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COMPANY REGISTRATION NUMBER 3794233

**GENERALI PORTFOLIO MANAGEMENT (UK)
LIMITED**

FINANCIAL STATEMENTS

31 DECEMBER 2005



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GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

CONTENTS	PAGE
Officers and professional advisers	1
The directors' report	2
Independent auditor's report to the shareholders	4
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

M G Carvill
D A Palmer
C Ferry
U I M B Alonzo
V Piantedosi

Company secretary

D A Palmer

Registered office

Windsor House
39 King Street
London
EC2V 8DQ

Auditor

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers

The Royal Bank of Scotland PLC
2 1/2 Devonshire Square
London
EC2M 4WS

Solicitors

Ashurst
Broadwalk House
5 Appold Street
London
EC2A 2HA

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2005

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company's principal activities are the provision of discretionary portfolio management and advisory services to private clients resident in the United Kingdom. The Company is authorised and regulated by the Financial Services Authority.

The Company's financial results for 2005 were in line with the previous year. Operational costs were substantially higher due to the recruitment of a senior fund manager and the relocation of the office but this was offset by significantly reduced senior executive bonuses. Trading activity in portfolios was lower than 2004 but portfolio fees saw a significant increase thanks to good markets and a strong investment performance.

During the year the shareholder of the company changed from Generali Worldwide Insurance Company Limited to BSI AG, a Swiss Private Bank that is a wholly owned subsidiary of the Generali Group.

FUTURE DEVELOPMENTS

Following the acquisition of the Company by BSI AG, the Directors have been in discussion with the Company's new shareholders with a view to merging certain operations of their London branch into the Company. This merger would significantly increase the client base of the Company, expanding into international private clients and internal Group institutional clients.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £242,314 (2004: £239,774). Particulars of dividends paid are detailed in note 9 to the financial statements.

DIRECTORS

The directors who served the company during the year were as follows:

M G Carvill	
D A Palmer	
C Ferry	(Appointed 26 September 2005)
U I M B Alonzo	(Appointed 28 June 2005)
V Piantedosi	(Appointed 28 June 2005)
A F Arscott	(Resigned 6 July 2005)
A L Cornforth	(Resigned 6 July 2005)
R M Cox-Johnston	(Resigned 25 March 2005)

There are no directors' interests requiring disclosure under the Companies Act 1985.

CHARITABLE CONTRIBUTIONS

During the year the company made charitable contributions totalling £350 (2004: £nil).

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice. In preparing those financial statements, the directors are required to:

- select suitable accounting policies, as described on pages 8 to 9, and then apply them on a consistent basis;
- make judgements and estimates that are prudent and reasonable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors 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.

AUDITOR

At a meeting of the Directors of the Company held on 13 November 2000 resolutions from the sole member of the Company were received to dispense with the requirements to hold annual general meetings of the Company and to reappoint auditors annually. Our auditors, Ernst & Young LLP, have indicated their willingness to continue in office.

Registered office:
Windsor House
39 King Street
London
EC2V 8DQ

Signed by order of the directors



D A PALMER
Company Secretary

Approved by the directors on 27th February 2006

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED****YEAR ENDED 31 DECEMBER 2005**

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 17. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to 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

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practices) as 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 International Standards on Auditing (UK and Ireland).

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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED** *(continued)*

YEAR ENDED 31 DECEMBER 2005

OPINION

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

05 APR 2006

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £	2004 £
TURNOVER	2	2,046,166	2,089,423
Cost of sales		<u>309,572</u>	<u>279,772</u>
GROSS PROFIT		1,736,594	1,809,651
Administrative expenses		<u>1,402,950</u>	<u>1,502,493</u>
OPERATING PROFIT	3	333,644	307,158
Interest receivable		<u>33,205</u>	<u>47,772</u>
Interest payable and similar charges	7	<u>(49)</u>	<u>(2,026)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		366,800	352,904
Tax on profit on ordinary activities	8	<u>124,486</u>	<u>113,130</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>242,314</u>	<u>239,774</u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 8 to 15 form part of these financial statements.

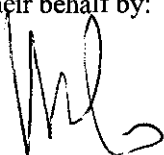
GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

BALANCE SHEET

31 DECEMBER 2005

	Notes	2005 £	2004 £
FIXED ASSETS			
Tangible assets	10	31,296	9,206
CURRENT ASSETS			
Debtors	11	480,907	431,913
Cash at bank		469,552	717,690
		<u>950,459</u>	<u>1,149,603</u>
CREDITORS: Amounts falling due within one year	12	<u>180,085</u>	<u>399,453</u>
NET CURRENT ASSETS		<u>770,374</u>	<u>750,150</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>801,670</u>	<u>759,356</u>
CAPITAL AND RESERVES			
Called-up equity share capital	14	250,000	250,000
Profit and loss account	15	551,670	509,356
SHAREHOLDERS' FUNDS	16	<u>801,670</u>	<u>759,356</u>

These financial statements were approved by the directors on the 27th February 2006 and are signed on their behalf by:



U I M B Alonzo
Director



D A Palmer
Director

The notes on pages 8 to 15 form part of these financial statements.

