

**Generali Portfolio Management (UK)
Limited**

Report and Financial Statements

31 December 1999

Registered number: 3794233



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GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

Registered No. 3794233

DIRECTORS

A. F. Arscott
M.G. Carvill
D.A. Palmer

SECRETARY

D.A. Palmer

AUDITORS

Ernst & Young
Rolls House
7, Rolls Building
Fetter Lane
London
EC4A 1NH

BANKERS

The Royal Bank of Scotland PLC
62-63, Threadneedle Street
London
EC2R 8LA

SOLICITORS

Ashurst Morris Crisp
Broadwalk House
5 Appold Street
London
EC2A 2HA

REGISTERED OFFICE

Windsor House
39 King Street
London
EC2V 8DQ

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

Registered No. 3794233

REPORT OF THE DIRECTORS

The Directors present their report and accounts for the period ended 31st December 1999.

INCORPORATION

The Company was incorporated on 23rd June 1999 under the above name of Exitplane Limited. The name of the Company was changed by special resolution to Generali Portfolio Management (UK) Limited on 29th July 1999.

RESULTS

The loss for the period, after taxation, amounted to £(110,545). The directors are unable to recommend a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activities during the period were private client asset management and the provision of investment advice.

The company made a loss in its first period because of the start-up costs incurred. The Company received authorisation to conduct investment business in the United Kingdom from IMRO on 22nd December 1999. The Company is well placed to develop significant funds under management in the year ahead and the Directors are satisfied that this will allow the company to operate profitably in the future.

DIRECTORS & THEIR INTERESTS

No director was interested in the shares of the company during the period nor in the shares of any other group company.

D A Palmer and M G Carvill were appointed directors on 28th July 1999. Mr A Arscott was appointed on 15th November 1999.

YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and thus required modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in event that there is a failure by other parties to remedy their own year 2000 issues.

The Directors have considered the impact of the year 2000 on the business, and also that of the year 2000 related failures by our significant suppliers. In appropriate cases, formal communications with these parties were instigated.

To date the company has suffered no year 2000 related problems. However, given the complexity of the issue, it is not possible for any organisation to guarantee that no year 2000 problems remain. The Board believes it has achieved an acceptable state of readiness and has available adequate resources to deal promptly with significant failures or issues that may arise.

Because the company began operation after awareness of the potential malfunctions and disruption had already been heightened, the company has incurred only minimal costs in relation to the year 2000 issue.

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED
Registered No. 3794233

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board

A handwritten signature in black ink, appearing to be 'M. L.', written over a horizontal line.

Secretary

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED
Registered No. 3794233

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 of the company for that period. In preparing those accounts, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgement and estimates that are reasonable and prudent; and
- Prepare the accounts 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 accounts comply with the Companies Act 1985. They are also responsible for safe guarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**REPORT OF THE AUDITORS
TO THE MEMBERS OF GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED**

We have audited the accounts on pages 6 to 14 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8 to 14.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 4 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

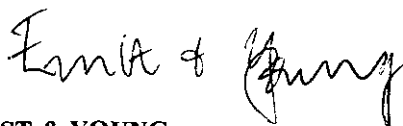
BASIS OF OPINION

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31st December 1999 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG
Registered Auditors
London

Dated:

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED**Registered No. 3794233****PROFIT AND LOSS ACCOUNT**

For the period ended 31 December 1999

	Notes	1999 £
Turnover	2	41,985
Cost of Sales		-
Gross profit		<u>41,985</u>
Administrative expenses		(152,493)
Operating loss	3	<u>(110,508)</u>
Other interest receivable and similar income		259
Interest payable and similar charges	6	(296)
Loss on ordinary activities before taxation		<u>(110,545)</u>
Taxation	7	-
Loss for the financial period		<u><u>(110,545)</u></u>

There are no recognised gains or losses other than the loss for the period.

