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KLEINWORT BENSON INVESTMENT MANAGEMENT LIMITED

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1999



REPORT OF THE DIRECTORS

The directors present their annual report and audited financial statements for the year ended 31 December 1999.

PRINCIPAL ACTIVITY

The principal activity of the Company is the provision of private banking services for high net worth individuals.

The Company is a member of The London Stock Exchange, is regulated by The Financial Services Authority and is an authorised institution under the Banking Act 1987.

REVIEW OF THE BUSINESS

On 17 September 1999, the majority of the Company's personal banking business was sold to Investec Bank (UK) Limited and a total premium receivable of £9,324,000 has been reported as exceptional income in the profit and loss account. The operational transfer of the banking products began on 31 October 1999 and at the time of writing this report, all products have been transferred with the exception of 2 Client Accounts, 6 Structured Loan Accounts and 86 Mortgage Loan Accounts. It is anticipated that substantially all the transfers will have been made by 30 June 2000.

The continuing business will be the provision of private banking services for high net worth individuals and banking products required to support this will be provided by the Dresdner Bank AG, London Branch or by the Company itself.

RESULTS AND DIVIDENDS

During the year, the Company made a profit on ordinary activities after taxation of £6,589,000 (1998: £5,405,000 profit). The directors do not recommend the payment of a final dividend (1998: £nil). The profit of £6,589,000 (1998: £5,405,000) has been transferred to reserves.

FIXED ASSETS

During the year the Company did not capitalise any systems development costs (1998: £1,000,000).

DIRECTORS AND DIRECTORS' INTERESTS

The directors who held office at the year end were as follows:-

T G Barker
N C V Bowater
N P Contomichalos
J F Dale
P F Degen
J J Gilligan (appointed 9 November 1999)
A R Gregory
E E Hayat
R D C Henderson
C R C Hexton
R H Hoddinott
B J Keeble
J T Lillie
L C Louloudis
D J McGilvray (resigned 25 February 2000)
R F Robins

REPORT OF THE DIRECTORS (Continued)

DIRECTORS AND DIRECTORS' INTERESTS (Continued)

R L Shearmur
M A Taylor
P L Walker (appointed 9 November 1999)
P D White
A B Wimble
S M Yates

The following directors held office and subsequently resigned during the year:

F P L Adams (resigned 31 March 1999); P J Allen (resigned 11 March 1999); P M H Andreae (resigned 30 September 1999); D V Clasper (resigned 31 March 1999); M E Luboff (resigned 11 March 1999); A D Pomfret (resigned 14 May 1999); A E W Steel (resigned 31 March 1999).

None of the directors had an interest in the share capital of the Company.

At 31 December 1999, R H Hoddinott no longer held Loan Notes of £1 each in Dresdner Investments (UK) Limited (1998: 4,900).

None of the other directors had a disclosable interest in the shares or debentures of any group company. The directors are exempt from disclosing their interests in the shares or debentures of the ultimate parent company, Dresdner Bank AG, as it is incorporated outside the UK.

POLICY STATEMENT ON CREDITORS

The Company has no trade creditors as defined by the Companies Act 1985 and therefore there is no creditors payment policy. All third party creditors are paid by Kleinwort Benson Limited, a fellow subsidiary.

YEAR 2000

The Year 2000 Programme has been successfully completed at Dresdner Kleinwort Benson which included this Company and the Programme Office officially stood down. To date we have had no information that indicates that any of our significant counterparties, vendors or source providers may be unable to continue doing business with the Company as a result of Year 2000 problems. Business and operational risk mitigation plans continue to be in place and are managed by the relevant functions as part of their normal day to day operations.

The programme was completed within the original budgets laid down in 1997 when the risk assessment was carried out and the formal plans initiated. The charge to the profit and loss account for the year in respect of Year 2000 related costs was £1,738,000 with an estimated £99,000 to be incurred in the year to December 2000. This will bring the total cost incurred on Year 2000 to approximately £1,837,000.

AUDITORS

The company has passed an elective resolution in accordance with section 379A of the Companies Act 1985 to dispense with the annual appointment of the auditors; accordingly, PricewaterhouseCoopers will remain in office.

Approved by the Board of Directors

Signed on behalf of the Board


P L Longcroft

Secretary

25th April 2000

10 Fenchurch Street
London EC3M 3LB

KLEINWORT BENSON INVESTMENT MANAGEMENT LIMITED

DIRECTORS' RESPONSIBILITIES

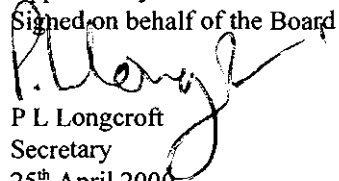
Company law requires the directors to prepare statements for each financial year which give a true and fair view of the state of the affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the directors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

- * select suitable accounting policies and then apply them consistently;
- * make judgements and estimates that are reasonable and prudent;
- * state whether applicable accounting standards have been followed;
- * 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 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.

