIC) a closed-end investment company incorporated in the Isle of Man and quoted on The London Stock Exchange. The company commenced business operations on 14 August following the successful placing of EPIC on the London Stock Exchange, which raised £65 million.

The company has purchased a 70% stake in EPIC Asset Management Limited an asset management company regulated by the Financial Services Authority.

At 31 December 2001 the group managed funds totalling £670 million for various clients.

In the opinion of the directors the state of affairs of the company and its subsidiaries at the end of the period was satisfactory. The directors expect the group to develop satisfactorily in the forthcoming year.

Result and dividend

The profit for the year attributable to shareholders amounts to £20,920 and is dealt with as shown in the profit and loss account.

The directors do not recommend the payment of a final dividend.

Directors and share interests

The names of the directors as at the date of this report are listed on page 2. Chalfen Nominees Limited were appointed as director on 6 April 2001 and resigned on 20 April 2001.

The interests of the directors and their families in the share capital of the company, (according to the register of directors' interests), were as follows:-

	<u>Ordinary shares of £1 each</u>			
	<u>Shares</u>		<u>Options</u>	
	<u>31</u> <u>December</u> <u>2001</u>	<u>At</u> <u>Date of</u> <u>Appointment</u>	<u>31</u> <u>December</u> <u>2001</u>	<u>At</u> <u>Date of</u> <u>Appointment</u>
J M P Welman	1,000	1,000	222	-
N D Eckert	-	-	-	-
J McGrane	-	-	-	-
R Shankar	300	300	222	-
M J Williamson	-	-	-	-

Secretary

The secretary at the date of this report is shown on page 2. Chalfen Secretaries Limited were appointed as secretary on 6 April 2001 and resigned on 20 April 2001.

THE EQUITY PARTNERSHIP LIMITED

Report of the Directors continued

Statement of directors' responsibilities

The directors are required by company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for the year then ended. In preparing these financial statements, the directors are required to:-

- select suitable accounting policies and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

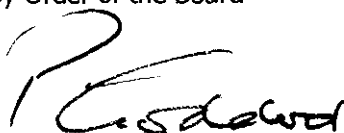
Donations

No contributions to political or Charitable organisations were made during the period.

Auditors

The directors appointed Mazars Neville Russell as the company's first auditors on 9 August 2001. Mazars Neville Russell, have signified their willingness to continue in office and a resolution proposing their re-appointment will be put to the forthcoming Annual General Meeting.

By Order of the Board



P J Goddard
Secretary
19 April 2002

THE EQUITY PARTNERSHIP LIMITED

Independent Auditors' Report To the Shareholders of The Equity Partnership Limited

We have audited the financial statements on pages 7 to 19. These financial statements have been prepared under the accounting policies set out on page 11.

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

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

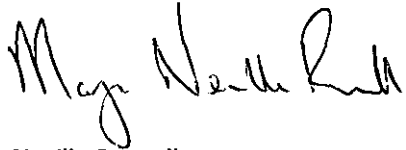
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity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

THE EQUITY PARTNERSHIP LIMITED

Independent Auditors' Report continued

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2001 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Mazars Neville Russell
Chartered Accountants & Registered Auditors
24 Bevis Marks
London
EC3A 7NR
19 April 2002

THE EQUITY PARTNERSHIP LIMITED

Consolidated Profit and Loss Account For the Period Ended 31 December 2001

		Period ended 31 December 2001 <u>£</u>
	Notes	
Turnover – continuing operations	1 (d) & 2	596,001
Administrative expenses		<u>(572,319)</u>
Operating profit – continuing operations	3	23,682
Interest receivable and similar income	4	<u>5,908</u>
Profit on ordinary activities before taxation		29,590
Taxation	7	<u>(8,545)</u>
Profit on ordinary activities after taxation		21,045
Minority interests		
Equity interests		<u>(125)</u>
Profit for the period attributable to members of the parent company		20,920
 Dividends – proposed		 <u>-</u>
Retained profit carried forward		<u><u>20,920</u></u>

The company has no recognised gains and losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

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

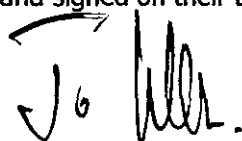
The notes on pages 11 to 19 form part of these accounts.

THE EQUITY PARTNERSHIP LIMITED

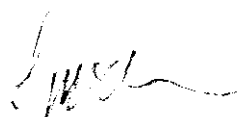
Consolidated Balance Sheet As at 31 December 2001

	Notes	2001 £
Fixed assets		
Tangible assets	8	20,582
Current assets		
Debtors	10	374,655
Cash at bank, deposits and cash in hand		629,041
		1,003,696
Creditors: Amounts falling due within one year	11	(340,233)
Net current assets		663,463
Total assets less current liabilities		684,045
Minority interests		
Equity		(3,125)
Net assets		680,920
Capital and reserves		
Called up share capital	12	660,000
Profit and loss account		20,920
Shareholders' funds (including non equity interests)	14	680,920

The financial statements on pages 7 to 19 were approved by the Board of Directors on 19 April 2002 and signed on their behalf by:-



J M P WELMAN
Director



J McGRANE
Director

The notes on pages 11 to 19 form part of these accounts.

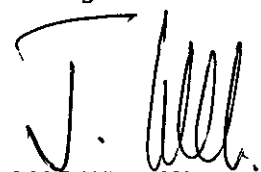
THE EQUITY PARTNERSHIP LIMITED

Balance Sheet

As at 31 December 2001

	Notes	2001 £
Fixed assets		
Tangible assets	8	20,582
Investment in subsidiary undertaking	9	300,000
		<u>320,582</u>
Current assets		
Debtors	10	393,456
Cash at bank, deposits and cash in hand		280,064
		<u>673,520</u>
Creditors: Amounts falling due within one year	11	(313,473)
Net current assets		<u>360,047</u>
Total assets less current liabilities		<u>680,629</u>
Net assets		<u>680,629</u>
Capital and reserves		
Called up share capital	12	660,000
Profit and loss account		20,629
		<u>680,629</u>
Shareholders' funds (including non equity interests)	14	<u>680,629</u>

The financial statements on pages 7 to 19 were approved by the Board of Directors on 19 April 2002 and signed on their behalf by:-



J M P WELMAN
Director



J McGRANE
Director

The notes on pages 11 to 19 form part of these accounts.

THE EQUITY PARTNERSHIP LIMITED

Statement of Consolidated Cash Flows For the period ended 31 December 2001

		2001 £
	Notes	
Net cash flow from operating activities	15(a)	<u>(10,522)</u>
Dividends from joint ventures and associates		-
Returns on investments and servicing of finance		-
Taxation		-
Capital expenditure		
Payments to acquire tangible fixed assets		<u>(23,437)</u>
Acquisitions and disposals	15(d)	
Purchase of subsidiary undertaking		(300,000)
Net cash acquired with subsidiary undertaking		<u>303,000</u>
		<u>3,000</u>
Financing	15(b)	660,000
Increase in cash	15(c)	<u>629,041</u>

The notes on pages 11 to 19 form part of these accounts

THE EQUITY PARTNERSHIP LIMITED

Notes to the Financial Statements For the year ended 31 December 2001

1. Accounting policies

(a) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Consolidated accounts

The group accounts consolidate the accounts of The Equity Partnership Limited, and its subsidiary undertaking drawn up to 31 December 2001. No profit and loss account is presented for The Equity Partnership Limited as permitted by section 230 of The Companies Act 1985.

(c) Tangible fixed assets

Tangible fixed assets are stated at cost. Depreciation is calculated so as to write off the cost over their estimated useful lives on a straight line basis as follows:

Office machinery	25% per annum
Computer equipment	33% per annum

(d) Turnover

Turnover consists of investment management fees and advisory fees receivable net of value added tax.

(e) Expenses

All expenses are accounted for on an accruals basis.

(f) Deferred taxation

Deferred taxation is provided in respect of all timing differences, to the extent that it is probable that a liability or asset will crystallise in the foreseeable future, at the rates of tax expected to apply when the timing differences reverse.

(g) Pension benefits

The company operates a money purchase pension scheme for its entire staff. Contributions are charged to the profit and loss account in the period to which they relate.

2. Turnover

	Period ended 31 December 2001 £
Investment management fees	572,730
Other advisory fees	23,271
	<u>596,001</u>

Turnover arises from the UK.

THE EQUITY PARTNERSHIP LIMITED

Notes to the Financial Statements continued

3. Operating profit- continuing operations

This is arrived at after charging:-	Period ended 31 December 2001 £
Auditors' remuneration	
- audit work	7,500
- non-audit work	2,000
Staff costs	
- salaries	309,752
- social security costs	36,677
- other pension costs	40,021

4. Interest receivable and similar income

	Period ended 31 December 2001 £
Bank interest receivable	5,908

5. Staff costs

(a) The average number of persons employed in the activities of the company during the year, including directors, was as follows:-	Period ended 31 December 2001 No.
Management	6
Administration	8
	14

THE EQUITY PARTNERSHIP LIMITED

Notes to the Financial Statements continued

6. Directors' remuneration and transactions involving directors

	Period ended 31 December 2001 £
Directors' remuneration	
Emoluments	148,745
Pension contributions under money purchase scheme	20,350
Number of directors for whom benefits are accruing under:	
A money purchase scheme	3
Number of directors who:	
Exercised share options	Nil
Highest paid director:	£
Remuneration	63,134
Money purchase scheme	7,950

