



Crown Agents

Asset Management Limited

ANNUAL REPORT AND ACCOUNTS

2003

Registered Number

2169973

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CROWN AGENTS ASSET MANAGEMENT LIMITED

Annual Report and Accounts 2003

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CROWN AGENTS ASSET MANAGEMENT LIMITED

Managing Director's Review

There was arguably a return to more normal investment markets in 2003, at least once the main military conflict in Iraq came to an end. The recovery in equity markets that began once the fighting started was met with considerable relief by investors and the strength of the US economy and demand for commodities and skills in the Chinese economy have been notable drivers of global markets. The surpluses created in China and the continued export success in Japan have enabled the US current account deficit to be funded, thus maintaining a crucial cornerstone of the global economy, but imbalances in the USA have continued and there must be concern about the sustainability of this situation looking forward. Intervention in currency markets, notably by Japan, has been a critical factor in bond markets over the last year, as the proceeds of such intervention have been invested predominantly in US Treasuries and thus kept yields low.

Nevertheless, official interest rates also remained at very low levels throughout the year, so that despite improving growth in nearly all major economies and increasing fiscal deficits, bond yields and spreads were also kept at quite low levels. For bond investors the conflicting influences on prices of the increasing supply of paper coupled with improving economies, versus low inflation and official interest rates presented a problematic outlook. As bonds remain CAAML's primary asset class, due to our client base, we were also obliged to contend with unprecedented volatility in the US bond market in the middle of the year, caused by an apparent change of sentiment in the Federal Reserve and the actions of the US housing agencies in rebalancing their huge portfolios. Overall it has been a very difficult year for bond investors and we are gratified that returns have been positive, against the negative outturn anticipated early in the year.

Funds under management declined in 2003, due primarily to a reduction in custodial funds and the fall in the US dollar. As confidence returns in 2004 amongst investors, we anticipate growth in discretionary funds from new clients. In addition, significant changes are being made to our systems, especially in performance and risk management, that will enhance our capabilities. Our staff have responded well to the challenges of 2003 and I am very grateful for their support.

Michael Collyer
Managing Director

CROWN AGENTS ASSET MANAGEMENT LIMITED

Directors

P F Berry CMG - Chairman

Peter Berry is chairman of the Crown Agents for Oversea Governments and Administrations Limited (Crown Agents) and of its banking and asset management subsidiaries. He is Chairman of Martin Currie Investment Portfolio Trust plc and a director of Henderson TR Pacific Investment Trust plc. Mr Berry is also a director of the construction company Kier Group plc and is a Trustee of the Charities Aid Foundation and its international chairman. During 2003 he was appointed non-executive director of The Charity Bank Limited and President of the UK Chapter of Transparency International. He is an adviser to the government's trade development arm, UK Trade and Investment, and a retained adviser on economic development to the Corporation of London.

M P Collyer - Managing Director, Chief Investment Officer

Michael Collyer has worked in fund management in Crown Agents for over 20 years. He was appointed Managing Director of the company on 14 March 2000 and has executive responsibility for fund management and client relationships, acting as Account Manager for several key clients.

M Naameh – Director, Business Development and Advisory Services

Michael Naameh is responsible for business development, economic research and advisory services. He was a Fund Manager until 1994 and Chief Investment Officer until 1999. Prior to joining Crown Agents in 1989, Michael was a senior consultant with an international firm of actuaries. He has published widely on public asset-liability management, risk management and financial sector development issues.

J Garvey -Non-Executive Director

Jack Garvey joined Crown Agents as Chief Executive in August 2002. He has had a distinguished career in marketing and strategic management and running international operations, most recently with Unilever, and earlier with Proctor and Gamble and Pepsico. He has lived and worked extensively in South East Asia, including the Philippines, Singapore and Thailand.

Miss K M H Mortimer - Non-Executive Director

Kate Mortimer has been a director of the company since 1992. She has held a number of appointments in Whitehall and the City and was a director of Rothschilds for a number of years. She is a freelance consultant on financial sector development, principally to the Department for International Development. She is a non-executive director of Pennon Group plc and was, previously, also a member of the Competition Commission.

A H Oxford - Non-Executive Director

Tony Oxford has worked in the Crown Agents group's financial services businesses since 1972. He is the Managing Director of Crown Agents Financial Services Limited and an Executive Director of the company's parent.

F I Sumner - Non-Executive Director

Francis Sumner is a former partner in Norton Rose, a leading firm of City solicitors. He is also a non-executive director of The Bankers Investment Trust PLC, Joint Honorary Secretary of The City and Guilds of London Institute and a member of the Council of the Assessment and Qualifications Alliance. He is Senior Independent Director of Crown Agents and a member of the Audit Committee.

CROWN AGENTS ASSET MANAGEMENT LIMITED

Directors' Report

The directors submit their report and the audited financial statements for the year ended 31 December 2003.

Principal Activity and Business Review

The principal activity of the company is the provision of investment management services. The company is regulated by the Financial Services Authority.

The funds under management at the end of the year were £855,392,000 (2002: £932,461,000) of which £206,819,000 (2002: £302,065,000) were held in non-discretionary/custodial accounts.

Results for the Year

The profit for the year after taxation amounts to £220,000 (2002: £323,000). The directors recommend an interim dividend of £220,000 (2002: £323,000) leaving a balance of £Nil to be transferred to reserves (2002: £Nil).

Directors

The following were directors of the company during the year:

P F Berry CMG*	Chairman
M P Collyer	Managing Director
J Garvey*	(Appointed 6 February 2003)
Miss K M H Mortimer*	
M Naameh	
A H Oxford*	
F I Sumner*	

* non-executive

No director has any interest, beneficial or otherwise, in the shares of the company.

Statement of Directors' Responsibility

The following statement, which should be read in conjunction with the auditor's report set out on page 9, is made with a view to distinguishing, for shareholders, the respective responsibility of the directors and auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 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 for the financial year.

The directors consider that in preparing the financial statements on pages 10 to 20, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, all accounting standards which they consider to be applicable have been followed, and the financial statements have been prepared on a going concern basis.

CROWN AGENTS ASSET MANAGEMENT LIMITED

Directors' Report (Continued)

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to ensure that an appropriate system of internal control is in operation to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

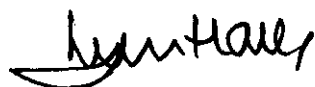
Auditors

Pursuant to section 379A of the Companies Act 1985 an elective resolution has been passed dispensing with the obligation to appoint auditors annually in accordance with section 386 of the Companies Act 1985. PricewaterhouseCoopers LLP have indicated their willingness to continue in office and accordingly are deemed to be re-appointed.

Elective Resolutions

In accordance with the Companies Act 1985 elective resolutions have been passed which will facilitate the administration of the company. The company has dispensed with the laying of accounts and reports before the company in general meeting.

By order of the Board,



L Hale
Secretary

24 March 2004

CROWN AGENTS ASSET MANAGEMENT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CROWN AGENTS ASSET MANAGEMENT LIMITED

We have audited the financial statements on pages 10 to 20 which have been prepared under the historical cost convention and the accounting policies set out on page 13.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on pages 7-8.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 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. The other information comprises only the Managing Director's review and the Director's report.

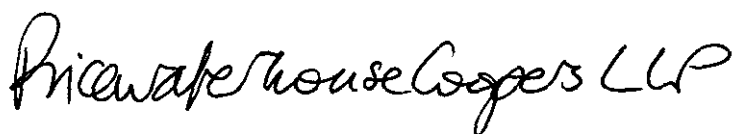
BASIS OF AUDIT OPINION

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 affairs of the company at 31 December 2003 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

24 March 2004

CROWN AGENTS ASSET MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003 £'000	2002 £'000
TURNOVER	2	2,064	2,195
Administrative and other expenses		<u>(1,781)</u>	<u>(1,806)</u>
OPERATING PROFIT	3	283	389
Interest receivable	4	27	35
Dividends received	8	<u>-</u>	<u>38</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		310	462
Profit on sale of fixed assets	7	<u>4</u>	<u>-</u>
PROFIT BEFORE TAXATION		314	462
Taxation	6	<u>(94)</u>	<u>(139)</u>
PROFIT FOR THE FINANCIAL YEAR		220	323
Dividend		<u>(220)</u>	<u>(323)</u>
BALANCE TRANSFERRED TO RESERVES		-	-
Reserves brought forward		<u>109</u>	<u>109</u>
Reserves carried forward		<u>109</u>	<u>109</u>

The results for the year are wholly attributable to continuing operations. There are no recognised gains or losses other than those set out above. There are no differences between the results of the company set out above and the results on an unmodified historical cost basis. A reconciliation of movements in shareholders' funds is given in Note 14 to the financial statements.

The notes on pages 13 to 20 form part of these financial statements.

BALANCE SHEET
AT 31 DECEMBER 2003

The Board of Directors approved the accounts on 24 March 2004.

DIRECTORS

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CROWN AGENTS ASSET MANAGEMENT LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003		2002	
		£'000	£'000	£'000	£'000
CASHFLOW FROM OPERATING ACTIVITIES	16A		219		323
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		27		35	
Dividends received		-		38	
			27		73
TAXATION					
Corporation tax and group relief paid			(116)		(218)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Purchase of Fixed Assets		(32)		(15)	
Disposal of Fixed Assets		4		-	
Repayment of Investment		14		10	
			(14)		(5)
EQUITY DIVIDENDS PAID			(323)		(318)
DECREASE IN CASH IN THE PERIOD	16B		(207)		(145)

The notes on page 13 to 20 form part of these financial statements.

