

# Kleinwort Benson Group Limited

Directors' Report and financial statements

31 December 2013

Company No 07061507

WEDNESDAY



\*A37V7QER\*  
A20 14/05/2014 #63  
COMPANIES HOUSE

# Contents

Strategic report	1
Directors' report	3
Independent auditors' report to the directors	9
Profit and loss account	11
Balance sheet	12
Notes to the financial statements	13

# Strategic Report

## Principal activity

The principal activity of the Company is that of a holding company

## Business review and future plans, trends and developments

The Company is the UK holding company of an active and dynamic financial services group which, through its parent company, RHJ International S A ("RHJI"), is supported by a strong financial position. RHJI sees significant medium-term opportunities in the financial services market for a merchant banking strategy that is focussed on a client service approach to banking and that seeks to add incremental new business via the Company, developing it with an exclusive focus on banking and other financial services. This will allow the Company, via its subsidiaries, to broaden its product offerings, with a focus on wealth management (including fiduciary), specialised asset management and financial advisory services.

The Company intends to exploit these growth areas through the development of its independent merchant banking model, which is based on three pillars: Wealth Management, Asset Management and Merchant Banking. Kleinwort Benson is a driving force in delivering these ambitions, with its well-known and trusted brand acting as the cornerstone of this strategy.

## Measurement and performance

As a wholly owned subsidiary, the Company provides performance data to RHJI on a monthly basis.

## Risk and uncertainties

The Board has approved a Risk Appetite and Framework, within which the underlying businesses are managed. The key risks which the businesses are exposed to are covered under a number of principal policy statements set out in the Risk Appetite and Framework (for further details please see the workings of the Strategic Risk Committee on page 6).

## Future plans, trends and developments

At a time when many major firms have seen their brand equity eroded and when much greater importance is attached to reputation and integrity, clients are increasingly looking for wealth management solutions provided by firms with specialist expertise. Kleinwort Benson remains well placed to capitalise on this with strong reputation and values. Despite the strength of the brand, the decision has been made to write down the value of Investments in its subsidiaries, based on current performance. The group remains focussed on the ambition of becoming a leading independently owned private and merchant banking group.

On 21 February 2014 the Company announced, together with RHJI, that the German financial regulator, BaFin, had confirmed that it has no objections to a proposed acquisition of BHF-BANK ("BHF"). The acquisition is subject to certain conditions prior to closing, which is expected to take place before the end of March 2014. The combined group will be well-positioned in two of the largest and fastest growing wealth management markets in Western Europe. The combination of the existing businesses and BHF will complete the strategy of RHJ International to deliver a strong, diversified financial services group which can drive growth and value creation for its clients and shareholders.

BHF-BANK is the modern private bank for discerning entrepreneurs and their families. BHF has a clear strategic focus on wealth management and corporate advisory. BHF's business activities are pooled in the Private Banking & Asset Management as well as the Financial Markets & Corporates divisions. The close cooperation between Private Banking and a Corporate Finance unit that is clearly geared to the needs of entrepreneurs in the 'Mittelstand' segment is one of the bank's hallmarks. BHF's clients, who have entrusted approximately EUR 37 billion to the bank, are given access to markets and investment opportunities worldwide. Headquartered in Frankfurt, BHF has 12 locations in Germany and international offices in Abu Dhabi, Geneva, Luxembourg and Zurich. BHF employs 1,100 members of staff overall.

Kleinwort Benson Group Limited

Approved by the Board of Directors

Signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'J C Boait', written in a cursive style.

