

Broadgate Investment Management Limited

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DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 31 December 1998.

ACTIVITIES

On 3 July 1998 the company sold its principal investment management business activity (note 7) to record a profit on the sale of £2,750,000. The proceeds were used to purchase an investment providing dividends and capital growth.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The results for the year are set out in the profit and loss account on page 6 of the financial statements. A profit of £2,119,000 (1997 - loss £226,000) has been transferred to reserves.

DIVIDEND

The directors do not recommend the payment of a dividend (1997 - £nil).

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year ended 31 December 1998 or at the date of this report were:

D M Keegan	(appointed 14 April 1998)
J M Munro	(appointed 14 April 1998)
M G McDonald	(appointed 5 May 1998)
J L J Kenneally	(resigned 2 July 1998)
J D Webb	(resigned 2 July 1998)

There are no directors' interests requiring disclosure under the Companies Act 1985.

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 the event that there is a failure by other parties to remedy their own year 2000 issues.

The company, as part of a group effort, is well advanced in addressing the risks to our business from the year 2000. Much of the cost of replacing non-compliant computer systems was subsumed in 1998 into the upgrades that were required for accommodating the new Euro currency from 1 January 1999. During 1999 much of the cost of implementing and testing the modifications required to our systems will be borne as part of the ongoing costs of the departments involved. External costs are borne by ABN AMRO Management Services Limited who will recharge the individual group companies for their share. Total budgeted hardware and software costs in ABN AMRO Management Services Limited in 1999 for the year 2000 project are £330,000.

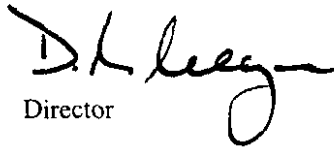
In addition the group companies are developing contingency plans to address the impact of the failure of any external supplier to address year 2000.

DIRECTORS' REPORT

AUDITORS

In accordance with section 386 of the Companies Act 1985, the company has elected to dispense with the obligation to appoint auditors annually. Ernst & Young are therefore deemed to be reappointed as the company's auditors for each succeeding year, as long as the election remains in place.

Approved by the Board and signed on its behalf


Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year 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 financial statements, the directors are required to:

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

REPORT OF THE AUDITORS
to the members of Broadgate Investment Management Limited

We have audited the financial statements on pages 6 to 10, 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 financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

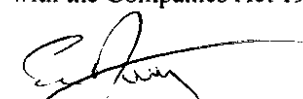
Basis of opinion

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 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.

Opinion

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



Ernst & Young
Registered Auditor
London

Broadgate Investment Management Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1998

	<i>Notes</i>	<i>1998</i> <i>£000</i>	<i>1997</i> <i>£000</i>
TURNOVER ON DISCONTINUED OPERATIONS	2	1,140	2,210
Administrative expenses	3	(1,048)	(2,551)
OPERATING PROFIT/(LOSS) ON DISCONTINUED OPERATIONS		92	(341)
Interest receivable and similar income	6	161	39
Profit on disposal of investment management business	7	2,750	–
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		3,003	(302)
Tax on profit/(loss) on ordinary activities	8	(884)	76
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		2,119	(226)

The above profit and loss account also represents the company's statement of total recognised gains and losses as required by Financial Reporting Standard 3.

Broadgate Investment Management Limited

BALANCE SHEET

at 31 December 1998

	Notes	1998 £000	1997 £000
CURRENT ASSETS			
Debtors	9	2	388
Investments	10	3,400	—
Cash at bank and in hand		466	1,275
		<u>3,868</u>	<u>1,663</u>
CREDITORS: amounts falling due within one year	11	(1,139)	(1,053)
		<u>2,729</u>	<u>610</u>
NET CURRENT ASSETS			
		<u>2,729</u>	<u>610</u>
CAPITAL AND RESERVES			
Called up share capital	12	1,250	1,250
Profit and loss account	13	1,479	(640)
		<u>2,729</u>	<u>610</u>

The financial statements were approved by the Board of Directors on 26 October 1999
and signed on their behalf by:


Director

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 1998

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared in accordance with applicable accounting standards.

Basis of preparation

The financial statements have been prepared in accordance with the historical cost convention.

Management fees

Management fees are recognised on an accruals basis. Fees received on the establishment of a fund are amortised over the period in which the related set up costs are incurred.

Cash flow statement

A cash flow statement has not been prepared because all the company's voting rights are controlled by ABN AMRO Holding NV which produces publicly available consolidated financial statements in which the company is included.

Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard 8 from disclosing transactions with related parties which are part of the group.

2. TURNOVER

Turnover represents management fees earned during the year. The directors are of the opinion that it would not be in the interests of the company to give separate disclosure in respect of each geographical market.

3. ADMINISTRATIVE EXPENSES

Administrative expenses comprise direct costs, including licence fees, plus expenditure recharged by the group service company for central costs and overheads. This includes auditors' remuneration which is paid by ABN AMRO Management Services Limited and disclosed in the financial statements of that company.

4. DIRECTORS' EMOLUMENTS

	1998 £000	1997 £000
Emoluments	466	477

The amounts in respect of the highest paid director are as follows:

	1998 £000	1997 £000
Emoluments	162	258

5. EMPLOYEES

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' remuneration was paid by the company, but recharges were incurred in respect of their directorships.

Broadgate Investment Management Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 1998

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	1998 £000	1997 £000
Bank interest income	161	39

£52,000 of the year's income relate to the discontinued principal Investment Management business.

7. PROFIT ON DISPOSAL OF PRINCIPAL INVESTMENT MANAGEMENT BUSINESS

	1998 £000	1997 £000
Proceeds	2,750	–

On 3 July 1998, the principal investment management business of the company was sold for £2,750,000.

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

	1998 £000	1997 £000
Payment for group relief prior year	–	13
Payment/(receipt) for group relief current year	884	(89)
	884	(76)

9. DEBTORS

	1998 £000	1997 £000
Group relief amount receivable	–	76
Investment management fees receivable	–	312
Amounts owed by fellow subsidiary undertakings	2	–
	2	388

10. INVESTMENTS

	1998 £000	1997 £000
Investment at cost	3,400	–

The single investment is in ABN AMRO Global Liquidity Funds - Sterling Fund, a listed investment. At 31 December 1998 the market value was equal to cost.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 1998

11. **CREDITORS:** amounts falling due within one year

	1998 £000	1997 £000
Amounts owed to parent and fellow subsidiary undertakings	1,126	1,053
Other creditors	13	–
	<u>1,139</u>	<u>1,053</u>

12. **SHARE CAPITAL**

	1998 £000	1997 £000
Authorised: 2,000,000 ordinary £1 shares	2,000	2,000
Issued, called and fully paid: 1,250,000 ordinary £1 shares	<u>1,250</u>	<u>1,250</u>

13. **RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES**

	Share Capital £000	Profit and loss account £000	Total £000
At 1 January 1997	1,000	(414)	586
Loss for the year	–	(226)	(226)
Addition during the year	250	–	250
At 31 December 1997	<u>1,250</u>	<u>(640)</u>	<u>610</u>
Profit for the year	–	2,119	2,119
At 31 December 1998	<u>1,250</u>	<u>1,479</u>	<u>2,729</u>

14. **ULTIMATE PARENT UNDERTAKING**

The ultimate parent undertaking of the company which presents group financial statements in which the company is included is ABN AMRO Holding NV, a company incorporated in The Netherlands. Group financial statements are available from ABN AMRO Holding NV, Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands.