

Pall Mall Investment Management Limited

REPORT AND FINANCIAL STATEMENTS

Year ended 30 September 2009



Company Registration No 3548908

Pall Mall Investment Management Limited

DIRECTORS, OFFICERS AND ADVISERS

DIRECTORS

H Pastel
J Goble
C Schibli
R Schmitz
T Goble
M Northway
R Winkelmann
K Katakawa

SECRETARY

T Goble

REGISTERED OFFICE

52a Cromwell Road
London SW7 5BE

INDEPENDENT AUDITOR

Baker Tilly UK Audit LLP
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

Pall Mall Investment Management Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of Pall Mall Investment Management Limited (PMIM) for the financial year ending 30 September 2009

PRINCIPAL ACTIVITY

The principal activity of the Company during the year remained that of investment management and fund management

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The year ending in September 2009 saw world financial markets and the Company experience a continuation of extremely volatile market conditions. Broadly speaking, the first half of the year saw the business suffer from declining assets under management as a result of sharply lower market prices for high yield bonds, deleveraging in some of the capital guaranteed products and client redemptions. In some cases, investors sold what they could, rather than what they wished to, in order to meet cash requirements, leading to redemptions in some of the funds we managed. All PMIM's products maintained liquidity and we were able to meet clients' demands for redemption, thus highlighting the real benefit to investors of our liquid products.

The second half of the year saw confidence start to return to world markets and a slow and patchy increase in investors' appetite for risk. In our High Yield business, the flagship Pall Mall High Yield Europe Plus fund generated a total return over the financial year of 20%. This was made up of a decline from October 2008 until the calendar year end, followed by a 64% positive return from January 2009 to September 2009 as liquidity returned and credit spreads contracted to more normal recessionary levels.

Our Quant business started to gain traction in the marketplace and saw assets grow by 150% over the period under report. It is pleasing to be able to report that assets have continued to grow since the year end as PMIM's capabilities in this area become better known.

Marketing efforts during the first half of the year were frustrated by the difficult investment climate and challenging conditions for winning new mandates. The second half of the year saw a significant recovery with overall assets under management (AUM) growing by 85% between the end of March and the year end, at which time the Company managed over €720m, only marginally behind the €731m as at September 2008.

The significantly lower average AUM during the year inevitably impacted the profit and loss account leading to a loss for the year of £2m. In order to fund the Company through to (and beyond) free cash flow break even, new equity was raised in July 2009. This new equity, combined with the improved and improving investment climate and a lower cost base, gives the directors confidence that the Company can return to profitability in the coming months. Costs have been reduced by a combination of lower headcount and, most notably, staff and directors voluntarily reducing salaries. The Company has enjoyed outstanding staff stability and we treasure the loyalty and hard work of all our employees, to whom we extend thanks on behalf of all shareholders.

Management changes

Executive management of the Company has not changed during the period under report.

DIVIDENDS

The directors are unable to recommend the payment of a dividend.

Pall Mall Investment Management Limited

DIRECTORS' REPORT

DIRECTORS

The following directors have held office since 1 October 2008

H Pastel

J Goble

C Schibli

R Schmitz

T Goble

K Katakawa

I Heinen

(Resigned 27 March 2009)

R Winkelmann

M Northway

Directors' interests in the share options of the parent company, PMAM Holdings Limited, are set out in the directors' report of that company

Pall Mall Investment Management Limited

DIRECTORS' REPORT

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITOR

A resolution to re-appoint Baker Tilly UK Audit LLP, Chartered Accountants, as auditor will be put to the members.

On behalf of the board



H Pastel
Director

22 January 2010

Pall Mall Investment Management Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable Law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view. In preparing those financial statements, the directors are required to

- a select suitable accounting policies and then apply them consistently,
- b make judgements and estimates that are reasonable and prudent,
- c 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 and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PALL MALL INVESTMENT MANAGEMENT LIMITED

We have audited the financial statements on pages 8 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 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 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 auditor

As more fully explained in the Directors' Responsibilities Statement, 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 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

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom 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 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 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.

