

PERMAL INVESTMENT MANAGEMENT SERVICES LIMITED

Report and Financial Statements

For the year ended 31st December 2003



Directors' Report and Financial Statements

For the year ended 31st December 2003

Registered number: 3535219

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Report of the Directors

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

Results and Dividend

The company's profit for the financial year is £10,016,496 (2002: £189,103).

The directors recommend that a dividend of £5,500,000 be paid in respect of the current year (2002: Nil).

Review of the Business

On 21st May 1999 the company became authorised by The Securities and Futures Authority to conduct investment business as an ISD Category C regulated firm. On 1st December 2001 The Financial Services and Markets Act 2000 came into force and on the same date the Financial Services Authority took over as regulator to the company.

From 1st May 2003, following a group restructuring, the company took over the role of financial services advisor to Haussmann Holdings N.V. from a fellow subsidiary company. From the same date, the company became investment manager or investment advisor to each of the Permal and Alfanar Families of Funds.

Share capital

On 22nd May 2003 the company's authorised share capital was increased from £1,000,000 to £10,000,000 by the creation of a further 9,000,000 ordinary shares of £1. On 30th May 2003 the company's immediate parent company, Worms & Company Ltd., was allotted 6,150,000 ordinary £1 shares at par for cash.

Directors

The directors of the company throughout the year were as follows:

P. W. Longland (Chairman)
O. Kodmani (Syrian)
E. de La Haye Jousselin (French)
D. Fielden
M.O. Langlois
C.R. Balfour
T.M. DeLitto (US)

None of the above had any disclosable interest in the share capital of the company during the year.

Creditor Payment Policy

It is the policy of the company to pay all invoices in accordance with contract and payment terms. Unless agreed otherwise, these terms are taken to be 30 days from the date of the invoice.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General meeting.

By Order of the Board

D. Fielden
Secretary



25 St. James's Street
London SW1A 1HA
11th March 2004

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, and of the profit or loss 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 financial statements;
- prepare financial statements on the going concern basis unless it is not appropriate.

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and prevent and detect fraud and other irregularities.

**Independent auditors' report
to the members of Permal Investment Management Services Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

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.

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 directors' report.

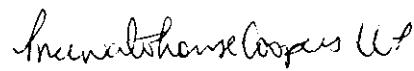
Basis of audit opinion

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 the company's affairs at 31 December 2003 and of its profit 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
11th March 2004

PERMAL INVESTMENT MANAGEMENT SERVICES LIMITED

Profit and Loss Account

For the year ended 31st December 2003

			*2002
	Notes	£	£
Fee income:			
- from support services:		846,059	1,870,643
- from fund management and advisory services		84,683,605	3,799,381
Net operating income		85,529,664	5,670,024
Less:			
Rebates and sub advisory fees		(63,529,105)	(1,006,967)
Administrative expenses		(7,254,859)	(4,098,701)
Depreciation	8	(121,510)	(128,327)
		(70,905,474)	(5,233,995)
Operating profit	2	14,624,190	436,029
Interest receivable and similar income	3	52,736	14,426
Interest payable and similar charges	4	(1,633,309)	(110,587)
Gain on sale of current asset investments		26,260	-
Profit on ordinary activities before taxation		13,069,877	339,868
Tax on profit on ordinary activities	5	(3,053,381)	(150,765)
Retained profit for the year before dividend		10,016,496	189,103
Dividend payable		(5,500,000)	-
Retained profit for the year		4,516,496	189,103
Profit and loss account brought forward		704,509	515,406
Profit and loss account carried forward		5,221,005	704,509

The results were derived from continuing operations.

There are no recognised gains or losses other than the profit above.

There is no material difference between the retained profit for the year stated above and its historical cost equivalent.

*Following the issuance of FRS5 Application Note G - Revenue recognition, 2002 fee income has been restated to show fee income gross of rebates and commissions paid to third-parties. The effect has been to increase fees from fund management and advisory services by £1,006,967, and rebates and sub-advisory fees by the same amount.

PERMAL INVESTMENT MANAGEMENT SERVICES LIMITED

Balance Sheet

at 31st December 2003

	Notes	£	2002 £
Tangible fixed assets	8	150,467	253,911
Current assets			
Investments	9	4,079,197	-
Debtors	10	21,849,637	2,171,289
Cash at bank and in hand		10,859,394	1,027,488
		36,788,228	3,198,777
Creditors - Amounts falling due within one year	11	23,880,637	1,339,901
Net current assets		12,907,591	1,858,876
Total assets less current liabilities		13,058,058	2,112,787
Creditors - Amounts falling due after one year	12	(837,053)	(558,278)
Net assets		12,221,005	1,554,509
Capital and reserves			
Called up equity share capital	13	7,000,000	850,000
Profit and loss account		5,221,005	704,509
Equity shareholders' funds	14	12,221,005	1,554,509

Approved by the directors on 11th March 2004

P. W. Longland

O. Kodmani

[Handwritten signatures and initials]

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

Notes to the Financial Statements

For the year ended 31st December 2003

1. Accounting policies

a) Basis of preparation:

The accounts are prepared in accordance with applicable accounting standards and under the historical cost convention.

b) Consolidation, cash flow statement and related party disclosure:

The parent undertaking of the smallest group which includes the company is Worms & Cie S.A., a company incorporated in France. The company has taken advantage of the exemption from preparing the cash flow under the terms of FRS1 (revised 1996). The company is also exempt under the terms of FRS8 from disclosing related party transactions with entities that are part of the Worms & Cie S.A. group.

The accounts of Worms & Cie S.A. are available from 25 Avenue Franklin D. Roosevelt, 75008 Paris, France.

c) Fixed assets:

Fixed assets are depreciated on a straight line basis over their estimated useful lives at the following annual rates:

Computer equipment	- 33.3%
Office furniture and equipment	- 33.3%
Telephone equipment	- 25%
Leasehold improvements	- over the term of the existing lease

Furniture and equipment acquired from the previous tenant on 23rd December 1999 for £15,000 has been written off in three equal instalments during the years 1999 to 2001.

d) Investments:

Investments are held at the lower of cost and net realisable value.

e) Foreign currency transactions:

Income and expenditure arising from foreign currency transactions are translated into sterling at the exchange rate in operation on the date on which the transaction occurred.

At each balance sheet date, monetary assets and liabilities denominated in a foreign currency are translated by using the closing rate.

f) Operating lease:

Rent payable is charged to revenue on a straight line basis over the term of the lease.

g) Taxation

Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet date other than those differences regarded as permanent. Any liability to deferred tax is provided at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

2. Operating profit

	2002	
	£	£
Operating profit is stated after charging:		
Operating lease payments	196,000	224,140
Auditors' remuneration:		
- audit	25,600	26,000
- non-audit	20,980	20,445
Depreciation of tangible fixed assets	121,510	128,327
Staff costs:		
- wages and salaries	4,772,483	2,310,288
- social security costs	524,346	224,831
- contributions to personal pension schemes	148,965	128,177

The average number of employees (including directors) during the year was seventeen (2002: seventeen).

PERMAL INVESTMENT MANAGEMENT SERVICES LIMITED

Notes to the Financial Statements continued

For the year ended 31st December 2003

3. Interest receivable and similar income

	2002	
	£	£
Interest receivable	52,736	14,426

4. Interest payable and similar charges

	2002	
	£	£
Interest payable	49,478	6,651
Commitment fees payable	314	1,099
Exchange losses	1,230,032	102,837
Provision against current asset investments	353,485	-
	<u>1,633,309</u>	<u>110,587</u>

5. Tax on profit on ordinary activities

a) Analysis of charge in the period:

	2002	
	£	£
Current tax:		
U.K. corporation tax on profits of the period	3,200,000	160,000
Adjustments in respect of previous periods	(130,660)	-
Total current tax - Note 5. b)	<u>3,069,340</u>	<u>160,000</u>
Deferred tax:		
Origination of timing differences (Note 6.)	(15,959)	(9,235)
Tax on profit on ordinary activities	<u>3,053,381</u>	<u>150,765</u>

b) Factors affecting tax charge in the period:

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002	
	£	£
Profit on ordinary activities before taxation and dividend	<u>13,069,877</u>	<u>339,868</u>
Profit on ordinary activities at 30% (2001: 30%).	3,920,963	101,960
Effects of:		
Expenses not deductible for tax purposes	26,085	16,305
Depreciation for period in excess of capital allowances	17,321	22,326
Discount on group relief received	(800,000)	-
Prior year adjustment	(130,660)	-
Other timing differences	35,631	19,409
Current tax charge for period - Note 5. a)	<u>3,069,340</u>	<u>160,000</u>