J C Boait  
Secretary

Kleinwort Benson Group Limited

20 March 2014

Company No 07061507

14 St George Street, London W1S 1FE

# Directors' report

The directors present their report and audited financial statements for the year ended 31 December 2013

## Results and dividends

During the year, the Company made a loss on ordinary activities, after taxation of GBP 59.4 million (2012 GBP 0.7 million profit), comprised of GBP 5.7 million (2012 GBP 9.7 million) operating costs and GBP 53.7 million (2012 GBP nil) of impairment to investments in subsidiary undertakings. The directors do not recommend the payment of a final dividend (2012 GBP nil). During the year the Company received a GBP 10.0 million dividend from its subsidiary undertaking, Kleinwort Benson Channel Islands Holdings Limited, which was reinvested in Kleinwort Benson Bank Limited. The operating costs incurred during the period relate to the continuing monitoring of the Company's regulated subsidiaries as well as the on-going implementation of the transformation into an active dynamic financial services group, notably through the acquisition of BHF Bank. Following a review of the recoverable amount of the Company's cost of investments in its subsidiaries, the directors have determined that an impairment of GBP 63.7 million (2012 GBP nil) should be booked in the Company's financial statements. See Note 7 for further detail.

## Share capital

As at 31 December 2013, the Company had 285,021,917 authorised and issued ordinary shares of GBP 1 each. During 2013, the Company issued 13,510,852 shares to RHJ International S.A. for consideration of GBP 13,510,852 to fund the operations of the Company and for reinvestment into Kleinwort Benson Bank Limited.

During the year, the Company's investment in its wholly owned subsidiary, Kleinwort Benson Bank Limited, was increased by GBP 13,500,000 as the subsidiary issued 13,500,000 ordinary shares of GBP 1 each for a consideration of GBP 13,500,000 settled in cash.

## Post balance sheet events

On 28 January 2014, the Company issued 1,324,803 shares to RHJ International S.A. for consideration of GBP 1,324,803 to fund the operations of the Company.

In February 2014, the Company received a dividend of GBP 7,500,000 from its subsidiary undertaking, Kleinwort Benson Channel Islands Holdings Limited and EUR 5,500,000 from its subsidiary undertaking, Kleinwort Benson Investors Dublin Limited. In February 2014, the Company's investment in its wholly owned subsidiary, Kleinwort Benson Bank Limited, was increased by GBP 12,000,000 as the subsidiary issued 12,000,000 ordinary shares of GBP 1 each for a consideration of GBP 12,000,000 settled in cash.

## Directors

The following directors have held office since 31 December 2012

A C D Yarrow

Alderman Alan Yarrow was appointed as the independent non-executive Chairman of the Company on 1 July 2010. He is Chairman of the Chartered Institute of Securities and Investment, a Director of Fixnetix Limited and of Turquoise Global Holdings Limited, an Almoner of Christ's Hospital and a magistrate. Prior to this, he held senior positions within the banking and financial services industry.

## Directors (continued)

A van Aaken	Anne van Aaken was appointed as an independent non-executive director of the Company on 6 October 2011. She is a Professor for Law and Economics and International Law at the University of St Gallen, Switzerland, is a Member of the Board of the European Society of International Law and acts as an expert consultant to the World Bank, the Organisation for Economic Co-operation and Development and the United Nations Conference on Trade and Development.
A J Adcock	Andrew Adcock was appointed as an independent non-executive director of the Company on 8 February 2011. He is also a director of Kleinwort Benson Bank Limited and a member of the Kleinwort Benson Group Audit Committee. Andrew Adcock was formerly a Managing Partner of Brompton Asset Management, Vice Chairman of Corporate Finance, Citigroup, London and an Equity Partner of Lazard LLC, London.
L H Fisher	Leonhard Fischer is Chief Executive of the Company and joined the Board as an executive director on 1 July 2010. He is also Chairman of Kleinwort Benson Bank Limited and of the Kleinwort Benson Group Nomination and Remuneration Committee. He is the Chief Executive Officer of RHJ International S A and prior to this he held senior positions within the banking and financial services industry.
K N von Schweinitz	<p>Konstantin Graf von Schweinitz was appointed as an independent non-executive director of the Company on 1 July 2010. He is Chairman of the Kleinwort Benson Group Audit Committee and a member of the Kleinwort Benson Group Strategic Risk Committee. He is also an independent non-executive director of Kleinwort Benson Bank Limited and RHJ International S A.</p> <p>Konstantin Graf von Schweinitz has over 25 years investment and commercial banking experience principally in capital markets and risk management and has acted as an independent advisor to hedge funds, banks and private equity companies.</p>

None of the directors had an interest in the share capital of the Company, nor any disclosable interests 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, RHJ International S A, as it is incorporated outside the UK.

