Soros Funds Limited

Report and Consolidated Financial Statements
For the year ended 31 December 2005

Registered Number 2768453

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For the year ended 31 December 2005

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Report of the directors for the year ended 31 December 2005

The directors present their report and the audited financial statements for the year ended 31 December 2005.

Principal activities

The company is wholly owned by Soros Fund Management LLC ("SFM"). The company surrendered its registration with the Financial Services Authority ("FSA") in 2005.

The company had been engaged to provide investment management services to SFM on a sub-advisory basis in respect of certain funds to which SFM is the principal investment advisor. This activity ceased during the year.

Review of business and future developments

The group continued to provide investment management and advisory services to 31 March 2005.

The company, along with its subsidiary, Soros Private Equity Partners Limited ("SPEPL"), ceased operations on 31 March 2005. On the same date, a group of private equity advisors left SPEPL upon the spin-out and formation of Towerbrook Capital Partners (UK) LLP. Both the company and SPEPL de-registered with the FSA with an effective date of 14 September 2005. These entities assumed a dormant status in January 2006 and will remain so until they are officially liquidated.

Due to the reduced space requirements from the cessation of the business in 2005, the company took up the option to break the lease on their rented offices in December 2004. A portion of the leased premises was assigned to Towerbrook Capital Partners (UK) LLP on 18 July 2005.

Results and dividends

An interim dividend of £4.60 per share was paid in March 2005. A further interim dividend of £1.80 per share was paid in November 2005. The aggregate dividends on ordinary shares therefore amounted to £3,200,000 (2004: £5,600,000) No final dividend is recommended (2004: £nil). The company received a dividend from its subsidiary, SPEPL of £62,000 (2004: £150,000). SPEPL also paid a dividend, external to the group, of £1,368,000 (2004: £1,625,000).

The loss for the group for the financial year of £4,380,000 will be transferred to reserves (2004: loss: £4,182,000).

Creditors

The company does not follow any code or standard on payment practice with its suppliers but it is the policy of the company to agree terms of payment when goods or services are placed and to pay in accordance with those terms. Invoices are generally paid within 2 weeks of receipt.

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Directors and their interests

Directors during the year were:

Gavin Murphy	
Filippo J Cardini	Resigned 31 March 2006
Armando Belly	
Mark George	Resigned 31 January 2005

No directors had any interest in the ordinary share capital of the group at 31 December 2005 (2004: £nil).

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and group as at the end of the financial year and of the profit or loss of the group for that year per the Companies Act 1985.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2005. The directors also confirm that applicable accounting standards have been followed. The financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The company, having passed an elective resolution to dispense with the requirement to re-appoint auditors annually, propose that PricewaterhouseCoopers LLP will continue in office.

By order of the board

Gavin Murphy
Company Secretary
Date: 18 October 2006

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOROS FUNDS LIMITED

We have audited the group and parent company financial statements (the ''financial statements'') of Soros Funds Limited for the year ended 31 December 2005 which comprise the group profit and loss account, the group and company balance sheets, the group cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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.

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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 group's and the parent company's affairs as at 31 December 2005 and of the group's profit and cash flows for the year then ended; and

- have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London 20 October 2006

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Consolidated profit and loss account
For the year ended 31 December 2005

	Notes	2005	2004
		£'000	£'000
Turnover		1,040	15,683
Foreign exchange gains/(losses)		13	(38)
Staff costs	2	(549)	(10,257)
Other operating costs		(582)	(3,797)
Operating (loss)/profit	4	(78)	1,591
Exceptional items			
Reorganisation costs	5	-	-
Write down of fixed assets	5	-	-
Income from fixed asset investments	11	-	2,960
Net interest receivable	6	162	292
Profit on ordinary activities before taxation		84	4,843
Tax receivable/(payable) on profit on ordinary activities	7	104	(1,800)
Profit on ordinary activities after taxation		188	3,043
Dividends	8	(4,568)	(7,225)
Retained loss for the financial year	17	(4,380)	(4,182)

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year, as stated above, and their historical cost equivalents.

All of the group's activities are discontinuing activities.

The Company has no recognised gains and losses other than those included in the profit above and therefore no separate statement of total recognised gains and losses has been presented.

