

ABN AMRO Asset Management Limited

Registered No. 979759

DIRECTORS

T Cross Brown (Chairman)
A F Hames
G M Luckraft
N A D Thomas
A N R Fleming
C G Erwin
D M Keegan
R A Kyprianou

SECRETARY

A F Hames

AUDITORS

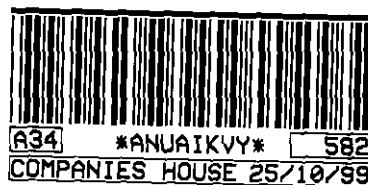
Ernst & Young
Rolls House
7 Rolls Buildings
Fetter Lane
London
EC4A 1NH

BANKERS

The Royal Bank of Scotland plc
49 Charing Cross
London SW1A 2DX

REGISTERED OFFICE

4 Broadgate
London EC2M 7LE



ABN AMRO Asset Management Limited

DIRECTORS' REPORT

The directors present their annual report and accounts for the year ended 31 December 1998.

CHANGE OF NAME

The company changed its name on 26 January 1998 to ABN AMRO Asset Management Limited.

PRINCIPAL ACTIVITIES

The principal activity of the company is investment management for private clients, trust funds and pension funds. The principal activity of the company's subsidiary, ABN AMRO Fund Managers Limited, is unit trust management.

REVIEW OF DEVELOPMENTS, RESULTS AND DIVIDENDS

The company's profit and loss account is shown on page 6 and the balance sheet on page 7. The directors do not recommend payment of a dividend. The loss for the year of £1,331,000 is transferred to retained reserves.

FIXED ASSETS

Movements in fixed assets during the year are shown in notes 8 and 9 to the accounts.

CHARITABLE CONTRIBUTIONS

Donations to UK charities amounted to £5,004.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

A F Hames
G M Luckraft
N A D Thomas
T Cross-Brown (Chairman)
J F R Campbell (appointed 28 January 1998, resigned 10 November 1998)
N W A Bannister (resigned 26 January 1998)
A N R Fleming (appointed 9 July 1998)
C G Erwin (appointed 9 July 1998)
D M Keegan (appointed 13 February 1998)
R A Kyprianou (appointed 26 January 1998)

The directors have no interests in the share capital of the company or of other group companies.

YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in event that there is a failure by other parties to remedy their own year 2000 issues.

The company is well advanced in the phase of addressing the risks to our business resulting from the date change to the year 2000. Once this phase is completed we can assess the likely impact on our activities and develop prioritised action plans to deal with the key risks.

ABN AMRO Asset Management Limited

DIRECTORS' REPORT

YEAR 2000 COMPLIANCE (continued)

Much of the cost of implementing the action plans will be subsumed into the recurring activities of the departments involved. The total costs of modifications (to be split across ABN AMRO Asset Management Limited, ABN AMRO Fund Managers Limited and ABN AMRO Asset Management (Fixed Income) Limited) to our computer hardware and software is estimated at £469,000, of which about £52,000 is new equipment that will be capitalised and the remainder will be expensed as incurred. Of this £469,000 total, expenditure of £47,000 has been incurred by the company during the year and the remaining £120,000 will be incurred during 1999.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board



Secretary

ABN AMRO Asset Management Limited

STATEMENT OF DIRECTORS RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts 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 accounts 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.

REPORT OF THE AUDITORS**to the members of ABN AMRO Asset Management Limited**

We have audited the accounts on pages 6 to 13, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

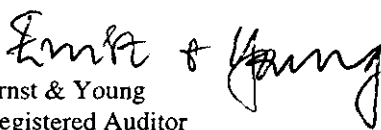
Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1998 and of the result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Registered Auditor
London

29.12.99

ABN AMRO Asset Management Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1998

		<i>Period from Year 8 April 1997 ended to 31 December 31 December 1998 1997 £000 £000</i>	
	<i>Notes</i>		
TURNOVER	2	2,390	1,778
GROSS PROFIT		2,390	1,778
Administrative expenses		(4,557)	(1,791)
OPERATING LOSS		(2,167)	(13)
Interest receivable and similar income		254	61
Interest payable and similar charges	3	(6)	-
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(1,919)	48
Tax on (loss)/profit on ordinary activities	5	588	(25)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(1,331)	23

All the company's activities are continuing.

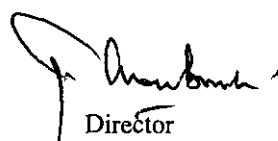
There were no recognised gains or losses other than those shown in the profit and loss account.