None of the directors benefited from qualifying third party indemnity provisions during the year or at the date of this Report.

## Corporate governance

The Board of Directors comprises one executive director and four non-executive directors, all of whom are fully independent. The non-executive directors participate fully with their executive colleague in Board Meetings and have access to all information they need to perform their duties.

The roles of Chairman and Chief Executive are separated and are clearly defined. The Chairman is primarily responsible for the working of the Board and the Chief Executive for the running of the business and implementation of Board strategy and policy.

The appointment of directors is considered by the Board and approved by the shareholder. Directors need not retire by rotation or stand for re-election by the shareholder. The annual board self-assessment considers the effectiveness of the contribution of the directors.

## Corporate governance (continued)

Every director is offered training upon appointment and as necessary during their appointment. All directors have access to the advice and services of the Company Secretary and may seek independent professional advice, if necessary, at the Company's expense.

The Board has approximately three substantive meetings each year with a further number of Board meetings and teleconference calls during the year. A programme is prepared which ensures that the directors are able to regularly discharge their duties. Matters reserved for the attention of the Board include determination of the Company's strategy, reviews of budgets and financial statements, company acquisitions and disposals and major capital expenditure.

In conjunction with the Company's activities as a holding company, the Board regularly reviews capital, market, liquidity and credit risks to ensure exposure remains within limits set internally and by the regulator. Operational risks are also assessed regularly and, where appropriate, mitigating actions taken.

The Board has appointed the following committees and each of them has formal terms of reference covering its authority and duties, which are regularly reviewed by the Board.

### Kleinwort Benson Group Audit Committee ("Audit Committee")

The members of the Audit Committee throughout 2013 were Konstantin Graf von Schweinitz (Chairman), Andrew Adcock and Anne Ewing.

The Audit Committee advises the Board on meeting its external financial reporting obligations following its consideration of

- significant financial reporting issues and judgements made in connection with the financial statements,
- the appropriateness of the accounting policies and bases,
- narrative statements and disclosures to ensure that they are reasonable and consistent with reported results, and
- regulatory financial reporting.

The Audit Committee also

- considers the going concern statement,
- considers the existence of contingent liabilities, the recognition and level of provisions and the disclosures relating to provisions and contingent liabilities for legal and regulatory matters,
- reviews the processes underlying the representations made, and
- advises the Board that the annual report and accounts, taken as a whole is fair, balanced and understandable.

The Audit Committee reviews the effectiveness of the Company's internal controls, primarily by the assessment of the annual financial statements, the scope and findings of the annual external audit, reports produced by the Chief Risk Officer and control functions and periodic reviews of identified risks and mitigating controls undertaken by senior management, together with the assessment of the work of the internal audit department.

The internal audit function reviews operations on a continuing basis. A risk-based internal audit programme details the frequency and intensity of reviews and is approved by the Audit Committee. The Audit Committee received reports over the course of 2013 on the activities of the internal audit function and on progress with the agreed recommendations. To ensure best practice and access to industry and regulatory internal audit guidance, the internal audit function continues to be outsourced. During 2014, and following the completion of a full tender process, Grant Thornton will take over responsibility for the internal audit function from PwC.

The Audit Committee is responsible for reviewing the external auditors' independence, the nature of non-audit services supplied and non-audit fee levels relative to the audit fee.

### Kleinwort Benson Group Audit Committee ("Audit Committee") (continued)

Terms of Reference detail the roles and responsibilities of the Audit Committee, these are reviewed annually, as is the effectiveness of the Audit Committee

The Committee has at least three substantive meetings each year. On invitation, the Chairman, executives of the Company and its subsidiaries, Head of Internal Audit and external auditors attend meetings to assist the committee to fulfil its duties. The Audit Committee has regular discussions with the external auditor and the Head of Internal Audit, with an opportunity for these to take place without management present.