Notes to the Financial Statements continued

For the year ended 31st December 2003

6. Provision for deferred tax

	Decelerated capital allowances	Pension contribution provisions	Total
	£	£	£
Provision at 1st January 2003	16,304	6,337	22,641
Deferred tax credit in profit and loss account for year - Note 1. g)	5,186	10,773	15,959
Provision at 31st December 2003	21,490	17,110	38,600

7. Directors' emoluments

	2002 £	2002 £
Directors' total remuneration was made up as follows:		
- aggregate amount of emoluments	2,573,351	1,297,060
Contributions to directors' personal pension schemes	89,311	88,287
Highest paid director:		
- Total amount of emoluments	957,574	633,629

8. Fixed assets

	Computer equipment £	Furniture & fixtures £	Telephone equipment £	Leasehold improvements £	Total £
Cost:					
At 1st January 2003	136,987	118,973	33,819	216,904	506,683
Additions	12,458	5,608	-	-	18,066
At 31st December 2003	149,445	124,581	33,819	216,904	524,749
Accumulated depreciation:					
At 1st January 2003	86,108	73,376	22,923	70,365	252,772
Charge for year	31,718	24,988	6,230	58,574	121,510
At 31st December 2003	117,826	98,364	29,153	128,939	374,282
Net book value:					
At 31st December 2003	31,619	26,217	4,666	87,965	150,467
At 31st December 2002	50,879	45,597	10,896	146,539	253,911

9. Investments

	2002 £	2002 £
Holdings acquired during the year, at the lower of cost and realisable value.	4,079,197	-

PERMAL INVESTMENT MANAGEMENT SERVICES LIMITED

Notes to the Financial Statements continued

For the year ended 31st December 2003

10. Debtors

	2002	
	£	£
Prepayments and accrued income	18,826,534	730,579
Amounts due from group undertakings	22,543	812,260
Unamortised commissions paid	2,742,512	415,220
Deferred tax asset	38,600	22,641
Other debtors	219,448	190,589
	<u>21,849,637</u>	<u>2,171,289</u>

11. Creditors - Amounts falling due within one year:

	2002	
	£	£
Amount due to parent company	51,043	7,407
Amounts due to group undertakings	7,025,330	-
CT Group relief payable	1,691,718	-
Corporation tax payable	162,423	135,000
Accruals	2,452,091	752,269
Other creditors	12,498,032	445,225
	<u>23,880,637</u>	<u>1,339,901</u>

12. Creditor - Amounts falling due after one year:

	2002	
	£	£
Subordinated loan from parent company: \$1.5 million, two year, facility from Worms & Company Limited: Drawings of \$1,500,000 at 2 year LIBOR plus 3.5%.	837,053	558,278
	<u>837,053</u>	<u>558,278</u>

13. Equity share capital

	2002	
	£	£
Ordinary shares of £1 each Authorised	10,000,000	1,000,000
	<u>10,000,000</u>	<u>1,000,000</u>
Allotted, issued and fully paid	7,000,000	850,000
	<u>7,000,000</u>	<u>850,000</u>

14. Reconciliation of Movement in Equity Shareholders' Funds

	£	£
Equity Shareholders' funds at 1st January	1,554,509	1,365,406
Share capital increase	6,150,000	-
Profit for the year	10,016,496	189,103
Dividend payable	(5,500,000)	-
	<u>12,221,005</u>	<u>1,554,509</u>
Equity Shareholders' funds at 31st December	12,221,005	1,554,509

Notes to the Financial Statements continued

For the year ended 31st December 2003

15. Leases

The company has annual commitments in respect of office premises held on short term leases terminating in 2005.
The annual rent payable under these leases is £218,676

16. Parent and ultimate controlling party

The company is a subsidiary of Permal Group S.C.A.

The company's ultimate parent company is IFI - Istituto Finanziario Industriale S.p.A., a company established in Italy. IFI is also the parent undertaking of the largest group which includes the company and for which group accounts are prepared. The accounts of IFI are available from Corso G. Matteotti 26, 10121 Torino, Italy.