ABN AMRO Asset Management Limited

BALANCE SHEET at 31 December 1998

		<i>31 December</i>	<i>31 December</i>
		<i>1998</i>	<i>1997</i>
		<i>£000</i>	<i>£000</i>
FIXED ASSETS			
Tangible assets	8	19	53
Investments	9	2,075	75
		<u>2,094</u>	<u>128</u>
CURRENT ASSETS			
Debtors	10	1,549	1,033
Cash at bank and in hand		6,078	2,725
		<u>7,627</u>	<u>3,758</u>
CREDITORS: amounts falling due within one year	11	(6,237)	(3,071)
NET CURRENT ASSETS		<u>1,390</u>	<u>687</u>
NET ASSETS		<u>3,484</u>	<u>815</u>
CAPITAL AND RESERVES			
Called up share capital	12	4,079	79
Share premium account		184	184
Profit and loss account		(779)	552
SHAREHOLDERS' FUNDS	14	<u>3,484</u>	<u>815</u>

The accounts were approved by the Board of Directors on 29 April 1999 and signed on their behalf by:


Director

ABN AMRO Asset Management Limited

NOTES TO THE ACCOUNTS

at 31 December 1998

1. ACCOUNTING POLICIES

Accounting convention

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

Group accounts

Group accounts are not prepared because the company is a wholly owned subsidiary of a company incorporated in the EC which prepares group accounts. These accounts present the net assets and results for the company as a single entity and not for its group.

Depreciation

Depreciation is charged on fixed assets on a straight line basis at the following rates per annum:

Fixtures and fittings	-	33% on cost
Computer equipment	-	33% on cost

Deferred taxation

Deferred taxation, calculated on the liability method, is provided to the extent that the directors consider that a liability will crystallise in the foreseeable future.

Income from securities

Income from securities is accounted for on a receivable basis.

Pensions

Since the acquisition of the company by ABN AMRO Equities Holdings (UK) Limited, the employees have been eligible for membership of a defined benefit separately funded group scheme. Charges made by ABN AMRO Management Services Limited in respect of pension contributions equate to the regular cost of pensions, as determined with the advice of independent qualified actuaries, over the employees' working lives within the group. Information on the actuarial valuation of the scheme is presented in the accounts of ABN AMRO Management Services Limited.

2. TURNOVER

Turnover comprises investment management fees, all of which arise in the United Kingdom.

ABN AMRO Asset Management Limited

NOTES TO THE ACCOUNTS

at 31 December 1998

3. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 1998 £000	Period from 8 April 1997 to 31 December 1997 £000
Compensation of loss on deal	6	—

4. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging:

	Year ended 31 December 1998 £000	Period from 8 April 1997 to 31 December 1997 £000
Auditors' remuneration - audit services	12	12
- non audit services	3	3
Depreciation of tangible fixed assets	77	35
Directors' emoluments (note 6)	1,976	577
Rental of premises	195	38

5. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December 1998 £000	Period from 8 April 1997 to 31 December 1997 £000
UK corporation tax based on (loss)/profit for the year	—	25
Group relief receivable	588	—
	588	25

There are no unprovided deferred tax liabilities.

ABN AMRO Asset Management Limited

NOTES TO THE ACCOUNTS

at 31 December 1998

6. DIRECTORS' EMOLUMENTS

Certain directors of the company are also directors of other affiliated companies.

The proportion of the emoluments paid to directors in respect of services to this company are shown below.

	<i>Year ended 31 December 1998 £000</i>	<i>Period from 8 April 1997 to 31 December 1997 £000</i>
Emoluments	1,976	577
	<i>No.</i>	<i>No.</i>
Members of defined benefit pension scheme	8	2

The emoluments of the highest paid director were £637,179 (1997 - £157,500). Pension contributions paid in respect of the highest paid director were £1,343 (1997 - £nil).

7. STAFF COSTS

The company did not have any direct employees during the year (1997 - none) but incurred charges in respect of staff costs from the Group Service Company. No directors' emoluments were paid by the company, but charges were incurred in respect of directors' services.

8. TANGIBLE FIXED ASSETS

	<i>Fixtures and fittings £000</i>	<i>Total £000</i>
Cost:		
At 1 January 1998	177	177
Disposals	(6)	(6)
At 31 December 1998	171	171
Depreciation:		
At 1 January 1998	124	124
Charge for year	33	33
Disposals	(5)	(5)
At 31 December 1998	152	152
Net book value:		
At 31 December 1998	19	19
At 31 December 1997	53	53

ABN AMRO Asset Management Limited

NOTES TO THE ACCOUNTS

at 31 December 1998

9. FIXED ASSET INVESTMENTS

	1998 £000	1997 £000
Cost:		
At 31 December 1997	75	75
Additions	2,000	-
At 31 December 1998	<u>2,075</u>	<u>75</u>

At 31 December 1998 the company held 100% of the equity, consisting of ordinary shares, of ABN AMRO Fund Managers Limited.