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention.

The accounts are prepared in accordance with accounting standards applicable in the United Kingdom.

Changes in accounting policies

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards:

FRS 21 'Events after the Balance Sheet date (IAS 10)'

The adoption of FRS 21 has resulted in a change in accounting policy in respect of proposed equity dividends. If the company declares dividends to the holders of equity instruments after the balance sheet date, the company does not recognise those dividends as a liability at the balance sheet date. The aggregate amount of equity dividends proposed before approval of the financial statements, which have not been shown as liabilities at the balance sheet date, are disclosed in the notes to the financial statements. Previously, proposed equity dividends would have been recorded as liabilities at the balance sheet date.

This change in accounting policy has not resulted in a prior year adjustment for the company since there were no further dividends proposed at either 31 December 2004 or at 31 December 2005.

Cash flow statement

A cash flow statement has not been included in the accounts as the Company has taken advantage of the exemption from the requirements of FRS 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 17).

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold Property	-	straight line basis over the lease term
Equipment	-	straight line basis over 3 to 10 years

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

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

1. ACCOUNTING POLICIES *(continued)*

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The Company offers certain of its employees membership of a defined benefit, group pension scheme, which requires contributions to be made to a separately administered fund. Contributions to the fund are charged to 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, as the Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis.

The company also offers other employees membership of a defined contribution pension scheme. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, except that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Related parties

The Company has taken exemption from disclosure of intra-group transactions as permitted by FRS 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.

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 profit and loss.

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2005 £	2005 £	2005 £	2004 £	2004 £	2004 £
	Asset management	Advisory services	Total	Asset management	Advisory services	Total
United Kingdom	1,904,995	118,570	2,023,565	1,934,549	61,638	1,996,187
Other European	-	22,601	22,601	-	93,236	93,236
	<u>1,904,995</u>	<u>141,171</u>	<u>2,046,166</u>	<u>1,934,549</u>	<u>154,874</u>	<u>2,089,423</u>

3. OPERATING PROFIT

Operating profit is stated after charging:

	2005 £	2004 £
Depreciation of owned fixed assets	12,627	8,461
Auditor's remuneration		
- as auditor	22,500	16,600
Operating lease costs:		
Land and buildings	38,204	18,244
Plant and equipment	<u>25,236</u>	<u>24,564</u>

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year was as follows:

	2005 No	2004 No
Administrative staff	3	3
Investment management staff	5	4
	<u>8</u>	<u>7</u>

The aggregate payroll costs of the employees were:

	2005 £	2004 £
Wages and salaries	753,581	779,254
Social security costs	89,404	95,093
Other pension costs	106,701	92,297
	<u>949,686</u>	<u>966,644</u>

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

4. PARTICULARS OF EMPLOYEES *(continued)*

Executive Directors' costs are included in the above figures.

Other pension costs include contributions to defined benefit and defined contribution schemes of £91,351 and £1,600 (2004: £91,661 and £636). A contribution of £13,750 (2004: £nil) was also made to an employee's SIPP.

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2005 £	2004 £
Emoluments receivable	340,242	603,208
Value of company pension contributions to money purchase schemes	42,737	58,104
	<u>382,979</u>	<u>661,312</u>

Emoluments of highest paid director:

	2005 £	2004 £
Total emoluments (including pension contributions)	<u>260,632</u>	<u>329,671</u>

In addition to the above, the highest paid director also received £425,000 from a related company. This payment related to the buy-out of rights by the new parent company.

6. PENSION COMMITMENTS

The Company makes contributions to a defined benefit, group 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 contribution rate for the year was 24.2% (2004: 24.4%).

The pension costs are determined with the 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 rate considers all members of the scheme and does not identify separately contribution rates payable by different group entities. In accordance with FRS 17, the contributions to the scheme are therefore treated as being made to a defined contribution scheme. Any under or over-funding of the scheme as a whole will be accounted for in the consolidated accounts of the ultimate parent company, treated in accordance with Italian generally accepted accounting practice.

The results of the most recent valuation which was conducted at 1 January 2006 are not available until April 2006. The results of the previous valuation which was conducted as at 1 January 2003 were as follows:

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

6. PENSION COMMITMENTS *(continued)*

Main assumptions:	2005 & 2004
Rate of returns on investments	7.0% per annum before retirement 4.5% per annum after retirement
Rate of salary increases	4.81% per annum inclusive of allowance for promotional increases
Rate of pension increases	2.31 % per annum
Rate of dividend growth	N/A
Market value of scheme's assets	£31,863,000
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	86%

Contributions are paid to reduce the deficit over a period of 14 years, the average remaining service life of the active membership. The current contribution rate is an increase in the long-term cost of 18.8%. The scheme was closed to new members, other than life assurance only members, on 1 August 2003. Consequently, it is expected that the average age, and hence the contribution rate, will rise from valuation to valuation.