7. Taxation

	Period ended 31 December 2001 £
Corporation tax provision on the profit on ordinary activities for the year at 20%	10,400
Deferred taxation on short term timing differences	(1,855)
	8,545

8. Tangible fixed assets

Group and Company	Computers £	Office Equipment £	Total £
Cost:			
Additions	11,965	11,472	23,437
31 December 2001	11,965	11,472	23,437
Depreciation:			
Charge for period	1,660	1,195	2,855
31 December 2001	1,660	1,195	2,855
Net book value:			
31 December 2001	10,305	10,277	20,582

THE EQUITY PARTNERSHIP LIMITED

Notes to the Financial Statements continued

9. Investment in subsidiary undertaking

The Company's investment in its subsidiary undertaking at 31 December 2001 was:

	2001 £
Additions at cost during the period	300,000

The company purchased a 70% holding of the ordinary shares and 100% of the non cumulative preference shares in EPIC Asset Management Limited an investment management company regulated by The Financial Services Authority. The subsidiary company is registered in England.

10. Debtors

Group

	2001 £
Due within one year:	
Other debtors	132,871
Deferred taxation	1,855
Prepayments and accrued income	239,929
	<u>374,655</u>

Company

	2001 £
Due within one year:	
Amount due from subsidiary undertaking	126,866
Deferred taxation	1,855
Other debtors	24,806
Prepayments and accrued income	239,929
	<u>393,456</u>

11. Creditors

Group

	2001 £
Amounts falling due within one year:	
Amounts due to related undertaking	241,188
Corporation tax payable	10,400
Other creditors	34,090
Accruals and deferred income	54,555
	<u>340,233</u>

THE EQUITY PARTNERSHIP LIMITED

Notes to the Financial Statements continued

11. Creditors (continued)

Company	2001 £
Amounts falling due within one year:	
Amounts due to related undertaking	241,188
Corporation tax payable	7,200
Other creditors	14,530
Accruals and deferred income	50,555
	<u>313,473</u>

12. Called up share capital

	2001 £
Authorised	
10,000 'A' Ordinary shares of £1 each	10,000
1,111 'B' Ordinary shares of £1 each	1,111
1,000,000 Non cumulative preference shares of £1 each	1,000,000
	<u>1,011,111</u>
Issued and fully paid:	
10,000 'A' voting shares of £1 each	10,000
650,000 Non cumulative preference shares of £1 each	650,000
	<u>660,000</u>

The company increased its authorised share capital from £1,000 to £10,000 by the creation of 9,000 Ordinary shares of £1 each on 20 April 2001. A further increase in authorised share capital was effected on 9 August 2001 by the creation of 1,111 'B' ordinary shares of £1 each and 1,000,000 Non cumulative preference shares of £1 each.

THE EQUITY PARTNERSHIP LIMITED

Notes to the Financial Statements continued

12. Called up share capital (continued)

The preference shares are redeemable at par by the company ten years after 9 August 2001 or at an earlier date in the event of a change of ownership. They carry no votes and a non-cumulative dividend right of 0.001p per share in any year in which a dividend is payable on the ordinary shares. On a winding up of the company, the preference shareholders have a right, in preference to any payments to the ordinary shareholders, to receive £1 per share.

During the period the following issues of preference shares have occurred, all issues were at par:

	Preference shares issued
7 September	350,000
28 September	200,000
18 October	100,000
	<u>650,000</u>

The company allotted 1,600 'A' ordinary shares of £1 each at par on 7 June 2001 to provide initial capital of the company. A further 8,400 'A' ordinary shares of £1 each at par were issued on 9 August 2001 in order to comply with the capital structure in the shareholders agreement dated 9 August 2001.

The 'B' ordinary shares of £1 each, which will be issued on the exercise of the share option scheme, will rank pari passu with the 'A' ordinary shares of £1 each after issue.

13. Share options

The company has a share option scheme under which options for 711 'B' Ordinary shares of £1 each have been granted on 30 November 2001. The options, which are dependent on the future performance of the group, have an exercise price of £1. The options will expire one year after the vesting events have been met and agreed by the Board.