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Balance sheet
As at 31 December 2005

	Notes	Group 2005	Group 2004	Company 2005	Company 2004
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	11	-	-	2,498	2,498
		-	-	2,498	2,498
Current assets					
Debtors	12	2,099	492	101	493
Cash at bank and in hand	13	738	8,569	144	3,980
		2,837	9,061	245	4,473
Creditors: amounts falling due within one year	14	292	1,706	102	970
Net current assets		2,545	7,355	143	3,503
Provisions for liabilities and charges	15	-	427	-	427
Net assets		2,545	6,928	2,641	5,574
Capital and reserves					
Called up share capital	16	500	500	500	500
Profit and loss account	17	2,044	6,424	2,141	5,074
Equity shareholders' funds	18	2,544	6,924	2,641	5,574
Equity minority interest		1	4	-	-
Total equity shareholders' funds		2,545	6,928	2,641	5,574

The financial statements on pages 5 to 18 were approved by the board of directors on 18 October 2006 and signed on its behalf by:

Gavin Murphy **Armando Belly**

Consolidated cash flow statement
For the year ended 31 December 2005

	Notes	2005 £'000	2004 £'000
Cash (outflow)/inflow from operating activities			
Net cash (outflow)/inflow before exceptional items	19	(2,472)	3,989
Net cash inflow related to exceptional items	19	-	1,346
Net cash (outflow)/inflow from operating activities		(2,472)	5,335
Returns on investments and servicing of finance			
Interest paid		(37)	(2)
Interest received		199	294
Net cash inflow on investments and servicing of finance		162	292
Taxation			
UK corporation tax paid		(953)	(937)
Capital expenditure			
Sale of tangible fixed assets		-	8
Sale of investment		-	2,960
Net cash inflow/(outflow) on capital expenditure		-	2,968
Equity dividends paid	8	(4,568)	(7,225)
Net cash (outflow)/ inflow		(7,831)	433
(Decrease)/increase in cash	20	(7,831)	433

Notes to the Financial Statements

1 Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been consistently applied, is set out below.

Basis of preparation

The financial statements are prepared in accordance with the historical cost convention.

In order to present a true and fair view of the state of affairs and the results of the group, the directors believe that the following departure from the accounting and disclosure requirements of the Companies Act 1985 is appropriate to reflect the special nature of the securities dealing business.

Turnover includes net dealing profits arising from both buying and selling securities and the revaluation of positions held in securities. This is a departure from Schedule 4 of the Companies Act 1985 which proscribes accounting at the lower of cost and net realisable value with revaluations reflected in a revaluation reserve. This departure is consistent with the BBA statement of recommended accounting practice for securities.

It is not practicable to quantify the effect on the accounts of this departure as information on original cost, being of no continuing use to the business, is not available.

Consolidation

The group accounts consolidate the accounts of the company and its subsidiary; Soros Private Equity Partners Limited.

Turnover

Turnover for the group represents fees received for services exclusive of value added tax and stamp duty. All turnover and net assets relate to activities based in the United Kingdom.

1 Accounting policies (continued)

Fixed asset investments

Fixed asset investments are recognised at cost unless there has been a permanent impairment in which case such investments are recognised at the lower of cost and net realisable value.

Depreciation

Depreciation of tangible fixed assets is calculated to write off their cost or valuation over their expected useful lives in equal annual instalments as follows:

Furniture and fittings, office equipment	over 7 years
Cars, computer hardware, telephones	over 5 years
Computer software, leasehold improvements	over 3 years
Leasehold improvements	term of lease

Foreign currencies

Transactions denominated in currencies other than sterling are translated into sterling using the relevant closing mid market rate of exchange for the month in which the transaction was executed. Monetary assets and liabilities denominated in currencies other than sterling are translated into sterling using the relevant closing mid market rate of exchange. Where appropriate the rate of exchange under the terms of any related or matching forward contract is used. All exchange gains or losses are reported as part of the profit or loss for the year from ordinary activities.

Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition for tax purposes, measured using tax rates that have been enacted or substantially enacted. Deferred tax assets and liabilities are not discounted to reflect the time value of money. The recoverability of deferred tax assets is considered and valuation allowance is made if it is considered more likely than not that the asset will not be recoverable.

Leased assets

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

Pensions

The company does not operate a pension scheme for employees. Company contributions to employees' personal pension plans are charged to the profit and loss account as incurred.

2 Staff costs

The average monthly number of persons, including executive directors was 2 (2004:32).