Approved by the Board of Directors

Signed on behalf of the Board


P L Longcroft

Secretary

25th April 2000

10 Fenchurch Street
London EC3M 3LB

KLEINWORT BENSON INVESTMENT MANAGEMENT LIMITED

AUDITORS' REPORT TO THE MEMBERS OF KLEINWORT BENSON INVESTMENT MANAGEMENT LIMITED

We have audited the financial statements on pages 5 to 24 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report and Financial Statements. As described on page 3, this includes the responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 the Company's affairs at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
25th April 2000

KLEINWORT BENSON INVESTMENT MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December

		1999	1999	1999	1998
		Continuing	Discontinued	Total	Total
	NOTES	£000's	£000's	£000's	£000's
Interest Receivable:					
- interest receivable and similar income arising from Debt Securities		22,778	12,145	34,923	51,725
- other interest receivable and similar income		33,934	8,695	42,629	47,900
Less: interest payable		(49,368)	(17,226)	(66,594)	(87,147)
NET INTEREST INCOME		7,344	3,614	10,958	12,478
Dividend Income	4	7	-	7	5,007
Fees and Commissions Receivable		31,293	30	31,323	31,672
Fees and Commissions Payable		(2,574)	-	(2,574)	(3,386)
Dealing Profits		166	-	166	1,391
OPERATING INCOME		36,236	3,644	39,880	47,162
Administrative Expenses	5	(38,922)	(4,149)	(43,071)	(46,319)
Exceptional Income	6	-	9,324	9,324	-
Depreciation and Amortisation	16	(1,204)	-	(1,204)	(918)
Release of Provisions for Bad and Doubtful Debts	11	1,160	-	1,160	339
Amount written off Interest in Associated Undertaking		-	-	-	(75)
OPERATING PROFIT/(LOSS)		(2,730)	8,819	6,089	189
Loss on Disposal of Interest in Associated Undertaking		-	-	-	(169)
Profit on Disposal of Interest in Subsidiary Undertakings	15	-	500	500	4,480
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX	7	(2,730)	9,319	6,589	4,500
Tax Credit on Profit/(Loss) on Ordinary Activities	8	-	-	-	905
RETAINED PROFIT/(LOSS) FOR THE YEAR		(2,730)	9,319	6,589	5,405

(i) There were no recognised gains or losses in the current year and previous year other than the profit for the current year and previous year and therefore no separate statement of total recognised gains and losses has been made.

(ii) See Note 2 on continuing and discontinued activities.

(iii) Movements on reserves are set out in Note 22.

(iv) There is no difference between the profit on ordinary activities before and after tax for the current year and previous year, and their historical cost equivalents.

The accounting policies and notes on pages 7 to 24 form part of these accounts.

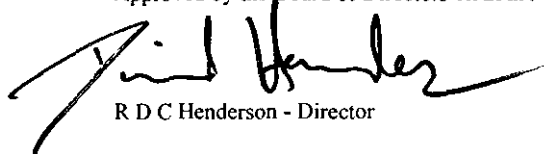
KLEINWORT BENSON INVESTMENT MANAGEMENT LIMITED

BALANCE SHEET

as at 31 December

		1999	1998
	NOTES	£000's	£000's
ASSETS			
Balance at Central Bank		-	288
Loans and Advances to Banks	9	149,261	22,638
Loans and Advances to Customers	10	104,647	226,308
Debt Securities	12	621,726	841,204
Equity Shares	13	129	129
Interests in Associated Undertakings	14	-	425
Shares in Group Undertakings	15	422	422
Tangible Fixed Assets	16	1,204	2,408
Settlement Balances	27	26,595	55,740
Prepayments and Accrued Income		17,800	48,235
Other Assets	17	14,486	8,224
Total Assets		936,270	1,206,021
LIABILITIES			
Deposits by Banks	18	111,466	111,014
Customer Accounts	19	732,312	953,949
Settlement Balances	27	17,256	53,233
Accruals and Deferred Income		16,276	27,472
Other Liabilities	20	2,887	10,869
		880,197	1,156,537
Called Up Share Capital	21	23,683	23,683
Share Premium Account	22	167	167
Profit and Loss Account	22	32,223	25,634
Equity Shareholders' Funds		56,073	49,484
Total Liabilities		936,270	1,206,021
MEMORANDUM ITEMS			
Contingent Liabilities :			
Guarantees and Assets Pledged as Collateral Security	24	1,895	1,883
Commitments :			
Other Commitments	24	30,196	58,432

Approved by the Board of Directors on 25th April 2000 and signed on its behalf:-


R D C Henderson - Director

The accounting policies and notes on pages 7 to 24 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements have been prepared under the historical cost convention in accordance with the special provisions of Part VII of the Companies Act 1985 relating to banking companies, and applicable accounting standards. The financial statements have been prepared on a basis consistent with the prior year. The particular accounting policies adopted are described below.

Taking advantage of section 228(1) of the Companies Act 1985, group accounts have not been prepared as the Company is itself a wholly owned subsidiary of another company incorporated in Great Britain and registered in England and Wales.