### Kleinwort Benson Group Strategic Risk Committee ("Strategic Risk Committee")

The members of the Strategic Risk Committee throughout 2013 were Heinrich Linz (Chairman), Peter Neville and Konstantin Graf von Schweinitz.

The Strategic Risk Committee assesses the business's strategies and plans from a risk perspective and, in particular, the tolerance for risk and potential risk exposure. The Strategic Risk Committee also reviews and recommends actions in respect of oversight, management and control of risk.

The Strategic Risk Committee considers the Group Risk Appetite and Framework and recommends it to the Board, taking into account the current and prospective macroeconomic and financial environment. This document outlines the nature and quantum of risk the firm wishes to bear in order to achieve its strategic, profitability and growth objectives while remaining within regulatory constraints. It also notes the key policies established by the firm to manage these risks and the approval process governing those policies. The responsibilities of the Strategic Risk Committee also include

- overseeing the current risk exposures
- reviewing the risk assessment process,
- assessing reports on any material breaches of risk tolerances and the adequacy of proposed management action

The Company follows the "three lines of defence" model. Under this, the business, as the first line,

- understands and is accountable for all the key risks faced in achieving their business objectives
- ensures that process and procedures are in place to manage those risks
- have a process in place to determine if the controls are working
- manage and mitigate any crystallised risk events

Compliance and Risk Management form the second line of defence

- Compliance interpret regulatory requirements, monitor compliance with regulations, provide advisory service to the first line, conduct risk-based compliance testing and reviews and develop relevant policies
- Risk management develop tools and policies to implement a risk management framework, set parameters within which the business must operate, escalate risk and control issues to senior management, provide 'independent and effective challenge' at all levels and provide risk management information

The third line of defence is provided by internal audit, who

- undertake independent risk based testing and verification of the first and the second line of defence, providing assurance directly to the Board on the overall control environment
- make recommendations where there have been audit findings as per industry standards
- validate the risk and compliance framework, to include the 'embedding' of the framework, policies/processes and tools



### Kleinwort Benson Group Strategic Risk Committee ("Strategic Risk Committee") (continued)

The Strategic Risk Committee has at least three substantive meetings each year. On invitation, the Chairman and executives of the Company and its subsidiaries attend meetings to assist the committee to fulfil its duties.

Terms of Reference detail the roles and responsibilities of the Strategic Risk Committee, these are reviewed annually. An annual review of the effectiveness of the Strategic Risk Committee was implemented during 2013.

### Kleinwort Benson Group Nomination and Remuneration Committee ("Nomination and Remuneration Committee")

The members of the Nomination and Remuneration Committee throughout 2013 were Leonhard Fischer (Chairman) and Anne Ewing.

The Nomination and Remuneration Committee

- sets the strategy regarding the remuneration policy for the Kleinwort Benson group companies,
- determines specific terms and compensation levels above an agreed threshold, and
- reviews and recommends main Board and key staff appointments.

The Committee has at least two substantive meetings each year.

### Employees

It is the Company's policy to give full and fair consideration to employees, workers and potential employees without regard to race, colour, nationality or national origin, sex, gender reassignment, marriage, disability, age, sexual orientation, religion or belief. All Company policies, practices and procedures relating to resourcing, training, development and promotion are administered equally and in accordance with all applicable laws.

It is the Company's policy to provide equal opportunities in all aspects of employment from the sourcing and selection of candidates, recruitment and training of employees to terms and conditions of employment and reasons for termination of employment and to ensure that any employment decisions are taken without reference to irrelevant or discriminatory criteria.

### Disclosure of information to auditors

In accordance with the provisions of section 418 of the Companies Act 2006 the directors who held office at the date of approval of this Directors' Report confirm that so far as they are each aware there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. Words and phrases used in this confirmation should be interpreted in accordance with section 418 of the Companies Act 2006.