Baker Tilly UK Audit LLP

DAVID BLACHER (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

2 Bloomsbury Street

London WC1B 3ST

25/1/2010

Pall Mall Investment Management Limited

PROFIT AND LOSS ACCOUNT

for the year ended 30 September 2009

	Notes	2009 £	2008 £
TURNOVER	1	2,641,441	4,403,085
Cost of sales		(97,944)	(408,610)
GROSS PROFIT		<u>2,543,497</u>	<u>3,994,475</u>
Other operating income	5	262,273	335,896
Other operating expenses	2	(4,837,537)	(5,550,654)
OPERATING LOSS		<u>(2,031,767)</u>	<u>(1,220,283)</u>
Investment income	3	11,127	48,457
Interest payable	4	(20,244)	(47,997)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>(2,040,884)</u>	<u>(1,219,823)</u>
Taxation	7	5,564	(62,075)
LOSS FOR THE FINANCIAL YEAR	16	<u>(2,035,320)</u>	<u>(1,281,898)</u>

The loss for the year arises from the company's continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 30 September 2009

	2009 £	2008 £
Loss for the financial year	(2,035,320)	(1,281,898)
Total losses recognised gains and losses relating to the year	<u>(2,035,320)</u>	<u>(1,346,898)</u>

Pall Mall Investment Management Limited

BALANCE SHEET

at 30 September 2009

Company Registration No 3548908

	Notes	2009 £	2008 £
FIXED ASSETS			
Tangible assets	8	210,514	383,507
Investments	9	686	686
		<u>211,200</u>	<u>384,193</u>
CURRENT ASSETS			
Debtors	10	692,079	786,636
Cash at bank and in hand		1,367,303	1,368,630
		<u>2,059,382</u>	<u>2,155,266</u>
CREDITORS Amounts falling due within one year	11	(825,038)	(872,018)
NET CURRENT ASSETS		<u>1,234,344</u>	<u>1,283,248</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,445,544</u>	<u>1,667,441</u>
CREDITORS Amounts falling due after more than one year	12	(263,100)	(359,676)
NET ASSETS		<u>1,182,444</u>	<u>1,307,765</u>
CAPITAL AND RESERVES			
Called up share capital	13	391,440	361,250
Share premium account	15	4,424,754	2,544,945
Capital contribution	15	38,831	38,831
Profit and loss account	16	(3,672,581)	(1,637,261)
EQUITY SHAREHOLDERS' FUNDS	17	<u>1,182,444</u>	<u>1,307,765</u>

Approved by the board and authorised for issue on 22 January 2010


H Pastel
Director

Pall Mall Investment Management Limited

CASH FLOW STATEMENT

for the year ended 30 September 2009

	<i>Notes</i>	2009 £	2008 £
Cash flow from operating activities	18a	(1,781,847)	(842,051)
Returns on investments and servicing of finance	18b	(9,117)	460
Taxation		5,564	(16,870)
Capital expenditure and financial investment	18b	(8,256)	(341,571)
Financing	18b	1,792,329	1,849,292
(DECREASE) / INCREASE IN CASH IN THE YEAR		<u>(1,327)</u>	<u>649,260</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2009 £	2008 £
(Decrease) / Increase in cash in the year	(1,327)	649,260
Finance leases	117,670	(99,041)
Repayment of subordinated loan	-	250,000
MOVEMENT IN NET FUNDS IN THE YEAR	<u>116,343</u>	<u>800,219</u>
NET FUNDS AT 1 OCTOBER	18c 892,447	92,228
NET FUNDS AT 30 SEPTEMBER	18c <u>1,008,790</u>	<u>892,447</u>

Pall Mall Investment Management Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The company incurred a loss of £2,035,320 for the year ended 30 September 2009. The financial statements have been prepared on a going concern basis because in the Directors' opinion, the growth in assets under management seen in the last six months of the financial year will continue into 2010 and beyond. The company has prepared detailed AuM projections and revenue forecasts, and with continued focus on driving down costs, the company will return to profitability.

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows -

Fixtures, fittings and equipment	2 to 4 years
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DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

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

LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are operating leases and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

TURNOVER

Turnover represents the value, net of Value Added Tax, of services provided to customers.

FOREIGN EXCHANGE

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

RETIREMENT BENEFITS

The amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Pall Mall Investment Management Limited

ACCOUNTING POLICIES

SHARE-BASED PAYMENTS

The company has applied the requirements of FRS 20 *Share-based payment*. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 October 2006.

Certain employees hold options over the shares of the parent company, PMAM Holdings Limited. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest.

