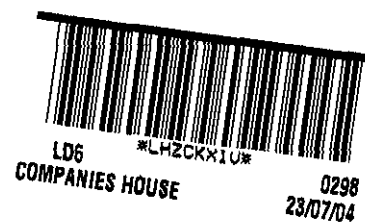


**AVEBURY ASSET MANAGEMENT LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31st MARCH 2004**

Company Registration Number 890308



**BREBNER ALLEN & TRAPP**  
Chartered Accountants & Registered Auditors  
The Quadrangle  
180 Wardour Street  
London  
W1F 8LB

# **AVEBURY ASSET MANAGEMENT LIMITED**

## **FINANCIAL STATEMENTS**

**YEAR ENDED 31st MARCH 2004**

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**AVEBURY ASSET MANAGEMENT LIMITED****COMPANY INFORMATION**

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<b>The board of directors</b>	M J W Daley H E Flight S J McClennon
<b>Company secretary</b>	M J W Daley
<b>Registered office</b>	The Quadrangle 180 Wardour Street London W1F 8FY
<b>Auditors</b>	Brebner Allen & Trapp Chartered Accountants & Registered Auditors The Quadrangle 180 Wardour Street London W1F 8LB
<b>Bankers</b>	Bank of Scotland 38 Threadneedle Street London EC2P 2EH
<b>Solicitors</b>	Speechly Bircham 6 St Andrew Street London EC4A 3LX  Kramer Levin Naftalis & Frankel LLP 919 Third Avenue New York NY 10022

# AVEBURY ASSET MANAGEMENT LIMITED

## THE DIRECTORS' REPORT

YEAR ENDED 31st MARCH 2004

The directors present their report and the financial statements of the company for the year ended 31st March 2004.

### PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company's principal activity is currently the management of global fixed income and associated currency overlay programmes for US-based ERISA pension plans. The Directors are satisfied with the results for the year which consolidates the effects of the expansion of the company's management team. The directors have continued their marketing plan which is designed to significantly increase assets under discretionary management in the United States and elsewhere.

Avebury Asset Management Limited is authorised and regulated by the Financial Services Authority (FSA) in the United Kingdom and the Securities & Exchange Commission (SEC) in the United States.

### RESULTS AND DIVIDENDS

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

### THE DIRECTORS AND THEIR INTERESTS IN THE SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	<b>Ordinary Shares of £1 each</b>	
	<b>At</b>	<b>At</b>
	<b>31 March 2004</b>	<b>1 April 2003</b>
M J W Daley	—	—
H E Flight	14,000	14,000
S J McClennon	<u>5,600</u>	<u>5,600</u>

M J Smith resigned as a director on 31st July 2003. His beneficial interest in the shares of the company is 4,200 (2003: 14,000) shares of £1 each.

H E Flight's interest in the shares arises by virtue of being within the class of beneficiary of the trust holding the shares.

The interest of M J W Daley in the shares of the ultimate parent company is disclosed in the directors' report of that company. The ultimate parent company is interested in 116,340 (2003: 106,540) shares of £1 each.

H E Flight, S J McClennon and M J Smith have no interest in the shares of the ultimate parent company.

**AVEBURY ASSET MANAGEMENT LIMITED****THE DIRECTORS' REPORT** *(continued)***YEAR ENDED 31st MARCH 2004**

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**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 at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on page 9, 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 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.

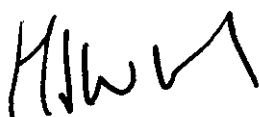
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**AUDITORS**

In accordance with Section 386 of the Companies Act 1985, the company has elected to dispense with the obligation to appoint auditors annually.

Brebner Allen & Trapp, Chartered Accountants are therefore deemed to be reappointed as the company's auditors for each succeeding year.

Signed on behalf of the directors



M J W Daley  
Director

Approved by the directors on

21st July 2004

**AVEBURY ASSET MANAGEMENT LIMITED****INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
AVEBURY ASSET MANAGEMENT LIMITED****YEAR ENDED 31st MARCH 2004**

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We have audited the financial statements on pages 6 to 16 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 with the company 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 United Kingdom 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.

**AVEBURY ASSET MANAGEMENT LIMITED****INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
AVEBURY ASSET MANAGEMENT LIMITED** *(continued)***YEAR ENDED 31st MARCH 2004**

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**OPINION**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st March 2004 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

*Brebner, Allen & Trapp.*

BREBNER ALLEN & TRAPP  
Chartered Accountants  
& Registered Auditors

The Quadrangle  
180 Wardour Street  
London  
W1F 8LB

*22 July 2004.*

# AVEBURY ASSET MANAGEMENT LIMITED

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 31st MARCH 2004

	Note	2004 £	2003 £
<b>TURNOVER</b>	<b>2</b>	<b>401,007</b>	378,078
Administrative expenses		<b>388,208</b>	384,237
<b>OPERATING PROFIT/(LOSS)</b>	<b>3</b>	<b>12,799</b>	(6,159)
Interest receivable	<b>6</b>	<b>2,175</b>	2,380
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>14,974</b>	(3,779)
Tax on profit/(loss) on ordinary activities	<b>7</b>	<b>1,839</b>	–
<b>RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		<b>13,135</b>	(3,779)

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 9 to 16 form part of these financial statements.