### Auditors

Pursuant to Section 487(2) of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

## Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare the Strategic Report, the Director's Report and the financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law, the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions, including the disclosure with reasonable accuracy at any time of the financial position of the company, and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Approved by the Board of Directors

Signed on behalf of the Board



A C D Yarrow  
Chairman

Kleinwort Benson Group Limited

20 March 2014

Company No 07061507

14 St George Street, London W1S 1FE

# Independent auditors' report to the directors of Kleinwort Benson Group Limited

We have audited the financial statements of Kleinwort Benson Group Limited for the year ended 31 December 2013 set out on pages 11 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Nicholas Edmonds (Senior Statutory Auditor)

For and on behalf of KPMG Audit Plc, Statutory Auditor  
Chartered Accountants

15 Canada Square  
E14 5GL London  
United Kingdom

20 March 2014

# Profit and loss account

For the year ended 31 December 2013	Notes	2013 GBP '000	2012 GBP '000
Turnover		-	-
Cost of sales		-	-
<b>Gross profit</b>		-	-
Dividend income		10,000	10,000
Impairment of investment in subsidiaries	7	(63,711)	-
Administrative expenses	3	(5,667)	(9,272)
<b>Profit (loss) on ordinary activities before tax</b>	4	<b>(59,378)</b>	<b>728</b>
Tax on profit (loss) on ordinary activities	5	-	-
<b>Profit (loss) on ordinary activities after tax for the year/period</b>		<b>(59,378)</b>	<b>728</b>

There were no other recognised gains or losses in the year other than the profit for the year (2012 no other recognised gains or losses)

There is no difference between the profit (loss) on ordinary activities before taxation and their historical cost equivalents

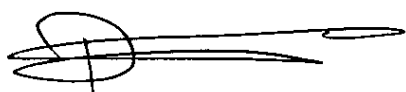
All income and loss are in respect of continuing operations

The accounting policies and notes on pages 13 to 20 form part of these accounts

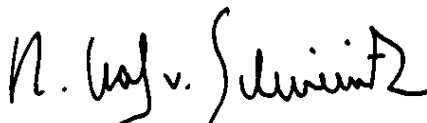
# Balance sheet

As at 31 December 2013	Notes	2013 GBP '000	2012 GBP '000
<b>Fixed assets</b>			
Tangible fixed assets	6	2,755	2,797
Investments in subsidiary undertakings	7	220,118	270,320
		<b>222,873</b>	<b>273,117</b>
<b>Current assets</b>			
Cash at bank and in hand		48	26
Debtors falling due within one year	8	81	10
<b>Total current assets</b>		<b>129</b>	<b>36</b>
Creditors falling due within one year	9	(2,714)	(7,434)
<b>Net current liabilities</b>		<b>(2,585)</b>	<b>(7,398)</b>
<b>Total assets less current liabilities</b>		<b>220,288</b>	<b>265,719</b>
<b>Shareholders' funds</b>			
Called up share capital	10	285,022	271,512
Profit and loss account	11	(64,734)	(5,793)
<b>Total shareholders' funds</b>		<b>220,288</b>	<b>265,719</b>

Approved and authorised for issue by the Board of Directors on 20 March 2014 and signed on its behalf by



A C D Yarrow  
Chairman



K N Graf von Schweinitz  
Director

The accounting policies and notes on pages 13 to 20 form part of these accounts

# Notes to the financial statements

## 1 Accounting policies

### (a) Basis of preparation

Kleinwort Benson Group Limited (the "Company") is a company incorporated and domiciled in the United Kingdom

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Generally Accepted Accounting Principles

The Company has taken advantage of section 400 of the Companies Act 2006 to not prepare consolidated accounts as the Company's parent undertaking, RHJ International S A , prepares consolidated accounts that are publicly available (see note 16)

As the Company is a wholly owned subsidiary of RHJ International S A , the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group

The financial statements have been prepared on a going concern basis. The Company has sufficient level of capital as reflected in its shareholders' funds. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future

### (b) Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less provision for impairment in value

### (c) Tangible fixed assets and depreciation

Tangible 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 economic life as follows

Leasehold buildings - life of lease

Fixtures and fittings - 3 years

Motor vehicles - 4 years

Fixed assets are periodically reviewed for impairment. Where the carrying amount is greater than its estimated recoverable amount, the asset is written down to its recoverable amount. Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate

1 Accounting policies (continued)

(d) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell an appropriate valuation model is used.