(b) Portfolio Asset Management Fees, Commissions and Interest Income

Commissions charged to clients on securities transactions are credited to the profit and loss account on an earned basis. Portfolio asset management fees in excess of commission already charged are accounted for on an invoiced basis. The majority of fees are invoiced annually on the anniversaries of the clients' first billings.

Interest earned on advances is accounted for as it accrues.

(c) Provisions for Bad and Doubtful Debts

Specific provisions against bad and doubtful debts are made on the basis of regular reviews of exposures. General provisions are made in relation to losses which, although not specifically identified, may exist in the Company's banking portfolio. Provisions are charged directly to the profit and loss account. Debts are written off when it is considered that there is no realistic prospect of recovery.

Interest income that is considered doubtful is excluded from the profit and loss account and credited to a suspense account. Interest is no longer credited to the suspense account and the accumulated balance is written off when there is no realistic prospect of recovery.

(d) Foreign Currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at mid-market closing rates of exchange ruling at the balance sheet date except where they are covered by forward contracts. When a foreign currency asset or liability is covered by a forward contract it is translated into sterling at the spot rate implied in the forward contract and the forward premium or discount is apportioned over the contract period.

All foreign exchange translation differences are recognised in the profit and loss account.

Other forward exchange contracts are valued at the year end market rates applicable to their respective maturities and the resulting profit or loss recognised in the profit and loss account.

(e) Deferred Taxation

Deferred taxation is provided to take account of differences, principally arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements, to the extent that it is probable that an asset or liability will crystallise in the future.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

ACCOUNTING POLICIES (continued)

(f) Interests in Associated Undertakings and Subsidiary Undertakings

Interests in associated undertakings and shares in subsidiary undertakings are stated at cost less provision for permanent diminution in value.

(g) Equity Shares and Debt Securities

Equity shares held for continuing use in the business are classified as investment securities and are valued at cost less provision for permanent diminution in value.

Debt securities held for continuing use in the business are classified as investment securities and are valued at cost, adjusted for amortisation of any material premium or discount on purchases over the period to redemption, less provision for permanent diminution in value.

(h) Tangible Fixed Assets

Fixed assets are shown at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life of between 2 to 5 years.

(i) Off Balance Sheet Products

Interest rate and forward foreign exchange contracts are entered into for hedging purposes and their accounting treatment matches that of the hedged item.

(j) Cash Flow Statement

The financial statements do not require a cash flow statement as required by Financial Reporting Standard No. 1 (Revised 1996) as a consolidated cash flow statement is prepared by Dresdner Bank AG, the ultimate parent undertaking.

(k) Pension Costs

All pension costs are incurred by Kleinwort Benson Limited and the accounting policy adopted in respect of those costs is disclosed in the financial statements of that company.

KLEINWORT BENSON INVESTMENT MANAGEMENT LIMITED

2 CONTINUING AND DISCONTINUED OPERATIONS

	1998 Continuing (restated) (see below)	1998 Discontinued (restated) (see below)	1998 Total
	£000's	£000's	£000's
Interest Receivable			
- interest receivable and similar income arising from Debt Securities	31,987	19,738	51,725
- other interest receivable and similar income	35,816	12,084	47,900
Less: interest payable	(59,114)	(28,033)	(87,147)
NET INTEREST INCOME	8,689	3,789	12,478
Dividend Income	7	5,000	5,007
Fees and Commissions Receivable	29,666	2,006	31,672
Fees and Commissions Payable	(1,360)	(2,026)	(3,386)
Dealing Profits	81	1,310	1,391
OPERATING INCOME	37,083	10,079	47,162
Administrative Expenses	(42,396)	(3,923)	(46,319)
Depreciation and Amortisation	(918)	-	(918)
Release of Provisions for Bad and Doubtful Debts	339	-	339
Amount written off Interest in Associated Undertaking	(75)	-	(75)
OPERATING PROFIT/(LOSS)	(5,967)	6,156	189
Loss on Disposal of Interest in Associated Undertaking	-	(169)	(169)
Profit on Disposal of Interest in Subsidiary Undertakings	-	4,480	4,480
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX	(5,967)	10,467	4,500
Tax Credit on Loss on Ordinary Activities			905
PROFIT FOR THE YEAR			5,405

On 17 September 1999, as set out in Note 6, a proportion of the personal banking business was sold to Investec Bank (UK) Limited. In accordance with Financial Reporting Standard No. 3 'Reporting Financial Performance', the comparative figures shown above have therefore been 'restated to include in the continuing category only the results of those operations included in the current year's continuing operations. Accordingly, net interest income of £3,789,000 and administrative expenses of £3,338,000 have been reclassified as discontinued.

Also included as a discontinued are the results of the institutional asset management business which was sold in 1997.