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED**Registered No. 3794233****BALANCE SHEET**

At 31 December 1999

	Notes	1999 £
<u>Fixed Assets</u>		
Tangible assets	8	63,103
<u>Current Assets</u>		
Debtors	9	116,130
Cash at bank and in hand		211,325
		<hr/> 327,455
<u>Creditors:</u> Amounts falling due within one year	10	151,103
<u>Net Current Assets</u>		<hr/> 176,352
<u>Total Assets Less Current Liabilities</u>		<hr/> 239,455
<u>Creditors:</u> Amounts falling due after one year	11	100,000
		<hr/> 139,455
<u>Capital & Reserves</u>		
Called up share capital	12	250,000
Profit & Loss account	13	(110,545)
<u>Shareholders' funds</u>		<hr/> 139,455
All attributable to equity shareholders	13	



DIRECTOR



DIRECTOR

Date 12th April 2000

Date

12/4/00

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED
Registered No. 3794233

NOTES TO ACCOUNTS
As at 31 December 1999

1. **ACCOUNTING POLICIES**

Basis of preparation

The accounts are prepared under the historical cost convention.

The accounts are prepared in accordance with applicable accounting standards.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

Leasehold land and buildings	-	over the lease term
Fixtures, fittings, tools and equipment	-	over 3 to 10 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences, including those relating to pensions, which are expected to reverse in the future.

Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

Foreign currencies

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

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

Registered No. 3794233

NOTES TO ACCOUNTS

As at 31 December 1999

Pensions

The Company offers its employees membership of a defined benefit pension scheme, which requires contributions to be made to a separately administered fund. Contributions to the fund are charged in the profit and loss account at the rate required of the scheme as a whole. No allowance is made for any difference between the funding of the scheme and the charge to the company in the profit and loss account

Capital instruments

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

Cash flow statement

A cash flow statement has not been included in the accounts as the Company has taken exemption from the requirements of Financial Reporting Standard 1 on the grounds that it is a wholly owned subsidiary and that its cash flows are incorporated in the publicly available, consolidated accounts of its ultimate parent company. (Note 18)

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to related and third parties.

Turnover is attributable to the principal activities, the management of investments and provision of investment advice.

An analysis of turnover by principal activity and geographical market is given below:

	1999	1999	1999
	£	£	£
	Asset	Advisory	Total
	management	services	
United Kingdom	-	-	-
Other European	-	41,985	41,985
	-	41,985	41,985

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED**Registered No. 3794233****NOTES TO ACCOUNTS****As at 31 December 1999****3. OPERATING LOSS**

This is stated after charging/(crediting):

	1999
	£
Depreciation of owned fixed assets	2,878
Auditors' remuneration	7,000
Operating lease rentals – Other than plant & machinery	6,726
	<hr/>

4. DIRECTORS' EMOLUMENTS

	1999
	£
Emoluments	35,833
	<hr/>
Company contributions paid to defined benefit pension scheme in respect of the qualifying service of two directors	6,056
	<hr/>

5. STAFF COSTS

	1999
	£
Wages & salaries	47,556
Social security costs	5,185
Other pension costs	8,037
	<hr/>
	60,778
	<hr/>

Directors' costs are included in the above figures.

The monthly average number of employees during the year was as follows:

Investment management	3
Administration	1
	<hr/>
	4
	<hr/>

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED**Registered No. 3794233****NOTES TO ACCOUNTS****As at 31 December 1999****6. INTEREST PAYABLE AND SIMILAR CHARGES**

	1999 £
Bank loans & overdrafts	-
Other loans	296
	<u>296</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £
UK corporation tax at 30%	<u>-</u>

8. TANGIBLE FIXED ASSETS

	Land and buildings Short leasehold £	Fixtures, fittings, tools and other equipment £	Total £
Cost:			
Additions	14,375	51,722	66,097
At 31 December 1999	<u>14,375</u>	<u>51,722</u>	<u>66,097</u>
Depreciation:			
Provided during the period	479	2,515	2,994
At 31 December 1999	<u>479</u>	<u>2,515</u>	<u>2,994</u>
Net book value:			
At 31 December 1999	<u>13,896</u>	<u>49,207</u>	<u>63,103</u>

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED**Registered No. 3794233****NOTES TO ACCOUNTS****As at 31 December 1999****9. DEBTORS**

	1999
	£
Prepayments and accrued income	4,087
Trade debtors - amounts owed by group undertakings	41,985
Other debtors	70,058
	<u>116,130</u>

10. CREDITORS: amounts falling due within one year

	1999
	£
Bank overdrafts	94,098
Amounts owed to group undertakings	5,712
Other creditors	36,276
Accruals and deferred income	15,017
	<u>151,103</u>

11. LOANS

	1999
	£
Loans from group companies: Repayable within five years	<u>100,000</u>

The unsecured loan of £100,000, which at the earliest is repayable on 21 December 2004, bears interest at the rate of Sterling six month LIBOR plus five per cent. The loan is subordinated in favour of all other creditors of the company.

