

INVERESK STOCKHOLDERS LIMITED
REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1998

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REPORT OF THE DIRECTORS

The directors submit their annual report together with the audited financial statements, for the year ended 31 December 1998.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company is an investment holding company which owns the whole of the issued share capital of Kleinwort Benson Holdings Inc., a company incorporated in the United States of America. This company is engaged in securities related businesses.

The Company received loans from parent companies and on-lent these monies to its subsidiary, Kleinwort Benson Holdings Inc.

RESULTS AND DIVIDENDS

The results of the company for the year are set out in detail on page 5. The directors do not recommend the payment of an ordinary dividend (1997: Nil). The loss for the year, after preference dividends of £12,600, of £12,682 (1997: loss £26,791) will be deducted from reserves.

DIRECTORS AND DIRECTORS' INTERESTS

The directors who held office during the year were:-

P E Churchill-Coleman	(retired 31 March 1999)
S A Jack	(resigned 30 April 1999)
G M Langlay-Smith	(resigned 30 July 1999)

P L Longcroft, P R Freeman and S J Brooks were appointed directors of the company on 31 March 1999, 13 May 1999 and 17 August 1999 respectively.

The disclosable interest of S A Jack in the shares and debentures of group companies are shown in the directors' report of Kleinwort Benson Limited.

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.

THE EURO

Economic and Monetary Union commenced on 1 January 1999, with the introduction of the Euro. The company has adapted its processes, where necessary, to do business in the Euro where applicable.

REPORT OF THE DIRECTORS (Continued)

YEAR 2000

The year 2000 Programme has been successfully completed at Dresdner Kleinwort Benson and the Programme Office officially stood down. To date we have had no information that indicates that any of our significant trading counterparties, vendors or source providers may be unable to continue doing business with Dresdner Kleinwort Benson 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 costs associated with this programme have been borne by an intermediate parent undertaking and as such do not form part of these statutory financial statements. Details of the aforementioned costs can be seen in the financial statements of Kleinwort Benson Limited.

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. Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998. The directors have appointed the new firm, PricewaterhouseCoopers, as auditors to the company.

Approved by the Board of Directors
Signed on behalf of the Board



M Amey
Secretary

3rd May 2000

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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; 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.

Approved by the Board of Directors
Signed on behalf of the Board



M Amey
Secretary

3rd May 2000

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the financial statements in accordance with United Kingdom accounting standards as described on page 3. Our responsibilities, as independent auditors, are established 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.

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 31st December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY

2000

PROFIT AND LOSS ACCOUNT
Year ended 31 December 1998

	Note	1998 £	1997 £
Other operating expenses		(82)	(14,191)
Loss for the financial year		(82)	(14,191)
Preference share appropriations	6 & 7	(12,600)	(12,600)
Retained loss for the year	7	(12,682)	(26,791)

For the purposes of Financial Reporting Standard No.3 all activities are continuing.

The company has no recognised gains/losses other than the loss for the above two financial years.

The notes on pages 7 to 10 form part of these financial statements.

A statement showing the movement in reserves is set out in note 7 on page 10.

There is no difference between the loss on ordinary activities before taxation and retained loss for the financial year stated above, and their historical cost equivalents.

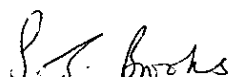
BALANCE SHEET

as at 31 December 1998

	Note	1998 £	1998 £	1997 £	1997 £
Fixed assets					
Investment	4		29,203,159		29,199,649
Current assets					
Group relief receivable		22,754		22,754	
Cash		645,680		645,680	
		<u>668,434</u>		<u>668,434</u>	
Creditors - amounts falling Due within one year					
Amount owed to group companies: Parent and fellow subsidiaries		(29,871,476)		(29,867,884)	
		<u>(29,871,476)</u>		<u>(29,867,884)</u>	
Net current liabilities			(29,203,042)		(28,199,450)
Total assets less current liabilities			<u>117</u>		<u>199</u>
Capital and reserves					
Called up share capital	5		540,100		540,100
Share premium account	7		228,107		228,107
Profit and loss account – accumulated deficit	7		(768,090)		(768,008)
			<u>117</u>		<u>199</u>
Shareholders funds			<u>117</u>		<u>199</u>
Attributable to equity shareholders			(756,783)		(744,101)
Attributable to non equity shareholders			756,900		744,300

These financial statements were approved by the Board of Directors on 3rd May 2000.