KLEINWORT BENSON INVESTMENT MANAGEMENT LIMITED

3 SEGMENTAL INFORMATION

	1999	1999	1998	1998
	Turnover	Net Assets	Turnover	Net Assets
			(restated)	
			(see below)	
	£000's	£000's	£000's	£000's
Continuing operations				
Private Banking	56,712	31,856	67,803	25,187
Investment Management	28,849	-	29,646	-
Discontinued operations	20,870	-	35,239	-
	106,431	31,856	132,688	25,187
Other non-operating assets (net)		24,217		24,297
	106,431	56,073	132,688	49,484

The comparative figures for turnover shown above have been restated to include in the continuing operations only turnover of those operations included in the current year's continuing operations. Accordingly an amount of £31,822,000 in relation to the personal banking activity sold during the year has been reclassified from 'Continuing operations – Private Banking' to 'Discontinued operations'.

The Company operates from a single geographical location, namely the United Kingdom. In the opinion of the directors it is not meaningful to attribute profit to individual business segments.

4 DIVIDEND INCOME

	1999	1998
	£000's	£000's
Income from shares in Group Undertakings	-	5,000
Income from listed investments	7	7
	7	5,007

5 ADMINISTRATIVE EXPENSES

All administration, staff and pension costs have been incurred by Kleinwort Benson Limited, a fellow subsidiary undertaking, and all staff have employment contracts with that company. Kleinwort Benson Limited has made a management charge to the Company for its share of those costs. The directors of the Company consider that it would be inappropriate to attempt to allocate employee remuneration and numbers to the Company.

The Company is a member of defined benefit and defined contribution pension schemes administered by Kleinwort Benson Limited on behalf of group undertakings. Particulars of the actuarial valuation of the group's schemes are given in the financial statements of Kleinwort Benson Limited.

KLEINWORT BENSON INVESTMENT MANAGEMENT LIMITED

5 ADMINISTRATIVE EXPENSES (continued)

Directors' Remuneration	1999	1998
Aggregate emoluments	£2,597,885	£3,217,856
Amounts (excluding shares) receivable under long term incentive plans	£4,198	£29,242
Company pension contributions to money purchase schemes	£167,270	£160,526
Compensation for loss of office	Nil	£618,787

No director exercised share options in the year. No director became entitled to receive shares under the long term incentive scheme.

Retirement benefits are accruing to 6 directors under the money purchase scheme and to 13 directors under a defined benefit scheme.

Highest paid director	1999	1998
Aggregate emoluments and benefits under the long term incentive plans	£247,197	£439,675
Company pension contributions to money purchase scheme	£80,000	NIL
Defined benefit scheme:-		
Accrued pension at the end of the year	£71,739	£32,518
Accrued lump sum at the end of the year	£211,173	£337,280

6 EXCEPTIONAL INCOME

On 17 September 1999, a significant proportion of the personal banking business was sold to Investec Bank (UK) Limited. The assets and liabilities were transferred at book value with a premium payable to the Company which has been treated as exceptional income. The book value of the assets and liabilities transferred as at 31st December 1999 was £103,397,361 and £258,000,527 respectively. The premium was receivable in three instalments namely £4,000,000 on completion of the contract, £3,500,000 on the first transfer of High Interest Cheque Accounts and an amount no greater than £2,500,000 dependent on the value of deposit accounts transfer. In respect of the latter, the amount of £1,853,958 was accrued based on the value of deposits transferred.

7 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

Profit on ordinary activities before taxation is stated after charging:	1999 £000's	1998 £000's
Management charge from Kleinwort Benson Limited	39,805	44,371
Auditors' remuneration (excluding VAT)	148	149

The management charge is stated net of recharges to other group undertakings.

Fees excluding VAT of £91,000 (1998 - £218,000) were paid to the auditors in respect of non-audit services.

KLEINWORT BENSON INVESTMENT MANAGEMENT LIMITED

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

	1999 £000's	1998 £000's
Taxation is based on the results for the year and comprises :		
UK group relief at 30.25% (1998 - 31%)	-	905
	-	905

The effective rate of tax was less than 30.25% due to losses received by way of group relief without charge.

9 LOANS AND ADVANCES TO BANKS

	1999 £000's	1998 £000's
Remaining maturity:		
Three months or less	120,261	22,638
One year or less but over three months	29,000	-
	149,261	22,638

Included in the above are amounts totalling £5,741,000 (1998 - £8,487,000) which are repayable on demand. Included in the above is £45,000 (1998 - £242,000) owed by a fellow subsidiary undertaking. There are no subordinated amounts included in the above.

10 LOANS AND ADVANCES TO CUSTOMERS

	1999 £000's	1998 £000's
Remaining maturity:		
Three months or less	13,358	16,123
One year or less but over three months	3,562	2,938
Five years or less but over one year	15,695	35,671
Over five years	73,768	175,678
General and specific bad and doubtful debt provisions (Note 11)	(1,736)	(4,102)
	104,647	226,308

Included in the above are amounts totalling £10,714,000 (1998 - £13,748,000) which are repayable on demand or at short notice.

Included in the above is £6,667,000 (1998 - £6,667,000) owed by the immediate parent undertaking.

Included in the above are loans totalling £4,560,000 before provisions, £3,191,000 after provisions (1998 - £11,894,000 before provisions, £8,876,000 after provisions) on which interest has been suspended.