The fair value is measured by use of the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Pall Mall Investment Management Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2009

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and loss before taxation were all derived from its principal activity

2 OTHER OPERATING EXPENSES

	2009 £	2008 £
Administration expenses	4,837,537	5,550,654

3 INVESTMENT INCOME

	2009 £	2008 £
Other interest receivable	11,127	48,457

4 INTEREST PAYABLE

	2009 £	2008 £
Subordinated loan interest	-	13,179
Finance lease interest	20,244	34,818
	20,244	47,997

5 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2009 £	2008 £
Loss on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation charge for the year - owned assets	47,469	31,483
- leased assets	133,780	123,910
Operating lease rentals		
Equipment	77,324	254,469
Land and buildings	555,338	460,997
Auditor's remuneration		
- statutory audit of financial statements	22,500	18,000
- taxation services	9,574	42,778
Other operating income - rental income	(262,273)	(335,896)

Pall Mall Investment Management Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2009

6	EMPLOYEES	2009 No	2008 No
	The average monthly number of persons (including directors) employed by the company during the year was		
	Office and management	29	30
		<u>29</u>	<u>30</u>
		2009 £	2008 £
	Staff costs for the above persons		
	Wages and salaries	2,319,497	2,766,808
	Social security costs	225,098	245,636
	Pension costs	74,294	74,472
		<u>2,618,889</u>	<u>3,086,916</u>
		2009 £	2008 £
	DIRECTORS' REMUNERATION		
	Emoluments	325,079	717,486
		<u>325,079</u>	<u>717,486</u>
	Highest paid director		
	Emoluments	100,385	225,785
		<u>100,385</u>	<u>225,785</u>
7	TAXATION	2009 £	2008 £
	Current tax	-	-
	Adjustment in respect of prior year	-	17,075
		<u>-</u>	<u>17,075</u>
	Deferred taxation		
	Origination and reversal of timing differences	-	45,000
		<u>-</u>	<u>45,000</u>
	Total deferred tax	-	45,000
		<u>-</u>	<u>45,000</u>
	Tax charge/(credit) on loss on ordinary activities	-	62,075
		<u>-</u>	<u>62,075</u>

Pall Mall Investment Management Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2009

7 TAXATION (continued)

Factors affecting tax charge/(credit) for the year	2009 £	2008 £
The tax assessed for the year differs from the standard rate of corporation tax in the UK of 28% (2008 28%) The differences are explained below		
Loss on ordinary activities before tax	(2,040,884)	(1,219,823)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 28%)	(571,448)	(341,550)
Effects of		
Expenses not deductible for tax purposes	7,884	20,864
Capital allowances for the year less than depreciation	7,927	(2,253)
Unutilised losses	555,637	322,939
Adjustment in respect of prior year	(5,564)	17,075
Tax (credit)/charge for the year	<u>(5,564)</u>	<u>17,075</u>

8 TANGIBLE FIXED ASSETS

	<i>Fixtures, fittings and equipment</i> £
Cost	
1 October 2008	700,265
Additions	8,256
30 September 2009	<u>708,521</u>
Depreciation	
1 October 2008	316,758
Charge for the year	181,249
30 September 2009	<u>498,007</u>
Net book value	
30 September 2009	<u>210,514</u>
30 September 2008	<u>383,507</u>

Included in net book value at 30 September 2009 is £141,469 (2008 £275,249) in respect of assets held under finance leases

Pall Mall Investment Management Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2009

9	INVESTMENTS		Other participating interests £
	Cost		
	1 October 2008 and 30 September 2009		2,186
	Provisions		
	1 October 2008 and 30 September 2009		1,500
	Net book value		
	30 September 2009		686
	30 September 2008		686

Investments net book value represents a 3.2% stake in Architus Investment Solutions

10	DEBTORS	2009 £	2008 £
	Due within one year		
	Trade debtors	274,342	349,294
	Corporation tax debtor	-	62,000
	Other debtors	105,913	106,297
	Prepayments and accrued income	311,824	269,045
		<u>692,079</u>	<u>786,636</u>

11	CREDITORS Amounts falling due within one year	2009 £	2008 £
	Trade creditors	230,722	143,684
	Other taxation and social security	45,835	68,966
	Other creditors	42,560	58,119
	Accruals and deferred income	410,507	484,742
	Obligations under finance leases	95,414	116,507
		<u>825,038</u>	<u>872,018</u>

Included in other creditors is £26,913 (2008 debtor £42,776) due to the company's parent undertaking

The finance lease obligations are secured on the assets concerned (see note 8)

Pall Mall Investment Management Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2009

12	CREDITORS Amounts falling due after more than one year	2009 £	2008 £
	Obligations under finance leases	18,973	115,549
	Preference share capital (note 13)	244,127	244,127
		<u>263,100</u>	<u>359,676</u>