Signed on behalf of the Board of Directors



S J Brooks
Director

The notes on pages 7 to 10 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 1998

1. ACCOUNTING POLICIES

a) Basis of preparation

These financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The particular accounting policies adopted are described below.

b) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date.

Exchange differences arising on the translation of the opening investment in overseas subsidiaries are shown as movements on reserves.

c) Cash flow statement

As permitted by FRS No.1 (revised), these financial statements do not include a cash flow statement as a consolidated cash flow statement is prepared by Dresdner Bank AG, the ultimate parent company as at 31 December 1998.

d) Investments

Investments in subsidiary companies are carried in the balance sheet at cost less provision for any permanent diminution in value.

e) Taxation

Full provision is made in the profit and loss account for current taxation.

f) Disclosure of related party transactions

Inveresk Stockholders Limited is a wholly owned subsidiary of Kleinwort Benson Group Limited (formerly Kleinwort Benson Group plc). The ultimate parent undertaking, Dresdner Bank AG, prepares consolidated financial statements which are publicly available. Accordingly, advantage has been taken in these financial statements of the exemptions available in the Financial Reporting Standard 8 from disclosure of transactions with entities that are part of the Group or investees of Group entities as related parties.

2. TRADING

The company did not trade during the year. The only amounts effecting the profit and loss account are exchange gains/losses on foreign currency assets and liabilities (not hedged through reserves).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 1998

3. DIRECTORS AND EMPLOYEES

The company had no employees during the year. In addition, no director received any remuneration in respect of his services to the company. All expenses are borne by Kleinwort Benson Limited, an intermediate parent company.

4. INVESTMENTS HELD AS FIXED ASSETS

Shares in subsidiary undertakings	1998 £	1997 £
Cost at 1 January	29,199,649	28,579,586
Exchange differences on investments denominated in foreign currency	3,510	620,063
	<hr/>	<hr/>
Cost at 31 December	29,203,159	29,199,649
	<hr/>	<hr/>

The company owns the whole of the issued share capital of Kleinwort Benson Holdings Inc., a company incorporated in the United States of America. This company is engaged in securities related businesses. It also acts as a holding company for a leasing business. In the opinion of the directors the value of the investment in the subsidiary is not less than the amount shown on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 1998

5. CALLED UP SHARE CAPITAL

	1998 £	1997 £
Authorised		
3.5% cumulative preference shares of £1 each	360,000	360,000
Ordinary shares of £1 each	180,100	180,100
Unclassified shares of £1 each	209,900	209,900
	<hr/>	<hr/>
	750,000	750,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
3.5% cumulative preference shares of £1 each	360,000	360,000
Ordinary shares of £1 each	180,100	180,100
	<hr/>	<hr/>
	540,100	540,100
	<hr/>	<hr/>

The rate of dividend of the 3.5% cumulative preference shares is 3.5% plus the associated tax credit. On a return of capital on a winding-up, the holders shall be entitled to £1 per share, in preference to all other classes of shareholders. Holders of these shares are not entitled to vote at meetings.

6. DIVIDENDS

No dividends have been paid on the 3.5% cumulative preference shares since 30 June 1966 and the arrears amount to £396,900 (1997 - £384,300).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 1998

7. COMBINED RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

	Issued Share Capital 1998 £	Share Premium 1998 £	Profit & Loss Account 1998 £	Total 1998 £	Total 1997 £
1 January	540,100	228,107	(768,008)	199	14,390
Retained loss for the year	-	-	(12,682)	(12,682)	(26,791)
Gain on foreign currency Investments due to foreign exchange movement			3,510	3,510	-
Loss on foreign currency loans hedging foreign currency investments *			(3,510)	(3,510)	-
Reversal of preference share appropriations not due	-	-	12,600	12,600	12,600
At 31 December	540,100	228,107	(768,090)	117	199

* The balance of the exchange loss on translating the foreign currency loans hedging the foreign currency investments, has been charged to the profit and loss account in accordance with SSAP 20.

8. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking and controlling party is Kleinwort Benson Limited. The ultimate parent undertaking is Dresdner Bank AG, a company incorporated in Germany. The parent undertaking of the smallest group of which the company is a member is Kleinwort Benson Group Limited (formerly Kleinwort Benson Group plc), a company incorporated in Great Britain and registered in England and Wales. Copies of the consolidated financial statements which are available at the Companies Registration Office, Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.