There are no subordinated amounts included in the above.

KLEINWORT BENSON INVESTMENT MANAGEMENT LIMITED

11 PROVISIONS FOR BAD AND DOUBTFUL DEBTS

	1999			1998		
	Specific £000's	General £000's	Total £000's	Specific £000's	General £000's	Total £000's
At 1st January	3,339	763	4,102	5,490	732	6,222
Charge for the year	48	50	98	246	55	301
Releases and recoveries	(780)	(478)	(1,258)	(616)	(24)	(640)
Amounts written off	(1,193)	(13)	(1,206)	(1,781)	-	(1,781)
At 31st December	1,414	322	1,736	3,339	763	4,102

Of which:

Loans and advances to customers	1,414	322	1,736	3,339	763	4,102
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12 DEBT SECURITIES

	1999		1998	
	Balance Sheet £000's	Market Value £000's	Balance Sheet £000's	Market Value £000's
Issued by Banks				
Investment Securities - Certificates of Deposit	621,726	620,399	841,204	851,806

All the certificates of deposit are due within one year and are unlisted and in the opinion of the directors, there has been no permanent diminution in value.

Investment Securities	Balance Sheet £000's
At 1st January 1999	841,204
Acquisitions	1,613,831
Disposals	(1,833,309)
At 31st December 1999	621,726

There are no material unamortised premiums or discounts included in the above.

13 EQUITY SHARES

	1999		1998	
	Balance Sheet £000's	Directors' Valuation £000's	Balance Sheet £000's	Directors' Valuation £000's
Unlisted Investment Securities				
At 1st January	-	-	357	357
Additions				
Disposals	-	-	(357)	(357)
At 31st December	-	-	-	-

KLEINWORT BENSON INVESTMENT MANAGEMENT LIMITED

13 EQUITY SHARES (continued)

	1999		1998	
	Balance Sheet £000's	Directors' Valuation £000's	Balance Sheet £000's	Directors' Valuation £000's
Listed Investment Securities				
At 1st January and 31st December	129	129	129	129
Total as at 31st December	129	129	129	129

The market value of the UK listed investment security at 31 December 1999 was £180,000 (1998 - £114,000).

14 INTERESTS IN ASSOCIATED UNDERTAKINGS

	£000's
At 1st January 1999	425
Disposals	(425)
At 31st December 1999	-

The Company's interest in Korea Investment Management Europe Limited was sold during the year.

15 SHARES IN GROUP UNDERTAKINGS

	£000's
At 1st January 1999	422
Acquisitions	-
Disposals	-
At 31st December 1999	422

The subsidiary undertakings and their costs are:	£000's
INVESTMENT MANAGEMENT COMPANIES	
Kleinwort Benson Farmland Trust (Managers) Limited (75% owned)	*
Kleinwort Benson Unit Trusts Limited	200
FINANCIAL ADVISERS	
Kleinwort Benson Financial Services Limited	100
NON TRADING	
Kleinwort Benson Trustees Limited	100
European Properties Inc. Limited	12
Robert Benson Lonsdale & Co (Canada) Limited	10
KBIM (City) Nominees Limited	*
	422

* The aggregate cost of these companies is less than £1,000.

KLEINWORT BENSON INVESTMENT MANAGEMENT LIMITED

15 SHARES IN GROUP UNDERTAKINGS (continued)

All the companies are incorporated in Great Britain and registered in England and Wales. All the companies are 100% owned except as noted above. The holdings are in ordinary shares unless stated otherwise. None of the subsidiary companies is a bank. The profit on disposal of subsidiaries has been treated as a non-operating exceptional item in accordance with FRS 3.

	£000's 1999	£000's 1999	£000's 1998	£000's 1998
Subsidiaries transferred	Proceeds on disposal	Profit on disposal	Proceeds on disposal	Profit on disposal
Kleinwort Guardian Overseas Limited	-	-	21	4
Kleinwort Benson Development Capital Limited	-	-	3,061	1,460
Kleinwort Benson Ventures Management Limited	-	-	2,523	2,516
	0	0	5,605	3,980
Langbourn Property Investment Services Limited				
- deferred consideration in 1998 and 1999	500	500	500	500
(see note below)				
	500	500	500	500

The final amount of deferred consideration accrued as at 31 December 1999 related to the disposal of Langbourn Property Investment Services Limited in 1997. The amount receivable was conditional upon a certain level of revenue being achieved in the year and was received in full on 31 March 2000. The tax charge effect at 30.25% (1998 - 31%) was £151,000 (1998 - £155,000).