Finance leases are secured on the assets concerned (see Note 8)

13	SHARE CAPITAL	2009 £	2008 £
	Authorised		
	9,450,000 (2008 500,000) ordinary shares of £1 each (equity)	9,450,000	500,000
	500,000 non cumulative redeemable 5% preference shares of £1 each	500,000	500,000
	50,000 founder non cumulative redeemable 6% preference shares of £1 each	50,000	50,000
		<u>10,000,000</u>	<u>1,050,000</u>
	Allotted, issued and fully paid		
	361,250 (2008 346,967) ordinary shares of £1 each (equity) at 1 October	361,250	346,967
	30,190 (2008 14,283) ordinary shares of £1 each (equity) issued in the year	30,190	14,283
		<u>391,440</u>	<u>361,250</u>
	391,440 (2008 361,250) ordinary shares of £1 each (equity) at 30 September	391,440	361,250
		<u>206,627</u>	<u>206,627</u>
	206,627 non cumulative redeemable 5% preference shares of £1 each	206,627	206,627
	37,500 founder non cumulative redeemable 6% preference shares of £1 each	37,500	37,500
		<u>244,127</u>	<u>244,127</u>

In accordance with FRS25 *Financial instruments disclosure and presentation*, preference shares are classified as part of creditors amounts falling due after more than one year (see note 12)

The non-cumulative redeemable 5% preference shares are redeemable at par at any time, in whole or in part, at the option of the company provided that all of the preference shares in issue shall be redeemed on or before 31 December 2018

The holders of such preference shares will not be entitled to receive notice of, or attend, or vote at any general meetings of the company. The holders of preference shares shall be entitled, in priority to any payment of dividend on any other class of shares, to a fixed non-cumulative preferential dividend at the rate of 5% per annum on the capital, so far as the distributable reserve shall in the opinion of the directors justify such payments

On winding up, the holders of the 5% preference shares shall be entitled to a return of paid up capital and a proportion of the surplus assets after paid up capital distribution of the company, ranking *pari passu* as

Pall Mall Investment Management Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2009

regards to priority to any return of capital on any other class of shares, subject to any special rights which may be attached to any other class of shares

The founder non-cumulative redeemable 6% preference shares are redeemable at par plus a £9 premium per share at any time, in whole or in part, at the option of the company provided that all of the preference shares in issue shall be redeemed on or before 31 December 2017

The holders of such preference shares will not be entitled to receive notice of, or attend, or vote at any general meetings of the company. The holders of preference shares shall be entitled, in priority to any payment of dividend on any other class of shares, to a fixed non-cumulative preferential dividend at the rate of 6% per annum on the capital, so far as the distributable reserve shall in the opinion of the directors justify such payments

On winding up, the holders of the founder non-cumulative redeemable 6% preference shares shall be entitled to a return of paid up capital and a proportion of the surplus assets after paid up capital distribution of the company, ranking pari passu as regards to priority to any return of capital on any other class of shares, subject to any special rights which may be attached to any other class of shares

SHARE OPTIONS

The number of share options outstanding at the end of the year, the dates on which they were granted and the periods at which they may be exercised are as follows

Date of grant	Number of options	Share subscription per option	Exercise price	Exercise period
16 July 2001	1,626	1 ordinary share of £1 each	£30.77 per unit	16 July 2006 to 16 July 2011
25 June 2003	1,721	1 ordinary share of £1 each	£8.71 per unit	25 June 2008 to 24 June 2013
1 October 2004	1,398	1 ordinary share of £1 each	£43.56 per unit	1 October 2009 to 30 September 2014
1 June 2005	458	1 ordinary share of £1 each	£58.08 per unit	1 June 2010 to 31 May 2015
8 June 2006	956	1 ordinary share of £1 each	£87.11 per unit	8 June 2011 to 7 June 2016
6 November 2006	1,911	1 ordinary share of £1 each	£87.11 per unit	6 November 2011 to 5 November 2016
1 August 2007	1,648	1 ordinary share of £1 each	£206.35 per unit	1 August 2010 to 31 July 2015
1 September 2007	3,877	1 ordinary share of £1 each	£206.35 per unit	1 September 2010 to 31 August 2015
1 August 2008	1,939	1 ordinary share of £1 each	£225.96 per unit	1 August 2011 to 31 July 2020

All options granted are over the shares of PMAM Holdings Limited, the company's parent undertaking

Pall Mall Investment Management Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2009

