

**ABN AMRO Equity Products (UK) Limited**  
**No. 4305753**

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**Directors' Report and Accounts**

**Year Ended 31 December 2003**



**Report of the Directors**

The directors present their annual report and financial statements for the year ended 31 December 2003.

**Principal Activity and Review of the Business**

The principal activity of the company is that of proprietary trading involving equities and related derivative products. The directors intend for this to remain the principal activity of the company for the foreseeable future. The results for the year are set out in the profit and loss account on page 5.

**Results and Dividends**

The profit for the period after taxation is £2,851,000 (2002: 11,642,000) This has been transferred to the reserves. The directors do not recommend the payment of a dividend.

**Directors and their interests**

The directors who served during the period and up to the date of signing these financial statements were:

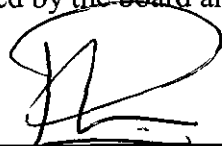
P S Irvine  
M A Carton  
T J Boyce  
K A Holden  
G K Dolman  
G de Lange

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

**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 LLP are therefore deemed to be reappointed as the company's auditors for each succeeding year, as long as the election remains in force.

Approved by the board and signed on its behalf,



Director

Date 16 November 2004 250 Bishopsgate, London, EC2M 4AA.

**Statement of Directors' Responsibilities in Respect of the Accounts**

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;
- 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.

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## **ABN AMRO Equity Products (UK) Limited**

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### **Independent Auditors' Report to the Members of ABN AMRO Equity Products (UK) Limited**

We have audited the company's financial statements for the period ended 31 December 2003 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 13. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of 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 United Kingdom law and 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 1985. 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 audit 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.

## ABN AMRO Equity Products (UK) Limited

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### 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 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP

Registered Auditor

London

Date 23 November 2004

# ABN AMRO Equity Products (UK) Limited

## Profit and Loss Account for the Year Ended 31 December 2003

	Notes	2003 £'000	16/10/01 to 31/12/02 £'000
Operating income	2	15,258	30,795
Administrative expenses	3	(918)	(798)
<b>Operating Profit</b>		<b>14,340</b>	<b>29,997</b>
Interest receivable and similar income	6	858	1,585
Interest payable and similar charges	7	(13,052)	(24,579)
<b>Profit on Ordinary Activities Before Taxation</b>		<b>2,146</b>	<b>7,003</b>
Tax on Profit on ordinary activities	8	705	4,639
<b>Profit on Ordinary Activities After Taxation, being Retained Profit for the Financial Year</b>		<b>2,851</b>	<b>11,642</b>

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.

The notes on pages 7 to 11 form an integral part of these financial statements.

# ABN AMRO Equity Products (UK) Limited

## Balance Sheet as at 31 December 2003

	Notes	2003 £'000	2002 £'000
<b>Current Assets</b>			
Trading Inventory		703,819	319,847
Debtors	9	42,164	144,968
Cash at bank		6	10,253
		<u>745,989</u>	<u>475,068</u>
<b>Creditors: Amounts falling due within one year</b>	10	(721,496)	(453,426)
<b>Net Current Assets</b>		<u>24,493</u>	<u>21,642</u>
<b>Total Assets Less Current Liabilities</b>		<u>24,493</u>	<u>21,642</u>
<b>Net Assets</b>		<u>24,493</u>	<u>21,642</u>
<b>Capital and Reserves</b>			
Called up share capital	11	10,000	10,000
Profit and loss account	12	14,493	11,642
<b>Total Equity Shareholders' Funds</b>	12	<u>24,493</u>	<u>21,642</u>

16 November 2004

Approved by the Board of directors on \_\_\_\_\_ and signed on its behalf:



\_\_\_\_\_  
Director

The notes on pages 7 to 11 form an integral part of these financial statements.

Notes to the Accounts

1. Accounting Policies

A summary of the principal accounting policies, which have been applied consistently throughout the year and the preceding year is set out below.

a) *Basis of Preparation*

The accounts are prepared under the historical cost convention, modified for the valuation of trading inventory, securities sold not yet purchased and derivative products, and in accordance with applicable accounting standards.

b) *Income from Trading Activities*

The company adopts the trade date method of accounting for transactions.

c) *Valuation of Trading Inventory, Securities Sold Not Yet Purchased and Derivative Products*

Trading inventory consists of securities and warrants. Short securities positions and warrants issued are included in creditors. The fair value of derivative products are included in debtors and creditors. All positions are valued by reference to the market price ruling at the balance sheet date, with gains and losses being reflected in the profit and loss account. This method of valuation is a departure from the requirement of Schedule 4 of the Companies Act 1985 which requires current assets to be shown at the lower of cost and net realisable value. The directors consider this policy is necessary to show a true and fair view in the accounts. It is not possible to quantify the effect that this departure has on the accounts.

d) *Foreign Currencies*

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities are translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange gains and losses are included in the profit and loss account.