14. Reconciliation of movements in shareholders' funds

	2001 £
Group	
Profit for the year	20,920
Share capital issued in period	660,000
Shareholders' funds at 31 December	<u>680,920</u>
Shareholders funds at 31 December are split between	
Equity interests	30,920
Non-equity interests	650,000
	<u>680,920</u>

THE EQUITY PARTNERSHIP LIMITED

Notes to the Financial Statements continued

14. Reconciliation of movements in shareholders' funds (continued)

	2001 £
Company	
Profit for the year	20,629
Share capital issued in period	660,000
Shareholders' funds at 31 December	680,629
Shareholders funds at 31 December are split between	
Equity interests	30,629
Non-equity interests	650,000
	680,629

15. Notes to the statement of cash flows

	Period ended 31 December 2001 £
(a) Reconciliation of operating profit to net cash inflow from operating activities:	
Operating profit	29,590
Depreciation	2,855
Increase in debtors	(372,800)
Increase in creditors	329,833
Net cash inflow from operating activities	(10,522)
(b) Financing	
Issue of ordinary shares	10,000
Issue of preference shares	650,000
	660,000
(c) Movement in cash	
Balance at start of period	-
Increase in cash	626,041
Balance at 31 December 2001	626,041

THE EQUITY PARTNERSHIP LIMITED

Notes to the Financial Statements continued

15. Notes to the statement of cash flows (continued)

	Period ended 31 December 2001 £
(d) Purchase of subsidiary undertaking	
Cash at bank and in hand	303,000
Minority shareholders interests	(3,000)
Satisfied by cash	<u>300,000</u>

The subsidiary undertaking acquired during the period contributed £348,978 to the group's net operating cash flows.

16. Pensions

The company provides a non contributory money purchase pension scheme for all its employees. The pension cost charge represents contributions payable by the company and amounted to £ 40,021. At 31 December 2001 an amount of £ 17,993 is included in the amounts due to a related undertaking in respect of pension contributions.

17. Related party transactions

The Equity Partnership Investment Company PLC (EPIC) has subscribed for 29.9% of the company's ordinary share capital at par. While EPIC has a shareholding in excess of 20% of the company's shareholding it is entitled to appoint a director of the company. At the period end EPIC had not made such an appointment and had indicated that it has no current intention to make the appointment.

During the period the group has entered into an agreement with EPIC as the investment manager to the EPIC fund. The group receives a management fee of 1% per annum payable quarterly in arrears on 31 October, 31 January, 30 April and 31 July each year. At 31 December the group has earned an amount of £253,937 of which an amount of £115,000 was due to be included in the fee to be raised on 31 January 2002.

In the event of the EPIC fund outperforming an agreed benchmark for the investment performance then a performance fee is receivable by the group. No such fee is receivable prior to 31 July 2004

Mr Welman acts as a director of EPIC and has waived his right to any fee from EPIC for his services. Mr Welman holds 50,000 Income and 50,000 Capital shares in EPIC. As a 10% shareholder in the company with options over a further 2% of the company Mr Welman is interested in the fees payable by EPIC to the group.

Mr Welman is also chairman of Brit Insurance Holdings PLC (Brit), which holds 34.1% of the company's ordinary share capital. Brit has an investment advisory agreement with the group and he is therefore interested in the fees earned under this contract. The group pays Brit 70% of Mr Welman's employment costs representing the agreed split of Mr Welman's time between the group and Brit.

The group has entered into an agreement to pay £8,500 per annum per employee in settlement of all operational office costs to Brit. At the balance sheet date the group owed £25,199 in respect of this agreement. The group occupies office space within the offices of Brit. As part of the shareholders agreement there is no rental charge for the offices for the first three years.

THE EQUITY PARTNERSHIP LIMITED

Notes to the Financial Statements continued

17. Related party transactions (continued)

The group has an agreement with Brit Group Services Limited (BGS), a wholly owned subsidiary of Brit, whereby BGS provides employment facilities to the group's employees. In addition BGS pays some costs for the group as they fall due. All costs are recharged by BGS on a monthly basis. At the period end the group owed BGS £75,637 in respect of salaries and £61,624 for other costs. BGS also purchased fixed assets for the group and these were recharged at cost. At 31 December the group owed BGS £23,437 in respect of these assets.

Under the Shareholders Agreement dated 9 August 2001 Benfield Group Plc (Benfield) has subscribed for 20% of the ordinary share capital of the company at par and has agreed to subscribe for up to 1,000,000 Preference shares at par. At 31 December Benfield has subscribed for 650,000 Preference shares at par. Under the agreement Benfield has the right to appoint a director to the company and has appointed Mr J McGrane to act in this capacity. No directors fees are payable in respect of this appointee. In addition under the agreement Benfield has agreed to place certain funds under the management of EPAM. At the balance sheet date no funds had been placed.

The group receives advisory fees in respect of Mr Welman's services as a director of the following companies:

	Annual Fee £	Amount outstanding 31 December 2001 £
Cathedral Capital PLC	20,000	7,507
London Town PLC	30,000	11,260
Close FTSE 100 Investment Trust Plc	12,500	4,504
	<u>62,500</u>	<u>23,271</u>