12. SHARE CAPITAL

<i>Authorised</i>	1999
	£
Ordinary shares of £1 each	<u>250,000</u>
<i>Allotted, called-up and fully paid</i>	
	1999
	number
	1999
	£
Ordinary shares of £1 each	<u>250,000</u>
	<u>250,000</u>

During the period the authorised share capital was increased from 1,000 to 250,000 ordinary shares of £1 each. On 14 December 1999, 249,998 ordinary shares were issued for £1.00 each.

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED**Registered No. 3794233****NOTES TO ACCOUNTS****As at 31 December 1999****13. RECONCILIATION OF SHAREHOLDERS' FUNDS & MOVEMENT ON RESERVES**

	Share capital	Profit & loss account	Total shareholders' funds
	£	£	£
Loss for the period		(110,545)	(110,545)
Other movements:			
Proceeds from issue of shares net of issue costs	250,000		250,000
At 31 December 1999	<u>250,000</u>	<u>(110,545)</u>	<u>139,455</u>

During the period, 250,000 ordinary shares of £1 each were issued fully paid for cash of £250,000.

14. PENSION COMMITMENTS

The Company makes contributions to a defined benefit pension scheme, the Assicurazioni Generali SpA UK Branch Pension Scheme, for its directors and employees. The assets of the scheme are held separately from those of the Company, and other participating entities, in an independently administered fund. The unpaid contributions outstanding at the year-end were £nil.

The pension costs are determined with advice of an independent, qualified actuary on the basis of triennial valuations using the projected unit credit method. The basis of calculation of the contribution rates considers all members of the scheme, and does not identify separately contribution rates payable by different group entities. Consequently, it is not possible for the company to account for any difference between the funding of the scheme in relation to its member employees and the charge in the profit and loss account without incurring a disproportionate level of expense. Any under or overfunding of the scheme as a whole is accounted for in the consolidated accounts of the ultimate parent company. The results of the most recent valuation, which was conducted as at 1 January 1997, were as follows:

Main assumptions:	
Rate of return on investments	8.5% per annum
Rate of salary increases	6.5% per annum plus an allowance of 0.5% for promotional increases
Rate of pension increases	4.5% per annum
Market value of scheme's assets	£23,986,583
Level of funding being the actuarial value of assets expressed as a percentage of the benefits accrued to members, after allowing for future salary increases	105%

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

Registered No. 3794233

NOTES TO ACCOUNTS

As at 31 December 1999

15. OTHER FINANCIAL COMMITMENTS

Operating leases

At 31 December 1999 the Company had annual commitments under non-cancellable operating lease as set out below:

	1999 £
Operating leases which expire:	
Within one year	-
In two to five years	47,000
In over five years	-
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16. TRANSACTIONS WITH DIRECTORS

During the period between the company's incorporation and before the commencement of operational activities, Generali Worldwide Insurance Company Limited paid £19,496 to D. A. Palmer for consultancy services.

There were no other transactions with directors requiring disclosure.

17. RELATED PARTIES

The Company has taken exemption from disclosure of intra-group transactions as permitted by Financial Reporting Standard 8, on the grounds that it is a wholly owned subsidiary and that the accounts of its ultimate parent company in which such transactions are consolidated, are publicly available.

Details of transactions with directors are disclosed in note 16 above.

18. PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is Generali Portfolio Management Limited, which is incorporated in Guernsey. The Company's ultimate parent undertaking and controlling party is Assicurazioni Generali S.p.A., which is incorporated in Italy. Copies of its group accounts, which include the Company, are available from Piazza Duca degli Abruzzi, Trieste, Italy.