16 TANGIBLE FIXED ASSETS

Fixed Assets (all software development):	£000's
Cost	
At 1st January 1999	4,826
Additions	-
At 31st December 1999	4,826
Depreciation	
At 1st January 1999	2,418
Charge for the year	1,204
At 31st December 1999	3,622
Net book value	
At 31st December 1999	1,204
At 31st December 1998	2,408

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17	OTHER ASSETS	1999	1998
		£000's	£000's
	Group relief	759	759
	Amounts owed by group undertakings	3,426	1,867
	Other assets	10,301	5,598
		14,486	8,224

18	DEPOSITS BY BANKS	1999	1998
		£000's	£000's
	Remaining maturity :		
	Repayable on demand	3,346	4,506
	Three months or less	40,794	47,559
	One year or less but over three months	50,238	51,553
	Five years or less but over one year	10,088	396
	Over five years	7,000	7,000
		111,466	111,014

Included in the above are amounts owed to fellow subsidiaries amounting to £54,878,000 (1998 - £52,165,000) of which £7,000,000 (1998-£7,000,000) is a subordinated loan owed to a fellow subsidiary undertaking. The subordinated loan is denominated in Sterling, carries interest at LIBOR and is not repayable before 24 October 2011. Interest paid in respect of this loan was £491,000 (1998 - £516,000). Early payment may be demanded upon the occurrence of an event of default being the winding up of the Company or non-payment of any of the principal or any of the interest after 7 days and 14 days respectively. The rights of the lender are subordinated to the rights of creditors of the Company and therefore payment of any of the subordinated liability is conditional upon the Company being solvent.

19	CUSTOMER ACCOUNTS	1999	1998
		£000's	£000's
	Remaining maturity:		
	Repayable on demand	274,691	571,397
	Three months or less	406,692	213,019
	One year or less but over three months	50,491	162,228
	Five years or less but over one year	438	7,305
		732,312	953,949

Included in the above are amounts totalling £10,665,000 (1998-£10,301,000) owed to group undertakings.

20	OTHER LIABILITIES	1999	1998
		£000's	£000's
	Taxation	1,442	1,534
	Amounts owed to group undertakings	1,445	9,335
		2,887	10,869

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21	CALLED UP SHARE CAPITAL	1999 £000's	1998 £000's
	Authorised : 25,000,000 (1998 - 25,000,000) ordinary shares of £1 each	25,000	25,000
	Allotted and fully paid : 23,683,000 (1998 - 23,683,000) ordinary shares of £1 each	23,683	23,683

22 COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

	Issued Share Capital £000's	Share Premium Account £000's	Profit and Loss Account £000's	Total 1999 £000's
At 1st January	23,683	167	25,634	49,484
Profit attributable to members of the company	-	-	6,589	6,589
At 31st December	23,683	167	32,223	56,073

23	ASSETS AND LIABILITIES	1999 £000's	1998 £000's
	Assets and liabilities are denominated in:		
	Sterling	721,654	636,665
	Currencies other than sterling	214,616	569,356
	Total assets	936,270	1,206,021
	Sterling	878,264	1,085,244
	Currencies other than sterling	58,006	120,777
	Total liabilities	936,270	1,206,021

KLEINWORT BENSON INVESTMENT MANAGEMENT LIMITED

24 MEMORANDUM ITEMS, FOREIGN EXCHANGE AND INTEREST RATE CONTRACTS

The following analysis shows the nominal principal amounts and risk weighted amounts of off-balance sheet transactions. The nominal principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The risk weighted amounts have been calculated in accordance with the requirements of the Financial Services Authority Guide to Banking Supervisory Policy.

	1999		1998	
	Contract	Risk Weighted	Contract	Risk Weighted
	Amount £000's	Amount £000's	Amount £000's	Amount £000's
Contingent liabilities				
Guarantees and letters of credit	1,895	1,895	1,883	1,883
	1,895	1,895	1,883	1,883
Commitments				
Undrawn formal standby facilities, credit lines and other commitments to lend:				
One year and over	29,789	8,515	56,884	15,648
Less than one year	407	-	1,548	-
	30,196	8,515	58,432	15,648
Exchange rate contracts				
Contract or underlying principal amount	179,824		537,349	
Credit risk weighted amount		2,019		4,261
Replacement cost	8,288		5,901	
Interest rate contracts				
Contract or underlying principal amount	447,000		1,333,000	
Credit risk weighted amount		75		1,368
Replacement cost	375		131	

25 CONTINGENT LIABILITIES

(a) In the ordinary course of business, the Company has given letters of indemnity in respect of lost certified stock transfers and share certificates. The contingent liability arising therefrom cannot be quantified, but it is not believed that any material liability will arise under these indemnities. In addition there were commitments arising in the normal course of business for forward foreign exchange contracts.

(b) Kleinwort Benson Financial Services Limited, a subsidiary undertaking, has conducted an extensive review of its past business in relation to pension transfers and opt-outs to identify cases where non-compliant advice may have been given. In accordance with joint guidance from the Securities and Investments Board and the Personal Investment Authority, Kleinwort Benson Financial Services Limited is following a process to assess the amount of redress due to individuals who have suffered as a result of receiving

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non-compliant advice.

25 CONTINGENT LIABILITIES (continued)

(b) (cont) Most cases have been assessed but there were two cases at 31 December 1999 where the loss adjustment had still to be completed. Amounts totalling £209,000 have been paid during the year (1998 -£340,000) and there is a provision as at 31 December 1999 of £26,000 (1998 - £221,000).