In the opinion of the directors the aggregate value of the company's subsidiary is not less than the amount at which it is stated in the balance sheet.

10. DEBTORS

	1998 £000	1997 000
Trade debtors	791	853
Other debtors	89	88
Corporation tax recoverable	29	29
Prepayments and accrued income	27	38
Advance corporation tax recoverable	25	25
Group relief receivable	588	-
	<u>1,549</u>	<u>1,033</u>

11. CREDITORS: amounts falling due within one year

	1998 £000	1997 £000
Trade creditors	-	13
Amounts owed to immediate holding company	5,718	2,468
Accruals and deferred income	437	564
Value added tax	57	-
Corporation tax	25	25
Other creditors	-	1
	<u>6,237</u>	<u>3,071</u>

NOTES TO THE ACCOUNTS

at 31 December 1998

12. CALLED UP SHARE CAPITAL

	1998 £000	1997 £000
Authorised:		
10,000,000 (1997 - 40,000) ordinary shares of £1 each	10,000	40
40,000 deferred ordinary shares of £1 each	-	40
	<u>10,000</u>	<u>80</u>
Alotted, called up and fully paid:		
4,038,869 (1997 - 38,869) ordinary shares of £1 each	4,079	39
39,997 deferred ordinary shares of £1 each	-	40
	<u>4,079</u>	<u>79</u>

During the year the 40,000 ordinary shares of £1 each and the 40,000 deferred ordinary shares of £1 each were consolidated into 80,000 ordinary shares of £1 each. The authorised share capital was increased to 10,000,000 by the creation of 9,920,000 ordinary shares of £1 each.

On 14 September 1998 4,000,000 shares of £1 each were issued at par to increase the working capital of the company.

13. OPERATING LEASES COMMITMENT

Payments under operating leases committed to be made during the following year are as follows:

	1998 £000	1997 £000
Commitment expiring in the second to fifth year inclusive:		
Rents payable on land and buildings	-	52

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £000	Share premium £000	Profit and loss account £000	Total £000
At 8 April 1997	79	184	529	792
Profit for the period	-	-	23	23
At 31 December 1997	<u>79</u>	<u>184</u>	<u>552</u>	<u>815</u>
Loss for the year	-	-	(1,331)	(1,331)
New shares issued	4,000	-	-	4,000
At 31 December 1998	<u>4,079</u>	<u>184</u>	<u>(779)</u>	<u>3,484</u>

NOTES TO THE ACCOUNTS

at 31 December 1998

15. ULTIMATE HOLDING COMPANY

The company's immediate parent company is ABN AMRO Equities Holdings (UK) Limited, a company registered in England and Wales.

The ultimate parent undertaking which presents group accounts in which the company is included is ABN AMRO Holding N.V., a company incorporated in The Netherlands. Group accounts are available from ABN AMRO Holding N.V., P.O. Box 600, 1000 AP Amsterdam, The Netherlands.

16. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption from disclosure of transactions with group companies contained in Financial Reporting Standard No.8: Related Party Disclosures.

17. CASH FLOW STATEMENT

Cash flows of the company are included in the consolidated cash flow statement of ABN AMRO Bank NV and consequently, the company is exempt under the terms of Financial Reporting Standard No. 1 (Revised) from publishing a cash flow statement.

18. POST BALANCE SHEET EVENTS

On 4 February 1999, an additional 2,000,000 shares of £1 each were issued at par. This was to increase the working capital of the company.

THE FOLLOWING TRADING AND PROFIT AND LOSS ACCOUNT DOES NOT FORM PART OF
THE AUDITED ACCOUNTS

ABN AMRO Asset Management Limited

DETAILED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1998

	Year ended 31 December 1998 £000	Period from 8 April 1997 to 31 December 1997 £000
Fees earned	2,390	1,755
Interest received	254	61
Commissions	—	23
	<u>2,644</u>	<u>1,839</u>
Salaries and staff costs	2,221	1,020
Legal and professional	564	594
Rent, rates and premises charges	992	100
Communications and IT support	368	49
Pension costs	171	17
Travel and entertaining	111	60
Trade and sundry expenses	67	56
Research and advertising	43	72
Commission payable	20	20
Bank charges and interest	6	—
Management charge	—	(197)
	<u>(4,563)</u>	<u>(1,791)</u>
(LOSS)/PROFIT BEFORE TAXATION	(1,919)	48
Taxation	588	(25)
	<u>(1,331)</u>	<u>23</u>
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	(1,331)	23
Retained profit brought forward	552	529
	<u>(779)</u>	<u>552</u>
RETAINED (LOSS)/PROFIT CARRIED FORWARD	(779)	552