The most recent valuation of the scheme's liabilities used assumptions related directly to market conditions at the valuation date and took assets at their market value, whereas previous valuations used "long-term" assumptions and valued the assets by discounting the expected future investment income. The former method is more transparent, but is expected to lead to a more volatile funding position.

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £	2004 £
Interest payable on bank borrowing	—	6
Other similar charges payable	49	2,020
	<u>49</u>	<u>2,026</u>

8. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2005 £	2004 £
Current tax:		
UK Corporation tax based on the results for the year at 30% (2004 - 30%)	126,129	110,628
Over/under provision in prior year	(1,643)	2,502
Total current tax	<u>124,486</u>	<u>113,130</u>

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

8. TAXATION ON ORDINARY ACTIVITIES *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2004 - 30%).

	2005 £	2004 £
Profit on ordinary activities before taxation	<u>366,800</u>	<u>352,904</u>
Profit on ordinary activities by rate of tax	110,040	105,871
Expenses not deductible for tax purposes	18,994	2,556
Capital allowances in excess of depreciation	(2,905)	2,201
Adjustment to tax charge in respect of previous years	<u>(1,643)</u>	<u>2,502</u>
Total current tax (note 8(a))	<u>124,486</u>	<u>113,130</u>

9. DIVIDENDS

Dividends on equity shares

	2005 £	2004 £
Paid during the year:		
Interim dividends	<u>200,000</u>	<u>400,000</u>

10. TANGIBLE FIXED ASSETS

	Leasehold Property £	Equipment £	Total £
COST			
At 1 January 2005	13,562	65,954	79,516
Additions	—	34,717	34,717
Disposals	<u>(13,562)</u>	<u>—</u>	<u>(13,562)</u>
At 31 December 2005	<u>—</u>	<u>100,671</u>	<u>100,671</u>
DEPRECIATION			
At 1 January 2005	13,562	56,748	70,310
Charge for the year	—	12,627	12,627
On disposals	<u>(13,562)</u>	<u>—</u>	<u>(13,562)</u>
At 31 December 2005	<u>—</u>	<u>69,375</u>	<u>69,375</u>
NET BOOK VALUE			
At 31 December 2005	<u>—</u>	<u>31,296</u>	<u>31,296</u>
At 31 December 2004	<u>—</u>	<u>9,206</u>	<u>9,206</u>

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

11. DEBTORS

	2005	2004
	£	£
Trade debtors	432,020	307,713
Amounts owed by group undertakings	3,733	64,779
VAT receivable	777	-
Other debtors	11,229	-
Prepayments and accrued income	33,148	59,421
	<u>480,907</u>	<u>431,913</u>

12. CREDITORS: Amounts falling due within one year

	2005	2004
	£	£
Trade creditors	40,660	25,174
Amounts owed to group undertakings	2,957	41,188
Other creditors including taxation:		
Corporation tax	35,879	60,249
VAT payable	-	54,813
Other creditors	929	200,524
	<u>80,425</u>	<u>381,948</u>
Accruals and deferred income	99,660	17,505
	<u>180,085</u>	<u>399,453</u>

13. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as set out below.

	2005		2004	
	Land & Buildings	Other Items	Land & Buildings	Other Items
	£	£	£	£
Operating leases which expire:				
Within 1 year	-	23,526	7,824	25,236
Within 2 to 5 years	41,184	-	-	-
	<u>41,184</u>	<u>23,526</u>	<u>7,824</u>	<u>25,236</u>

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

14. SHARE CAPITAL

Authorised share capital:

	2005	2004
	£	£
250,000 Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

Allotted, called up and fully paid:

	2005		2004	
	No	£	No	£
Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>

15. PROFIT AND LOSS ACCOUNT

	2005	2004
	£	£
Balance brought forward	509,356	669,582
Retained profit for the financial year	242,314	239,774
Equity dividends paid	<u>(200,000)</u>	<u>(400,000)</u>
Balance carried forward	<u>551,670</u>	<u>509,356</u>

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005	2004
	£	£
Profit for the financial year	242,314	239,774
Equity dividends paid	<u>(200,000)</u>	<u>(400,000)</u>
Net addition/(reduction) to shareholders' funds	42,314	(160,226)
Opening shareholders' funds	<u>759,356</u>	<u>919,582</u>
Closing shareholders' funds	<u>801,670</u>	<u>759,356</u>

17. ULTIMATE PARENT COMPANY

The Company's immediate parent undertaking is BSI AG, a company incorporated in Switzerland, which acquired all of the issued ordinary share capital from Generali Worldwide Insurance Company Limited during the year. The Company's ultimate parent undertaking and controlling party is Assicurazioni Generali SpA which is incorporated in Italy. Copies of the its group accounts, which include the Company, are available from Piazza Duca degli Abruzzi, Trieste, Italy.