Notes to the Accounts

**Accounting Policies Continued**

**e) *Cash Flow Statement***

The company has taken advantage of the exemption under Financial Reporting Standard 1 (Revised). Accordingly, a cash flow statement has not been prepared because all the company's voting rights are ultimately controlled by ABN AMRO Holding NV, which produces publicly available consolidated accounts in which the company is included.

**f) *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.

**g) *Taxation***

Corporation tax payable is provided at the current rate.

**h) *Deferred Tax***

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements, which are capable of reversal in one or more subsequent periods.

Deferred tax is measured at a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

**2. *Operating Income***

The company's operating income, which excludes value added tax, has been disclosed instead of turnover as this represents more accurately the company's activities. Operating income represents fees, commissions, dividends and trading income for financial services provided, all of which are continuing activities. 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.

## ABN AMRO Equity Products (UK) Limited

### Notes to the Accounts

#### 3. Administrative Expenses

Administrative expenses comprise direct costs plus expenditure recharged by ABN AMRO Management Services Limited for central costs and overheads. For the financial period the auditors' remuneration was paid by ABN AMRO Management Services Limited and is disclosed in the financial statements of that company.

#### 4. Directors' Remuneration

No emoluments were received by the directors from the company or any other third party for the performance of their duties.

#### 5. Employees

The company did not have any direct employees during the period but incurred charges in respect of staff costs from ABN AMRO Management Services Limited.

#### 6. Interest Receivable and Similar Income

	2003 £'000	2002 £'000
Interest receivable from group undertakings	670	1,575
Other interest receivable	188	10
	<u>858</u>	<u>1,585</u>

#### 7. Interest Payable and Similar Charges

	2003 £'000	2002 £'000
Interest payable to group undertakings	12,867	24,500
Other interest payable	185	79
	<u>13,052</u>	<u>24,579</u>

**Notes to the Accounts**

**8. Tax on Profit on Ordinary Activities**

***Tax on Profit on Ordinary Activities***

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Current Tax:		
UK Corporation tax		
Current tax on income for the year	1,233	5,280
Double Taxation Relief	(1,233)	(5,280)
Foreign tax		
Overseas withholding tax	1,258	5,957
Imputation credits	(1,963)	(10,596)
 Tax on Profit on Ordinary Activities	<u>705</u>	<u>(4,639)</u>

***Factors affecting Tax Charge for Year***

The debit in respect of tax on profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities before tax	2,146	7,003
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	644	2,101
Effects of:		
Imputation credit	(1,374)	(7,417)
Unrelieved overseas withholding tax	25	677
 Total current tax	<u>(705)</u>	<u>(4,639)</u>

**9. Debtors**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed from fellow group undertakings	30,255	134,762
Other assets	11,909	10,206
	<u>42,164</u>	<u>144,968</u>

# ABN AMRO Equity Products (UK) Limited

## Notes to the Accounts

### 10. Creditors: Amounts falling due within one year

	2003 £'000	2002 £'000
Bank loans and overdrafts	11	3,128
Amounts owed to fellow group undertakings	721,407	431,191
Other creditors	78	19,107
	<u>721,496</u>	<u>453,426</u>

### 11. Share Capital

	2003 £'000	2002 £'000
<b>Authorised Share Capital</b>		
50,000,000 Ordinary Shares of £1 each	<u>50,000</u>	<u>50,000</u>
<b>Issued Share Capital</b>		
10,000,000 Allotted, Called up and Fully Paid Ordinary Shares of £1 each	<u>10,000</u>	<u>10,000</u>

### 12. Reconciliation of Equity Shareholders' Funds and Movements on Reserves

	Share Capital £'000	Profit and Loss Account £'000	Total Equity Shareholders' Funds £'000
At 31 December 2002	10,000	11,642	21,642
Profit for the year		2,851	2,851
At 31 December 2003	<u>10,000</u>	<u>14,493</u>	<u>24,493</u>

### 13. Immediate and Ultimate Parent Undertaking

The Company's immediate parent undertaking is ABN AMRO Equities Holdings (UK) Limited.

The ultimate parent undertaking is ABN AMRO Holding N.V., a company incorporated in The Netherlands. ABN AMRO Holding N.V. is both the smallest and largest group of which the company is a member and for which group accounts are prepared. Group accounts are available from ABN AMRO Holding N.V., Gustav Mahlerlaan 10, 1082 PP, Amsterdam, The Netherlands.