CROWN AGENTS ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003

1 STATEMENT OF ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards.

(b) Recognition of income

Interest receivable and fee income are credited to the profit and loss account on an accruals basis.

(c) Foreign currency translation

Assets and liabilities expressed in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Foreign currency transactions are translated at month end rates. Currency gains and losses are included in profit on ordinary activities.

(d) Deferred tax

Deferred taxation is provided at anticipated tax rates, using the full provision method, on all timing differences that have not reversed by the Balance Sheet date. This is in accordance with FRS 19 "Deferred Tax".

(e) Tangible fixed assets

Tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation. Assets are depreciated from the date they are brought into use. Depreciation is calculated to write off the original cost of assets in equal annual instalments over their estimated useful lives, which are taken as:

Computer equipment and software	3-5 years
Plant & Machinery	3-5 years

(f) Fixed Asset Investments

Equity shares in unquoted companies are valued at cost less any permanent diminution in value.

(g) Derivatives

Forward foreign exchange contracts and options are used to hedge expected fee income receivable in currencies other than sterling. Forward foreign exchange contracts are valued on a basis consistent with the underlying hedged transactions. Options used for hedging are carried at cost, which is amortised over the period to which the underlying hedged transactions relate.

CROWN AGENTS ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (Continued)

2 TURNOVER

Turnover represents amounts receivable in respect of fund management and associated activities, being the company's only class of business.

3 OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2003 £'000	2002 £'000
Foreign exchange gain	(45)	(18)
Depreciation	17	18
Administrative and other expenses payable to holding company	<u>1,764</u>	<u>1,788</u>

The management charge payable to the holding company includes auditors' remuneration of £24,000 (2002: £22,000). The company operates in one area of activity, that of fund management in the United Kingdom. A geographical analysis of the source of turnover by the markets supplied is :-

	2003 %	2002 %
Caribbean, Atlantic and the Americas	30	29
Africa	28	31
Asia and Pacific	7	7
U.K.	14	15
Rest of Europe	<u>21</u>	<u>18</u>
	<u>100</u>	<u>100</u>

4 INTEREST RECEIVABLE

Interest receivable arises from monies deposited with Crown Agents Financial Services Limited, a group undertaking.

CROWN AGENTS ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (Continued)

5 STAFF COSTS AND DIRECTORS' EMOLUMENTS

All employees and directors were paid by the holding company, with whom they have contracts of employment. The employees and executive directors are entitled to be members of the Crown Agents Superannuation Scheme, details of which are set out in the accounts of The Crown Agents for Oversea Governments and Administrations Limited. This is a defined benefits scheme for the Group as a whole and the assets and liabilities cannot be attributed to the company. Contributions are based on pension costs across the Group as a whole. At the last actuarial valuation the Scheme was in surplus.

FRS 17 "Retirement Benefits" requires certain disclosures in respect of defined benefits schemes. The Company is unable to identify its share of the underlying assets and liabilities and, in accordance with FRS 17, it has accounted for the scheme as if it were a defined contribution scheme. The contributions made in the year were £99,000 (2002: £98,000).

As at 31 December 2003, the scheme showed a surplus of £11,732,000 (2002: £11,586,000).

Staff Costs	2003 £'000	2002 £'000
Wages and salaries	576	591
Social security costs	53	51
Pension costs	99	98
	<u>728</u>	<u>740</u>

The aggregate emoluments of the directors were £195,000 (2002: £239,000).

Retirement benefits are accruing to 4 directors (2002: 4) under defined benefits pension schemes.

CROWN AGENTS ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (Continued)

6 TAXATION

A Analysis of Charge in Period

	2003 £'000	2002 £'000
Group relief and corporation tax based on the profit for the year at 30% (2002: 30%)	79	128
Under/(Over) provision in prior years	2	(1)
Total current tax charge (Note 6B)	81	127
Deferred tax (Note 12)	13	12
	<u>94</u>	<u>139</u>

B Factors Affecting Tax Charge for the Period

	2003 £'000	2002 £'000
Profit on ordinary activities before tax	314	462
Profit on ordinary activities multiplied by standard rate of corporation tax of 30% (2002: 30%)	94	140
Profit not chargeable for tax purposes	(1)	-
Capital allowances in excess of depreciation	(4)	-
Other timing differences	(10)	(12)
Adjustment in respect of previous year	2	(1)
Current tax charge for the period (Note 6A)	<u>81</u>	<u>127</u>

7 TANGIBLE FIXED ASSETS

	Computer Equipment	Plant & Machinery	Total £000
Cost at 1 January 2003	128	27	155
Additions	4	28	32
Disposals	-	(27)	(27)
Cost at 31 December 2003	<u>132</u>	<u>28</u>	<u>160</u>
Depreciation at 1 January 2003	113	25	138
Charge for the year	10	7	17
Disposals	-	(27)	(27)
Depreciation at 31 December 2003	<u>123</u>	<u>5</u>	<u>128</u>
Net book value at 31 December 2003	<u>9</u>	<u>23</u>	<u>32</u>
Net book value at 31 December 2002	<u>15</u>	<u>2</u>	<u>17</u>

CROWN AGENTS ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (Continued)

8 FIXED ASSET INVESTMENTS

No dividend (2002: £38,000) was received during the year from the following investment:-

	Country of Incorporation	Description of Holding	Proportion Held
Mauritius Fund Management Company Ltd (MFMC)	Mauritius	A Ordinary Shares	24.71%
MCB Investment Management Co Ltd	"	A Ordinary Shares	12.74%

The MFMC investment above, although the company has holdings exceeding 20%, is treated as a simple investment and not an associate as stipulated by the Companies Act 1985, section 260 (1) and (2), because the company has ceased trading and capital is being repaid as the assets are realised.

	2003 £'000	2002 £'000
Cost at 1 January	102	112
Capital repaid	(14)	(10)
Cost at 31 December	88	102
Diminution in value at 1 January and 31 December	(57)	(57)
Net book value at 31 December	31	45

9 DEBTORS

	2003 £'000	2002 £'000
Trade debtors	513	515
Prepayments and accrued income	90	95
Deferred tax (Note 12)	18	31
	621	641

10 CASH AT BANK AND IN HAND

	2003 £'000	2002 £'000
Cash placed with a group undertaking		
- Crown Agents Financial Services Limited	839	1,001

CROWN AGENTS ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (Continued)

11 CREDITORS - AMOUNTS DUE WITHIN ONE YEAR

	2003 £'000	2002 £'000
Current taxation	34	69
Amounts owed to group undertaking	61	52
Other creditors and accrued expenses	99	151
Dividend payable	220	323
	<u>414</u>	<u>595</u>

12 DEFERRED TAX

The net deferred tax asset recognised in the financial statements is as follows:-

	2003 £'000	2002 £'000
Capital allowances	8	13
Other timing differences	10	18
	<u>18</u>	<u>31</u>

The movements in the deferred tax asset are as follows:-

	2003 £'000	2002 £'000
At 1 January	31	43
Charge to profit and loss (Note 6A)	(13)	(12)
At 31 December	<u>18</u>	<u>31</u>

13 SHARE CAPITAL

	2003 £'000	2002 £'000
Authorised:		
Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
Allotted, called-up and fully paid:		
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

CROWN AGENTS ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (Continued)

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £'000	2002 £'000
Profit after taxation for the year	220	323
Dividend	(220)	(323)
Net increase in shareholders' funds	-	-
Opening shareholders' funds	1,109	1,109
Closing shareholders' funds	1,109	1,109

15 HEDGING

Forward Foreign Exchange

Gains and losses on forward foreign exchange contracts are recognised in line with the underlying items which are being hedged. At 31 December 2003, the unrecognised gain on the forward foreign exchange contracts used for hedging was £81,000 (2002: £23,000). The net gain arising on these contracts will be recognised in the period when each contract matures.

Options

No options were purchased for hedging in 2003. The cost of those purchased in 2002 of £10,000 was recognised during 2003 as the contracts matured.

CROWN AGENTS ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (Continued)

16 NOTES TO THE CASH FLOW STATEMENT

A Reconciliation of operating profit to operating cashflow

	2003 £'000	2002 £'000
Operating profit	283	389
Exchange gain	(45)	(18)
Depreciation	17	18
Decrease/(Increase) in debtors	7	(1)
Decrease in creditors	(43)	(65)
Cashflow from operating activities	<u>219</u>	<u>323</u>

B Changes in cash at bank held with a fellow subsidiary

	2003 £'000	2002 £'000
Cash at bank at 1 January	1,001	1,128
Exchange gain	45	18
Net cash outflow	<u>(207)</u>	<u>(145)</u>
Cash at bank at 31 December	<u>839</u>	<u>1,001</u>

17 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption provided under Paragraph 3(c) of FRS 8 "Related party transactions", because it is a wholly owned subsidiary of The Crown Agents for Oversea Governments and Administrations Limited.

18 PARENT COMPANY

The company is wholly owned by The Crown Agents for Oversea Governments and Administrations Limited which is wholly owned by The Crown Agents Foundation. Copies of the group accounts may be obtained from the secretary of the holding company at St Nicholas House, St Nicholas Road, Sutton, Surrey SM1 1EL.