(e) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at mid market closing rates of exchange ruling at the balance sheet date. All foreign exchange translation differences are recognised in the profit and loss account.

(f) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(g) Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of prior years.

Full provision for deferred tax is made for timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations, using appropriate tax rates. The Company does not discount these balances.

Deferred tax assets are only recognised to the extent that it is more likely than not that they will be recovered. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(h) Share-based payments

RHJ International S A, the ultimate parent company, extended a share-based payments scheme during 2012 for selected employees of the Company.

Expense is recognised in accordance with the provisions of FRS 20 (Share-based payments). The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding credit to reserves, over the period that the employees unconditionally become entitled to the awards. The vesting period is the period during which all the specified vesting conditions are to be satisfied.



## 1 Accounting policies (continued)

## (i) Functional and presentation currency

These financial statements are presented in GBP, which is the Company's functional currency. Except as indicated, financial information presented in GBP has been rounded to the nearest thousand.

## (j) Cash flow statement

The Company has taken advantage of the exemption in Financial Reporting Standard No 1 (revised) not to prepare a cash flow statement, as the parent undertaking, RHJ International S A, prepares consolidated accounts which are publicly available (see note 16).

## 2 Segmental information

The Company's business relates to that of a holding company and provision of services to subsidiary undertakings.

## 3 Administrative expenses

**Staff costs (including directors)**

	<b>2013 GBP '000</b>	<b>2012 GBP '000</b>
Wages and salaries	2,160	2,490
Share Based Payments	436	194
Social security costs	232	140
Company pension contributions to money purchase scheme	157	120
	<b>2,985</b>	<b>2,944</b>

Average number of employees (including directors) for the year/period

8 6

**Directors' remuneration**

	<b>2013 GBP '000</b>	<b>2012 GBP '000</b>
Aggregate emoluments	485	456

There are no retirement benefits accruing for the directors.

**Highest paid director**

	<b>2013 GBP '000</b>	<b>2012 GBP '000</b>
Aggregate emoluments	250	250

Other administrative expenses primarily relate to costs incurred as part of the continuing monitoring of the Company's regulated subsidiaries as well as the on-going implementation of the transformation into an active dynamic financial services group, notably through the proposed acquisition of BHF Bank.

## 4 Profit (loss) on ordinary activities before tax

**Profit (loss) on ordinary activities before taxation is stated after charging:**

	<b>2013 GBP '000</b>	<b>2012 GBP '000</b>
Depreciation	42	44

## 4 Profit (loss) on ordinary activities before tax (continued)

Auditors' remuneration (excluding VAT) for the year ended 31 December 2013 is set out below

	2013 GBP '000	2012 GBP '000
Audit of these financial statements	8	8
Audit related assurance services	91	197
Other tax and consultancy services	-	324
<b>Total fees paid to auditors</b>	<b>99</b>	<b>529</b>

## 5 Tax on profit (loss) on ordinary activities

Taxation is based on the results for the period and comprises:

	2013 GBP '000	2012 GBP '000
<b>Total tax on profit / loss on ordinary activities</b>	<b>-</b>	<b>-</b>

The current tax charge for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below

## Factors affecting current tax charge for the period

	GBP '000	GBP '000
Profit (loss) on ordinary activities before tax	(59,378)	728
Tax on profit / loss on ordinary activities at standard rate of corporation tax in the UK of 23.5% (2011: 24.5%)	(13,954)	178
<b>Effects of</b>		
Expenses not deductible for tax purposes	112	1,096
Impairment on investments not deductible for tax purposes	14,972	-
Losses available for carry-forward	1,220	1,120
(Accelerated)/decelerated capital allowances	-	11
Other short term timing differences	-	45
Non-taxable dividend income	(2,350)	(2,450)
<b>Current tax charge for the year</b>	<b>-</b>	<b>-</b>

The tax benefit of losses carried forward of GBP 8,030,000 (2012: GBP 6,810,000) and other short-term timing differences of GBP 2,535,275 (2012: GBP 2,535,275) have not been recognised as deferred tax assets as it is not expected that future profits will be available to utilise these assets in the foreseeable future.