# AVEBURY ASSET MANAGEMENT LIMITED

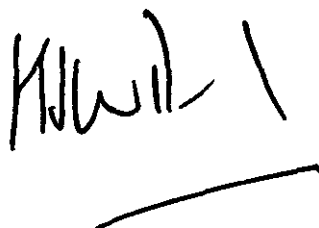
## BALANCE SHEET

31st MARCH 2004

	Note	2004 £	£	2003 £	£
<b>FIXED ASSETS</b>					
Tangible assets	8		3,305		3,639
<b>CURRENT ASSETS</b>					
Debtors	9	59,112		54,868	
Cash at bank		124,897		119,685	
		184,009		174,553	
<b>CREDITORS: Amounts falling due within one year</b>	10	53,757		58,115	
<b>NET CURRENT ASSETS</b>			130,252		116,438
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			133,557		120,077
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>					
Deferred taxation	11		345		—
			133,212		120,077
<b>CAPITAL AND RESERVES</b>					
Called-up equity share capital	13		140,140		140,140
Share premium account			1,678		1,678
Profit and loss account	15		(8,606)		(21,741)
<b>SHAREHOLDERS' FUNDS</b>	16		133,212		120,077

These financial statements were approved by the directors on the 21st July 2004 and are signed on their behalf by:

M J W Daley  
Director



The notes on pages 9 to 16 form part of these financial statements.

# AVEBURY ASSET MANAGEMENT LIMITED

## CASH FLOW STATEMENT

**YEAR ENDED 31st MARCH 2004**

	Note	2004 £	2003 £
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	17	5,644	31,541
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	17	2,175	2,380
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>	17	(2,607)	(1,412)
<b>INCREASE IN CASH</b>		<u>5,212</u>	<u>32,509</u>

### RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2004 £	2003 £
Increase in cash in the period	<u>5,212</u>	<u>32,509</u>
Movement in net funds in the period	<u>5,212</u>	<u>32,509</u>
Net funds at 1 April 2003	17 <u>119,685</u>	<u>87,176</u>
Net funds at 31 March 2004	17 <u>124,897</u>	<u>119,685</u>

The notes on pages 9 to 16 form part of these financial statements.

**AVEBURY ASSET MANAGEMENT LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31st MARCH 2004**

---

**1. ACCOUNTING POLICIES****Basis of accounting**

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

**Turnover**

The turnover shown in the profit and loss account represents amounts invoiced during the year.

**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:

Fixtures & Fittings                      -    33.3% straight line

**Pension costs**

Pension costs charged against profits represent the amount of the contributions payable to employee pension schemes in respect of the accounting period.

**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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction or an agreed forward contract rate. Exchange differences are taken into account in arriving at the operating profit.

# AVEBURY ASSET MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**YEAR ENDED 31st MARCH 2004**

### 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:

	2004	2003
	£	£
United Kingdom	21,148	—
USA	379,859	378,078
	<u>401,007</u>	<u>378,078</u>

### 3. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging/(crediting):

	2004	2003
	£	£
Depreciation of owned fixed assets	2,941	4,769
Auditors' remuneration		
- as auditors	3,000	3,000
- for other services	10,475	12,875
Net profit on foreign currency translation	<u>(7,399)</u>	<u>(4,117)</u>

### 4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2004	2003
	No	No
Number of management staff	<u>5</u>	<u>5</u>

The aggregate payroll costs of the above were:

	2004	2003
	£	£
Wages and salaries	170,214	141,790
Social security costs	19,173	5,603
Other pension costs	7,905	31,937
	<u>197,292</u>	<u>179,330</u>

# **AVEBURY ASSET MANAGEMENT LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31st MARCH 2004**

### **5. DIRECTORS' EMOLUMENTS**

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

	2004 £	2003 £
Emoluments receivable	121,250	110,540
Value of company pension contributions to money purchase schemes	<u>5,458</u>	<u>30,165</u>
	<u>126,708</u>	<u>140,705</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	2004 No	2003 No
Money purchase schemes	<u>3</u>	<u>4</u>

### **6. INTEREST RECEIVABLE**

	2004 £	2003 £
Bank interest receivable	<u>2,175</u>	<u>2,380</u>

### **7. TAXATION ON ORDINARY ACTIVITIES**

#### **(a) Analysis of charge in the year**

	2004 £	2003 £
Current tax:		
UK Corporation tax based on the results for the year at 19% (2003 - 19%)	<u>1,494</u>	—
Total current tax	<u>1,494</u>	—
Deferred tax:		
Origination and reversal of timing differences	<u>345</u>	—
Tax on profit/(loss) on ordinary activities	<u>1,839</u>	—

# AVEBURY ASSET MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**YEAR ENDED 31st MARCH 2004**

### 7. TAXATION ON ORDINARY ACTIVITIES *(continued)*

#### (b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19% (2003 - 19%).

	2004 £	2003 £
Profit/(loss) on ordinary activities before taxation	<u>14,974</u>	<u>(3,779)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax	2,845	(718)
Expenses not deductible for tax purposes	277	217
Depreciation in excess of capital allowances	6	561
Utilisation of tax losses	(1,552)	—
Marginal relief	<u>(82)</u>	<u>(60)</u>
Total current tax (note 7(a))	<u>1,494</u>	<u>—</u>

#### (c) Factors that may affect future tax charges

There are no losses carried forward at 31st March 2004 (2003: £8,169).