14 SHARE-BASED PAYMENTS

The company uses a Black-Scholes model to calculate the fair value of options. The key inputs for options granted in previous years are as follows

Weighted average share price	£9.50
Expected volatility	10%
Risk free rate	4.1%
Dividend yield	-

Expected volatility was determined by estimating the historical volatility of the company's share price over the previous two years

The company recognised a total expense of £Nil (2008: £Nil) in respect of equity-settled share based payment transactions in the year ended 30 September 2009

15 SHARE PREMIUM ACCOUNT	2009 £	2008 £
1 October	2,544,945	558,977
Issue of ordinary shares	1,879,809	1,985,968
30 September	<u>4,424,754</u>	<u>2,544,945</u>

During the year, the company issued 30,190 ordinary shares of £1 each for total proceeds of £1,909,999

CAPITAL CONTRIBUTION

The capital contribution represents the cumulative share-based payment charge in respect of share options held by employees of Pall Mall Investment Management Limited over the shares of its parent company, PMAM Holdings Limited (see note 14)

16 PROFIT AND LOSS ACCOUNT	2009 £
1 October 2008	(1,637,261)
Loss for the financial year	(2,035,320)
30 September 2009	<u>(3,672,581)</u>

Pall Mall Investment Management Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2009

17	RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS		2009 £
	Opening equity shareholders' funds		1,307,765
	Loss for the financial year		(2,035,320)
	Issue of ordinary shares		1,909,999
	Closing equity shareholders' funds		<u>1,182,444</u>
18	CASH FLOW STATEMENT		
		2009 £	2008 £
(a)	Reconciliation of operating loss to net cash outflow from operating activities		
	Operating loss	(2,031,767)	(1,220,283)
	Depreciation and other non-cash movements	181,249	155,393
	Decrease in debtors	94,558	269,050
	Decrease in creditors	(25,887)	(46,211)
	Net cash flow from operating activities	<u>(1,781,847)</u>	<u>(842,051)</u>
(b)	Analysis of cash flows for headings netted in the cash flow		
	Returns on investments and servicing of finance		
	Interest received	11,127	48,457
	Interest paid	(20,244)	(47,997)
	Net cash flow from returns on investments and servicing of finance	<u>(9,117)</u>	<u>460</u>
	Capital expenditure and financial investment		
	Purchase of tangible fixed assets	<u>(8,256)</u>	<u>(341,571)</u>
	Financing		
	Capital element of finance lease payments	(117,670)	99,041
	Issue of ordinary share capital	1,909,999	2,000,251
	Repayment of subordinated loan		(250,000)
		<u>1,792,329</u>	<u>1,849,292</u>

Pall Mall Investment Management Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2009

18 CASH FLOW STATEMENT (continued)

	At 1 October 2008 £	Cash flow £	At 30 September 2009 £
(c) Analysis of net funds			
Cash at bank	1,368,630	(1,327)	1,367,303
Finance leases	(232,056)	117,670	(114,386)
Preference share capital	(244,127)	-	(244,127)
Total	<u>892,447</u>	<u>116,343</u>	<u>1,008,790</u>

19 COMMITMENTS UNDER OPERATING LEASES

At 30 September 2009 the company had annual commitments under non-cancellable operating leases as follows

	2009 £	2008 £
Equipment		
- expiring in the first year	19,919	98,260
- expiring in the second to fifth year	18,376	38,295
	<u>38,295</u>	<u>136,555</u>
Land and buildings		
- expiring after the fifth year	599,921	599,921
	<u>599,921</u>	<u>599,921</u>

20 RELATED PARTY TRANSACTIONS

During the year ended 30 September 2009, Holger Pastel acted as a director of PMIM Beteiligungs GmbH, (PMIM GmbH) In July 2009, Pall Mall Investment Management Limited sold a registered name to PMIM GmbH, and at the same time entered into an agreement to pay a monthly license fee to PMIM GmbH for the use of certain intellectual property owned by the company

The license fee based on the mid month assets under management for the quantitative strategy funds multiplied by three basis points per annum

21 PENSION COMMITMENTS

The company currently does not operate a pension scheme. However, in complying with the requirements of stakeholder pension funds the company is committed to make pension contributions for the employees to a defined contribution pension scheme whose assets are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company and amounted to £74,294 (2008 £74,472). Contributions totalling £121,838 (2008 £112,609) were payable to the fund at the year end and are included in creditors.

22 PARENT UNDERTAKING

The parent company is PMAM Holdings Limited, incorporated in England