## 6 Tangible fixed assets

**Cost**

	<b>Leasehold buildings GBP '000</b>	<b>Furniture, fittings and equipment GBP '000</b>	<b>Motor vehicles GBP '000</b>	<b>Total GBP '000</b>
<b>At 1 January 2012</b>	<b>2,838</b>	<b>16</b>	<b>60</b>	<b>2,914</b>
Disposals	-	-	-	-
<b>At 31 December 2012, and 1 January 2013</b>	<b>2,838</b>	<b>16</b>	<b>60</b>	<b>2,914</b>
Disposals	-	(1)	-	-
<b>At 31 December 2013</b>	<b>2,838</b>	<b>15</b>	<b>60</b>	<b>2,913</b>

**Depreciation**

<b>At 1 January 2012</b>	<b>36</b>	<b>8</b>	<b>29</b>	<b>73</b>
Charge for 2012	24	5	15	44
<b>At 31 December 2012, and 1 January 2013</b>	<b>60</b>	<b>13</b>	<b>44</b>	<b>117</b>
Charge for the year	24	3	15	42
Disposals		(1)		(1)
<b>At 31 December 2013</b>	<b>84</b>	<b>15</b>	<b>59</b>	<b>158</b>
<b>Net book value at 31 December 2012</b>	<b>2,778</b>	<b>3</b>	<b>16</b>	<b>2,797</b>
<b>Net book value at 31 December 2013</b>	<b>2,754</b>	<b>0</b>	<b>1</b>	<b>2,755</b>

## 7 Investments in subsidiary undertakings

	2013 GBP '000	2012 GBP '000
<b>At 1 January</b>	270,320	250,318
Additions	13,509	20,002
Impairment	(63,711)	-
<b>At 31 December</b>	<b>220,118</b>	<b>270,320</b>

During 2013, the Company injected GBP 13.5m (GBP 20.0m in 2012) of capital into Kleinwort Benson Bank Limited to facilitate the continued investment in new revenue generating initiatives whilst maintaining a strong capital position in excess of regulatory requirements.

Since the time of the acquisition of the investments in 2010, the Company has injected GBP 43.9 million of capital into subsidiaries in order to maintain adequate capital limits after the subsidiaries had sustained net losses. Upon reviewing the future forecasts for the Company's subsidiaries and comparing the carrying amount of the investments with their underlying fair value, the directors believe it appropriate to impair some of these past capital injections and have recognised a GBP 63.7 million impairment charge accordingly. The factors the directors looked at when determining the fair value were currently observed assets under management multiples, as well as other observed multiples to the subsidiaries' current forecast.

The Company has investments in the following subsidiaries which principally affected the profits or net assets of the group. Details of investments in subsidiaries which are not significant or dormant have not been disclosed.

	Country of incorporation	Principal activities	Percentage of equity shares held
<b>Direct holdings</b>			
Kleinwort Benson Bank Limited	UK	Private Banking	100
Kleinwort Benson Channel Islands Holdings Limited	Guernsey	Holding Company	100
Kleinwort Benson Investors Dublin Limited	Ireland	Asset management	100
<b>Indirect holdings</b>			
Kleinwort Benson Trustees Limited	UK	Fiduciary Services	100
Kleinwort Benson (Channel Islands) Fund Services Limited	Guernsey	Fund Administration	100
Kleinwort Benson (Guernsey) Limited	Guernsey	Custodian Trustee	100
Kleinwort Benson (Channel Islands) Limited	Guernsey	Private Banking	100
Kleinwort Benson (Channel Islands) Investment Management Limited	Jersey	Investment Management	100
Kleinwort Benson (Channel Islands) Trustees Limited	Guernsey	Fiduciary Services	100