The costs incurred during the year in respect of staff were as follows:

	Group 2005 £'000	Group 2004 £'000
Wages and salaries	268	8,761
Social security costs	184	1,066
Pension contributions	16	100
Other staff costs	81	330
	549	10,257

3 Directors' remuneration

	Company 2005 £'000	Company 2004 £'000
Aggregate emoluments	81	716
Company pension contributions to money purchase scheme	-	26
Compensation to past directors for loss of office	-	35

The highest paid director of the company received remuneration of £45,918 (2004: £436,145) and pension contributions to a money purchase scheme of £nil (2004: £15,000) during the year. Directors are entitled to neither share options nor shares under any long-term incentive schemes. No directors receive contributions to a money purchase scheme pension (2004: 2 directors).

4 Operating profit

	2005 £'000	2004 £'000
Operating profit is arrived at after charging:		
Group		
Auditors' remuneration for audit	24	30
Auditors' remuneration for non-audit services	28	32
Depreciation (excluding exceptional item – see note 5)	-	329
Operating lease charges – land and buildings	-	874
Loss on sale of fixed assets	-	4
Company		
Auditors' remuneration for audit	14	21
Auditors' remuneration for non-audit services	20	22

5 Exceptional items

	Group 2005 £'000	Group 2004 £'000
Turnover	-	636
Staff costs	-	(150)
Other operating costs	-	(486)
Exceptional reorganisation costs	-	-

The exceptional reorganisation costs relate to the severance costs for staff and the write-off of market data services used by the investment manager. The turnover reflects the recovery of costs from the group management company. There is no additional tax charge associated with this exceptional item.

	Group 2005 £'000	Group 2004 £'000
Turnover	-	919
Other operating costs	-	(919)
Exceptional write down of fixed assets	-	-

The exceptional write down in 2004 relates to the intended sale of all the remaining fixed assets of the group for £1 following the reduction of business. The turnover reflects the recovery of costs from the group management company. There is no additional tax charge associated with this exceptional item.

6 Net interest receivable

	Group 2005 £'000	Group 2004 £'000
Other interest payable	(37)	(2)
Bank interest receivable	199	294
Net interest receivable	162	292

7 Taxation

a) Tax payable on profit on ordinary activities

	Group 2005 £'000	Group 2004 £'000
Current tax:		
Current tax on profits for the year	(131)	1,747
Adjustments in respect of previous periods	(14)	2
Tax on assets held in trust	-	2
	(145)	1,751
Deferred taxation:		
Origination and reversal of timing differences	41	49
Tax on profit on ordinary activities	104	1,800

b) Factors affecting the current tax charge for the year

The current tax charge for the year is lower (2004: higher) than the standard rate of corporation tax in the UK of 30% (2004:30%).

The differences are explained below:

	Group 2005 £'000	Group 2004 £'000
Profit on ordinary activities before tax	84	4,843
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	25	1,453

b) Factors affecting the current tax charge for the year (cont.)	**Group 2005 £'000**	**Group 2004 £'000**
Effects of:		
Expenses disallowed for the purpose of tax provision	69	12
Depreciation for year in excess of / (lower than) capital allowances	(278)	282
Adjustments to tax charge in respect of previous periods	(14)	2
Tax loss not utilised	53	-
Tax on income arising on assets held in trust	-	2
Current tax charge for period	(145)	1,751

c) Provision for deferred tax

	2005 £'000	**2004 £'000**
Deferred tax asset at start of period	41	90
Deferred tax charge in profit and loss account	(41)	(49)
Deferred tax asset at end of period (see note 12)	-	41

8 Dividends

	Group 2005 £'000	**Group 2004 £'000**
Dividends paid by the company: £4.60 and £1.80 per share (2004: £8 and £3.20 per share)	3,200	5,600
External dividend paid by SPEPL: £495.025 and £52 per £1 share (2004: £650 per £1 share)	1,368	1,625
	4,568	7,225

9 Profit attributable to parent company

As permitted by Section 230 of the Companies Act 1985, the parent company's (Soros Funds Limited) profit and loss account has not been included in these financial statements and its loss for the financial year amounted to £2,933,000 (2004 loss: £3,702,000).

