

AVEBURY ASSET MANAGEMENT LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31st MARCH 2005

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 2005

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AVEBURY ASSET MANAGEMENT LIMITED**COMPANY INFORMATION**

The board of directors	M J W Daley S J McClennon
Company secretary	M J W Daley
Registered office	The Quadrangle 180 Wardour Street London W1F 8FY
Auditors	Brebner Allen & Trapp Chartered Accountants & Registered Auditors The Quadrangle 180 Wardour Street London W1F 8LB
Bankers	Bank of Scotland 38 Threadneedle Street London EC2P 2EH
Solicitors	Speechly Bircham 6 St Andrew Street London EC4A 3LX

AVEBURY ASSET MANAGEMENT LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31st MARCH 2005

The directors present their report and the financial statements of the company for the year ended 31st March 2005.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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 and have continued their marketing plan which is designed to significantly increase assets under discretionary management in the United States and elsewhere. The directors are hopeful of a return to profitability in the forthcoming year.

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.

DIRECTORS

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

M J W Daley

S J McClennon

H E Flight

(Resigned 23rd March 2005)

At 31st March 2005 the directors have no interest in the shares of the company.

M J W Daley's interest in the shares of the ultimate parent undertaking are shown in the directors report of that company.

S J McClennon and H E Flight are interested in 6,037 and 3,926 ordinary shares of £0.01 each respectively in the shares of the ultimate parent undertaking.

At 31st March 2004 S J McClennon and H E Flight were interested in 5,600 and 14,000 ordinary shares of £1 each respectively in the company.

AVEBURY ASSET MANAGEMENT LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31st MARCH 2005

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. 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.

DONATIONS

During the year the company made the following contributions:

	2005	2004
	£	£
Charitable	522	—

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

13th July 2005

AVEBURY ASSET MANAGEMENT LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
AVEBURY ASSET MANAGEMENT LIMITED

YEAR ENDED 31st MARCH 2005

We have audited the financial statements of Avebury Asset Management Limited for the year ended 31 March 2005 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 2005

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 2005 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Brebnner Allen & Trapp

BREBNER ALLEN & TRAPP
Chartered Accountants
& Registered Auditors

The Quadrangle
180 Wardour Street
London
W1F 8LB

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AVEBURY ASSET MANAGEMENT LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31st MARCH 2005

	Note	2005 £	2004 £
TURNOVER	2	352,268	401,007
Administrative expenses		455,216	388,208
Other operating income	3	(50,500)	—
	
OPERATING (LOSS)/PROFIT	4	(52,448)	12,799
Interest receivable	7	2,719	2,175
	
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(49,729)	14,974
Tax on (loss)/profit on ordinary activities	8	(1,839)	1,839
	
(LOSS)/RETAINED PROFIT FOR THE FINANCIAL YEAR		(47,890)	13,135
Balance brought forward		(8,606)	(21,741)
Balance carried forward		(56,496)	(8,606)

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

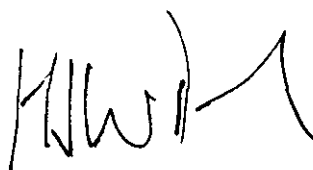
BALANCE SHEET

31st MARCH 2005

	Note	2005 £	£	2004 £	£
FIXED ASSETS					
Tangible assets	9		3,172		3,305
CURRENT ASSETS					
Debtors	10	50,708		59,112	
Cash at bank		124,972		124,897	
		175,680		184,009	
CREDITORS: Amounts falling due within one year	11	63,530		53,757	
NET CURRENT ASSETS			112,150		130,252
TOTAL ASSETS LESS CURRENT LIABILITIES			115,322		133,557
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	12		—		345
			115,322		133,212
CAPITAL AND RESERVES					
Called-up equity share capital	14		170,140		140,140
Share premium account	15		1,678		1,678
Profit and loss account			(56,496)		(8,606)
SHAREHOLDERS' FUNDS	16		115,322		133,212

These financial statements were approved by the directors on the 13th July 2005 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 2005

	Note	2005 £	2004 £
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	17	(29,987)	5,644
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	17	2,719	2,175
TAXATION	17	(509)	—
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	17	(2,148)	(2,607)
	
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(29,925)	5,212
FINANCING	17	30,000	—
	
INCREASE IN CASH		75	5,212
	
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
		2005 £	2004 £
Increase in cash in the period		75	5,212
	
Movement in net funds in the period		75	5,212
	
Net funds at 1 April 2004	17	124,897	119,685
	
Net funds at 31 March 2005	17	124,972	124,897
	

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 2005**

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 2005

2. TURNOVER

The turnover and loss before tax are attributable to the one principal activity of the company.
An analysis of turnover is given below:

	2005	2004
	£	£
United Kingdom	18,356	21,148
USA	333,912	379,859

	352,268	401,007

3. OTHER OPERATING INCOME

	2005	2004
	£	£
Management charges receivable	50,500	—

4. OPERATING (LOSS)/PROFIT

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

	2005	2004
	£	£
Depreciation of owned fixed assets	2,281	2,941
Auditors' remuneration		
- as auditors	3,000	3,000
- for other services	10,650	10,475
Net loss/(profit) on foreign currency translation	2,307	(7,399)

AVEBURY ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2005

5. PARTICULARS OF EMPLOYEES

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

	2005	2004
	No	No
Number of management staff	7	5

The aggregate payroll costs of the above were:

	2005	2004
	£	£
Wages and salaries	235,922	170,214
Social security costs	27,220	19,173
Other pension costs	10,420	7,905

	273,562	197,292

6. DIRECTORS' EMOLUMENTS

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

	2005	2004
	£	£
Emoluments receivable	85,000	121,250
Value of company pension contributions to money purchase schemes	3,438	5,458

	88,438	126,708

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

	2005	2004
	No	No
Money purchase schemes	2	3

7. INTEREST RECEIVABLE

	2005	2004
	£	£
Bank interest receivable	2,719	2,175

AVEBURY ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2005

8. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2005 £	2004 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 19% (2004 - 19%)	(509)	1,494
Over/under provision in prior year	(985)	—

Total current tax	(1,494)	1,494
Deferred tax:		
Origination and reversal of timing differences	(345)	345

Tax on (loss)/profit on ordinary activities	(1,839)	1,839

(b) Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19% (2004 - 19%).

	2005 £	2004 £
(Loss)/profit on ordinary activities before taxation	(49,729)	14,974

Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax	(9,449)	2,845
Expenses not deductible for tax purposes	359	277
Depreciation in excess of capital allowances	186	6
Tax losses	8,395	(1,552)
Marginal relief	—	(82)
Overprovision in prior year	(985)	—

Total current tax (note 8(a))	(1,494)	1,494

(c) Factors that may affect future tax charges

The company has available tax losses of £42,718 to carry forward against future trading profits.

AVEBURY ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2005

9. TANGIBLE FIXED ASSETS

	Fixtures & Fittings £
COST	
At 1st April 2004	17,264
Additions	2,148
Disposals	(2,251)

At 31st March 2005	17,161

DEPRECIATION	
At 1st April 2004	13,959
Charge for the year	2,281
On disposals	(2,251)

At 31st March 2005	13,989

NET BOOK VALUE	
At 31st March 2005	3,172

At 31st March 2004	3,305

10. DEBTORS

	2005 £	2004 £
Amounts owed by group undertakings	11,403	169
Corporation tax repayable	509	—
Other debtors	662	8,763
Prepayments and accrued income	38,134	50,180

	50,708	59,112

11. CREDITORS: Amounts falling due within one year

	2005 £	2004 £
Trade creditors	9,436	11,991
Corporation tax	—	1,494
Other taxation and social security	8,763	5,401
Other creditors	3,170	161
Directors current accounts	375	202
Accruals and deferred income	41,786	34,508

	63,530	53,757

AVEBURY ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2005

12. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

	2005	2004
	£	£
Provision brought forward	345	—
Profit and loss account movement arising during the year	(345)	345

Provision carried forward	—	345

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

	2005	2004
	£	£
Excess of taxation allowances over depreciation on fixed assets	—	455
Other timing differences	—	(110)

	—	345

13. RELATED PARTY TRANSACTIONS

Amounts due from group undertakings include the following balances:

An amount of £151 (2004: £169) due from Strategic Value Management Limited.

An amount of £1,055 (2004: £300) due from Avebury Asset Management LLC.

An amount of £10,197 (2004: £Nil) due from Avebury Asset Management Group Limited.

During the year the company provided services to Avebury Asset Management Group Limited amounting to £50,500 (2004: £Nil).

Included within Creditors is an amount of £375 (2004: £202) due to M J W Daley, director.

Control

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

AVEBURY ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2005

14. SHARE CAPITAL

Authorised share capital:

	2005 £	2004 £
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000

Allotted, called up and fully paid:

	2005 No	£	2004 No	£
Ordinary shares of £1 each	170,140	170,140	140,140	140,140

During the year the company issued 30,000 ordinary shares of £1 each at par.

15. SHARE PREMIUM ACCOUNT

There was no movement on the share premium account during the financial year.

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £	2004 £
(Loss)/Profit for the financial year	(47,890)	13,135
New equity share capital subscribed	30,000	—

Net (reduction)/addition to shareholders' equity funds	(17,890)	13,135
Opening shareholders' equity funds	133,212	120,077

Closing shareholders' equity funds	115,322	133,212

17. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2005 £	2004 £
Operating (loss)/profit	(52,448)	12,799
Depreciation	2,281	2,941
Decrease/(increase) in debtors	8,913	(4,244)
Increase/(decrease) in creditors	11,267	(5,852)

Net cash (outflow)/inflow from operating activities	(29,987)	5,644

AVEBURY ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2005

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

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2005	2004
	£	£
Interest received	2,719	2,175

Net cash inflow from returns on investments and servicing of finance	2,719	2,175

TAXATION

	2005	2004
	£	£
TAXATION	(509)	—

CAPITAL EXPENDITURE

	2005	2004
	£	£
Payments to acquire tangible fixed assets	(2,148)	(2,607)

Net cash outflow from capital expenditure	(2,148)	(2,607)

FINANCING

	2005	2004
	£	£
Issue of equity share capital	30,000	—

Net cash inflow from financing	30,000	—

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Apr 2004	Cash flows	At 31 Mar 2005
	£	£	£
Net cash:			
Cash in hand and at bank	124,897	75	124,972

Net funds	124,897	75	124,972

18. ULTIMATE PARENT COMPANY

The directors consider Avebury Asset Management Group Limited, a company registered in England and Wales, to be the immediate parent undertaking. The company's ultimate parent undertaking is Strategic Value Management Limited, a company registered in England and Wales.