(c) Under the terms of the agreement dated 14 November 1997 relating to the transfer of the institutional asset management and collective investment business of the Company, if responsibility for the satisfaction of any liabilities is assumed by the other party in error, the Company may have to assume responsibility for the settlement of any such liabilities.

(d) Under the terms of the agreement dated 17 September 1999 relating to the sale of part of the banking business to Investec Bank (UK) Limited, the Company gave certain warranties and has agreed to indemnify Investec against all and any liabilities which the latter may suffer or incur as a consequence of a breach of any of those warranties.

26 DIRECTORS' LOANS AND OTHER TRANSACTIONS

At 31 December 1999, the aggregate amount outstanding of loans to directors of the Company was £3,336 (1998 - £548,197) in respect of one director (1998 - four).

Directors are entitled to deal in securities in accordance with the Company's rules for personal dealings in securities. Personal dealing rules for all Kleinwort Benson Group staff require them to deal out-house with named brokers who send copy contract notes to the Company's Compliance Department. Discretionary asset management for staff can be carried out by the Company.

27 SETTLEMENT BALANCES

Included in settlement balances receivable are amounts totalling £1,252,000 (1998-£1,423,000) owed by group undertakings. Included in settlement balances payable are amounts totalling £269,000 (1998-£1,458,000) owed to group undertakings.

28 RELATED PARTY DISCLOSURE

The Company is a wholly owned subsidiary within the Kleinwort Benson Group and the consolidated financial statements of the Kleinwort Benson Group Limited and Dresdner Bank AG are publicly available (see Note 31). Accordingly, advantage is taken in these financial statements of the exemptions available in Financial Reporting Standard No. 8 'Related Party Disclosures' for the disclosure of transactions with entities that are part of the group or investees of group entities qualifying as related parties.

Advantage has been taken of the exemption from related party disclosures that will conflict with the Company's duty of confidentiality as an approved bank.

Balances with Group undertakings are disclosed in Notes 9, 10, 17, 18, 19, 20 and 27.

Other disclosures in respect of related parties are as follows:

The Company received fees of £5,631,000 (1998 - £4,991,000) in respect of discretionary managed client portfolios.

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29 CURRENCY EXPOSURE

The currency exposure of the Company as at 31st December 1999 stated in sterling equivalent is as follows:

	GBP	USD	Euro	Other Currencies	Total
	£000's	£000's	£000's	£000's	£000's
Assets	721,654	93,209	114,696	6,711	936,270
Liabilities (including shareholders' funds)	878,264	35,669	10,674	11,663	936,270
Off Balance Sheet Items	156,403	(57,313)	(104,018)	4,928	-
Net Currency Exposure as at 31st December 1999	(207)	227	4	(24)	-

30 REVIEW OF THE COMPANY'S RISK PROFILE

Risk Management

The traditional banking activities undertaken by the Company result in exposure to a number of risks of which the most significant are credit, liquidity, interest rate, foreign currency and operational risk. Monitoring and control of these risks at a strategic level is vested in the Private Bank Risk Control Committee (RCC), a sub-committee of the Company's Private Bank Executive Board (PBEB). Risk management strategies are included in various policy documents used by the relevant areas of the business. Policy documents are approved by PBEB and reviewed on a regular basis by PBEB and/or RCC. Day to day monitoring of risk is carried out by the Company's Risk Management Department with formal escalation procedures in place to ensure breaches of limits set are communicated to senior management on a timely basis.

The Company has a non-trading book as defined by Financial Reporting Standard No. 13 'Derivatives and Other Financial Instruments'.

Credit Risk

Credit risk is the risk of financial loss arising from the failure of a customer to settle financial obligations to the Company as they fall due.

Non-Treasury Credit decisions for amounts up to £10M are made under delegated authorities granted by PBEB. Amounts over £10M must be referred to the London Credit & Counterparty Risk Department for approval. Treasury Request for new or changes to interbank limits require the approval of RCC, the FSA, Kleinwort Benson Group Financial Control and the Dresdner Bank AG Credit Department.

Liquidity Risk

Liquidity risk arises from the mismatch of the timing of cashflows relating to assets and liabilities. The liquidity of the Company is managed by its Treasury Department and is monitored by the Risk Management Department in accordance with limits laid out in the Company's liquidity policy document. The limits are set to ensure that the Company stays within limits set by the FSA. In order to meet these requirements, the cashflow commitments are measured and managed on a daily basis to avoid undue concentration of funding requirements at any point in time or from any particular source. Liquidity risk is mitigated by maintaining both a diversified portfolio of high quality liquid and marketable assets and deposit base.

30 REVIEW OF THE COMPANY'S RISK PROFILE (continued)

Market Risk

Market risk is the risk that changes in the level of interest rates, the level of exchange between currencies or the price of securities and other financial contracts, including derivatives, will have an adverse financial impact. The primary risks within the Company's activities are interest rate and currency risk.