### 8. TANGIBLE FIXED ASSETS

	Fixtures & Fittings £
<b>COST</b>	
At 1st April 2003	14,657
Additions	<u>2,607</u>
<b>At 31st March 2004</b>	<u>17,264</u>
<b>DEPRECIATION</b>	
At 1st April 2003	11,018
Charge for the year	<u>2,941</u>
<b>At 31st March 2004</b>	<u>13,959</u>
<b>NET BOOK VALUE</b>	
<b>At 31st March 2004</b>	<u>3,305</u>
At 31st March 2003	<u>3,639</u>

# **AVEBURY ASSET MANAGEMENT LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31st MARCH 2004**

### **9. DEBTORS**

	2004	2003
	£	£
Amounts owed by group undertakings	169	169
Other debtors	8,763	13,391
Prepayments and accrued income	50,180	41,308
	<u>59,112</u>	<u>54,868</u>

### **10. CREDITORS: Amounts falling due within one year**

	2004	2003
	£	£
Trade creditors	11,991	22,024
Corporation tax	1,494	—
Other taxation and social security	5,401	—
Other creditors	161	2,458
Directors current accounts	202	—
Accruals and deferred income	34,508	33,633
	<u>53,757</u>	<u>58,115</u>

### **11. DEFERRED TAXATION**

	2004	2003
	£	£
The movement in the deferred taxation provision during the year was:		
Profit and loss account movement arising during the year	345	—
Provision carried forward	<u>345</u>	<u>—</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2004	2003
	£	£
Excess of taxation allowances over depreciation on fixed assets	455	—
Other timing differences	(110)	—
	<u>345</u>	<u>—</u>

# **AVEBURY ASSET MANAGEMENT LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31st MARCH 2004**

### **12. RELATED PARTY TRANSACTIONS**

The company's ultimate parent company is Strategic Value Management Limited, a company registered in England and Wales.

During the year Strategic Value Management Limited provided management services amounting to £nil (2003: £2,600).

Included within Debtors is an amount of £169 (2003: £169) due from Strategic Value Management Limited.

Included within Other Debtors is an amount of £300 (2003: £4,809) due from Avebury Asset Management LLC an entity controlled by M J W Daley.

Included within Creditors is an amount of £202 (2003: £nil) due to M J W Daley.

#### **Control**

Control and ultimate control of the company rests with M J W Daley, director.

### **13. SHARE CAPITAL**

#### **Authorised share capital:**

	2004 £	2003 £
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

#### **Allotted, called up and fully paid:**

	2004 No	£	2003 No	£
Ordinary shares of £1 each	<u>140,140</u>	<u>140,140</u>	<u>140,140</u>	<u>140,140</u>

### **14. SHARE PREMIUM ACCOUNT**

	2004 £
Brought forward and carried forward	<u>1,678</u>

### **15. PROFIT AND LOSS ACCOUNT**

	2004 £	2003 £
Balance brought forward	(21,741)	(17,962)
Retained profit/(accumulated loss) for the financial year	<u>13,135</u>	<u>(3,779)</u>
Balance carried forward	<u>(8,606)</u>	<u>(21,741)</u>



# AVEBURY ASSET MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2004

### 16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Profit/(Loss) for the financial year	13,135	(3,779)
Opening shareholders' equity funds	<u>120,077</u>	<u>123,856</u>
Closing shareholders' equity funds	<u>133,212</u>	<u>120,077</u>

### 17. NOTES TO THE STATEMENT OF CASH FLOWS

#### RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2004 £	2003 £
Operating profit/(loss)	12,799	(6,159)
Depreciation	2,941	4,769
(Increase)/decrease in debtors	(4,244)	34,779
Decrease in creditors	(5,852)	(1,848)
Net cash inflow from operating activities	<u>5,644</u>	<u>31,541</u>

#### RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2004 £	2003 £
Interest received	<u>2,175</u>	<u>2,380</u>
Net cash inflow from returns on investments and servicing of finance	<u>2,175</u>	<u>2,380</u>

#### CAPITAL EXPENDITURE

	2004 £	2003 £
Payments to acquire tangible fixed assets	<u>(2,607)</u>	<u>(1,412)</u>
Net cash outflow from capital expenditure	<u>(2,607)</u>	<u>(1,412)</u>

# AVEBURY ASSET MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2004

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### 17. NOTES TO THE STATEMENT OF CASH FLOWS *(continued)*

#### ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Apr 2003 £	Cash flows £	At 31 Mar 2004 £
Net cash:			
Cash in hand and at bank	<u>119,685</u>	<u>5,212</u>	<u>124,897</u>
Net funds	<u>119,685</u>	<u>5,212</u>	<u>124,897</u>