## 7 Investments in subsidiary undertakings (continued)

	Country of incorporation	Principal activities	Percentage of equity shares held
Kleinwort Benson Bank (Isle of Man) Limited	Isle of Man	Private Banking	100
Kleinwort Benson Trustees (Isle of Man) Limited	Isle of Man	Fiduciary Services	100

## 8 Debtors falling due within one year

	2013 GBP '000	2012 GBP '000
Amount owed by fellow subsidiary undertakings	3	2
Others	78	8
	<b>81</b>	<b>10</b>

## 9 Creditors falling due within one year

	2013 GBP '000	2012 GBP '000
Amount owed to parent and group undertakings	1,078	3,563
Amount owed to subsidiary undertakings	354	2,291
Accruals	1,282	1,580
	<b>2,714</b>	<b>7,434</b>

## 10 Called up share capital

	2013 GBP '000	2012 GBP '000
Authorised 285,021,917 ordinary shares of GBP 1 each	285,022	271,511
Allotted and fully paid 285,021,917 ordinary shares of GBP 1 each	285,022	271,511

During the year the Company authorised and issued 13,510,852 ordinary shares of GBP 1 each for a consideration of GBP 13,510,852 settled in cash during the year

## 11 Reconciliation of movements in shareholders' funds and statement of movements on reserves

	Issued share capital GBP '000	Profit & loss account GBP '000	Total GBP '000
At 31 December 2011, and 1 January 2012	255,340	(6,715)	248,625
Shares issued	16,171	-	16,171
Profit / (loss) for the year	-	728	728
Share based payments	-	195	195
<b>At 31 December 2012, and 1 January 2013</b>	<b>271,511</b>	<b>(5,792)</b>	<b>265,719</b>

11 Reconciliation of movements in shareholders' funds and statement of movements on reserves (continued)

	Issued share capital GBP '000	Profit & loss account GBP '000	Total GBP '000
Shares issued	13,511	-	13,511
Profit / (loss) for the year	-	(59,378)	(59,378)
Share based payments	-	436	436
<b>At 31 December 2013</b>	<b>285,022</b>	<b>(64,734)</b>	<b>220,288</b>

12 Commitments and contingent liabilities

There were no commitments or contingent liabilities during the year or prior period for the Company

13 Post balance sheet events

On 28 January 2014, the Company issued 1,324,803 shares to RHJ International S A for consideration of GBP 1,324,803 to fund the operations of the Company

In February 2014, the Company received a dividend of GBP 7,500,000 from its subsidiary undertaking, Kleinwort Benson Channel Islands Holdings Limited and EUR 5,500,000 from its subsidiary undertaking, Kleinwort Benson Investors Dublin Limited. In February 2014, the Company's investment in its wholly owned subsidiary, Kleinwort Benson Bank Limited, was increased by GBP12,000,000 as the subsidiary issued 12,000,000 ordinary shares of GBP 1 each for a consideration of GBP 12,000,000 settled in cash

On 21 February 2014 the Company announced, together with RHJ International S A, that the German financial regulator, BaFin, had confirmed that it has no objections to a proposed acquisition of BHF-BANK ("BHF"). The acquisition is subject to certain conditions prior to closing, which is expected to take place before the end of March 2014

14 Directors' loans and other transactions

There were no loans or arrangements made to external parties on behalf of directors of the Company during the year or prior period

15 Related party disclosures

At 31 December 2013, the Company was a wholly owned subsidiary of RHJ International S A and the consolidated financial statements of RHJ International S A are publicly available (see Note 16). Accordingly, advantage is taken in these financial statements of the exemptions available in Financial Reporting Standard No 8 on '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

16 Ultimate parent undertaking and controlling party

The Company's ultimate parent undertaking and controlling party is RHJ International S A (Euronext: RHJI), a company incorporated in Belgium under Belgium Law. It is also the smallest and largest group in which the publically available results of the Company are consolidated. The financial statements of RHJ International S A are available to the public and may be obtained from RHJ International, Investor Relations, Avenue Louise 326, 1050 Brussels, Belgium