Interest Rate Risk

Interest rate risk arises in the balance sheet as a result of fixed rate, variable rate and non-interest bearing assets and liabilities. Exposure to interest rate movements arises when there is a mismatch between interest rate sensitive assets and liabilities. The interest rate mismatches are monitored intra-day and overnight using gap analysis with limits set as to the maximum potential loss that would be allowed on a 1% adverse shift in the yield curve. Forward rate agreements are the principal derivatives used by the Company to hedge against interest rate risk. The interest sensitivity gap analysis set out further below summarises the repricing mismatches on the Company's assets and liabilities as at 31 December 1999 with items allocated to time bands by reference to the earlier of the next contractual interest repricing date and the maturity date.

Foreign Currency Risk

The Company's foreign currency exposures relate to transactional (or non-structural) positions. Such exposures comprise the monetary assets and liabilities of the Company that are not denominated in sterling. The Company does not maintain significant open currency positions which are monitored daily against preset limits. Forward foreign exchange contracts are the principal derivatives used by the Company to hedge against foreign currency risk. The table in Note 29 shows the Company's exposure in major currencies as at 31 December 1999.

Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is managed and controlled within each of the business and support areas and is monitored by RCC.

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30 REVIEW OF THE COMPANY'S RISK PROFILE (continued)

Interest Rate Sensitivity Gap Analysis

	Within 3 months £000's	After 3 months but within 6 months £000's	After 6 months but within 1 year £000's	After 1 year but within 5 years £000's	After 5 years £000's	Non interest bearing £000's	Total £000's
Assets :							
Loans and advances -							
to banks	149,261						149,261
to customers	95,465	9,182					104,647
Certificates of deposit	339,604	145,029	137,094				621,727
Investments						129	129
Other assets						60,506	60,506
Total assets	584,330	154,211	137,094	-	-	60,635	936,270
Liabilities :							
Deposits by banks	72,615	29,789	9,062				111,466
Deposits by customers	687,053	32,542	12,280	438			732,313
Other liabilities						36,418	36,418
Shareholders fund						56,073	56,073
Total liabilities	759,668	62,331	21,342	438	-	92,491	936,270
Off balance sheet items	405,000	(363,000)	(42,000)	-	-	-	-
Interest rate sensitivity gap at 31st December 1999	229,662	(271,120)	73,752	(438)	-	(31,856)	-
Cumulative gap as at 31st December 1999	229,662	(41,458)	32,294	31,856	31,856	-	-

30 REVIEW OF THE COMPANY'S RISK PROFILE (continued)

Hedging

The tables below summarise, firstly, the unrecognised gains and losses on hedges at 31 December 1999 and movements therein during the year, and secondly, the deferred gains and losses on hedges carried forward in the balance sheet at 31 December 1999, pending their recognition in the profit and loss account.

Unrecognised gains and losses on hedges

	Gains	Losses	Total net gains/losses
	£'000s	£'000s	£'000s
Unrecognised gains and losses on hedges at 1 January 1999	5,537	(2,206)	3,331
Of which recognised in the year to 31 December 1999	(5,537)	2,206	(3,331)
Gains and losses arising before 1 January 1999 that were not recognised in the year to 31 December 1999	-	-	-
Gains and losses arising in the year to 31 December 1999 that were not recognised in that year	1,617	(40)	1,577
Unrecognised gains and losses on hedges at 31 December 1999	1,617	(40)	1,577
Of which expected to be recognised in the year to 31 December 2000	1,617	(40)	1,577

Gains and losses on hedges carried forward in the balance sheet

	Gains	Losses	Total net gains/losses
	£'000s	£'000s	£'000s
Gains and losses carried forward in the balance sheet at 1 January 1999	5,853	(4,050)	1,803
Of which recognised in the year to 31 December 1999	(5,853)	4,050	(1,803)
Gains and losses arising before 1 January 1999 that were not recognised in the year to 31 December 1999	-	-	-
Gains and losses arising in the year to 31 December 1999 that were not recognised in that year	7,046	(33)	7,013
Gains and losses carried forward in the balance sheet at 31 December 1999	7,046	(33)	7,013
Of which expected to be recognised in the year to 31 December 2000	7,046	(33)	7,013

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30 REVIEW OF THE COMPANY'S RISK PROFILE (continued)

Fair values of financial assets and liabilities

Set out below is a comparison by category of book values and fair values of the Company's derivatives and assets and liabilities for which a liquid and active market exists as at 31 December 1999:

	Non-trading fair value £'000s	Non-trading book value £'000s
Assets		
Certificates of deposit	620,399	621,726
Equity shares	129	180
Derivatives		
Forward foreign exchange	8,288	7,013
Interest forward rate agreements	367	-

Market values have been used to determine the fair values of all the items included in the table above.

31 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent undertaking, Dresdner Bank AG, a company incorporated in Germany, is also the ultimate controlling party. The parent undertaking of the smallest group of which the Company is a member is Kleinwort Benson Group Limited, a company incorporated in Great Britain and registered in England and Wales. Copies of the consolidated financial statements of these companies will be filed in due course at the Companies Registration Office, Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.