10 Tangible Fixed assets

	Leasehold Improve-ments	Computer & Telephone Equipment	Furniture & Office Equipment	Total
Group	**£'000**	**£'000**	**£'000**	**£'000**
Cost				
At 1.1.05&31.12.05	1,028	658	619	2,305
Depreciation				
At 1.1.05&31.12.05	1,028	658	619	2,305
Net Book Value				
At 1.1.05&31.12.05	-	-	-	-
Company	**£'000**	**£'000**	**£'000**	**£'000**
Cost				
At 1.1.05&31.12.05	1,028	647	609	2,284
Depreciation				
At 1.1.05&31.12.05	1,028	647	609	2,284
Net Book Value				
At 1.1.05&31.12.05	-	-	-	-

11 Investments

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Fixed asset investments				
Shares in group undertakings	-	-	2,498	2,498
	-	-	2,498	2,498

Investments in group undertakings are stated at cost.

The company has one subsidiary undertaking, Soros Private Equity Partners Limited, the results of which are consolidated in these financial statements. The company owns 100% of the voting rights of this subsidiary undertaking and 99.9% of the share capital. Up until 31 March 2005, the principal activity of Soros Private Equity Partners Limited was providing advice and arranging investments primarily in the private equity arena. Soros Private Equity Partners Limited is registered in England and Wales. Soros Private Equity Partners ceased operations on 31 March 2005, upon the formation of Towerbrook Capital Partners (UK) LLP.

In 2004, other investments held in London Stock Exchange shares were sold realising a profit of £2.96m which has been recorded in the profit and loss account for that year.

12 Debtors: amounts falling due within one year

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Amounts due from subsidiary undertakings	-	-	-	438
Corporation tax	71	-	71	-
Deferred tax asset	-	41	-	-
Other debtors (see note 24)	2,028	354	30	49
Prepayments	-	97	-	6
	2,099	492	101	493

13 Cash at bank and in hand

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Cash at bank and in hand	738	8,569	144	3,980
	738	8,569	144	3,980

14 Creditors: amounts falling due within one year

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Amount due to subsidiary	-	-	4	-
Corporation tax	24	1,048	-	730
Other creditors (see note 24)	228	224	79	167
Accruals	40	434	19	73
	292	1,706	102	970

15 Provision for liabilities and charges

Group and company

	Reorganisation provision £'000	Total £'000
At 1 January 2005	427	427
Transfer to profit and loss account	(427)	(427)
At 31 December 2005	-	-

Reorganisation

In June 2004 a decision was taken to scale back some of the investment management services provided by the company. A provision had been made for redundancies, rent and market data related costs.

16 Share Capital

	Company 2005 £'000	Company 2004 £'000
Authorised, allotted, called-up and fully paid		
500,000 ordinary shares of £1 each	500	500

All shares rank pari passu as regards dividends, priority and amounts receivable on winding up and voting rights.

17 Profit and loss account

	Group 2005 £'000	Company 2005 £'000
At 1 January	6,424	5,074
Retained loss for the year	(4,380)	(2,933)
At 31 December	2,044	2,141

18 Reconciliation of movement on shareholders' funds

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Profit for the financial year	188	3,043	267	1,898
Dividends paid	(4,568)	(7,225)	(3,200)	(5,600)
Net reductions of shareholders' funds	(4,380)	(4,182)	(2,933)	(3,702)
Opening shareholders' funds	6,924	11,106	5,574	9,276
Closing shareholders' funds	2,544	6,924	2,641	5,574

19 Reconciliation of operating profit to operating cashflow activities

	Group 2005 £'000	Group 2004 £'000
Operating profit	(78)	1,591
Depreciation on tangible fixed assets	-	329
Loss on sale of fixed asset	-	4
Decrease/(increase) in positions in securities	-	2,095
Decrease/(increase) in debtors	(1,577)	5,776
(Decrease) in creditors including provisions	(817)	(5,806)
Net cash (outflow)/inflow before exceptional items	(2,472)	3,989

	Group 2005 £'000	Group 2004 £'000
Exceptional reorganisation		
Outflow from exceptional item	-	(210)
Inflow from exceptional item	-	637
	-	427
Exceptional disposal of fixed assets		
Outflow from exceptional item	-	-
Inflow from exceptional item	-	919
	-	919
Net cash inflow relating to exceptional items	-	1,346

Further details of exceptional items are provided in note 5.

20 Reconciliation of net cashflow to movement in net funds

	Group £'000
Changes in the year	
Net funds at 1st January	8,569
Net funds at 31st December	738
Net cash (outflow)/inflow	(7,831)

21 Analysis of net funds

The period movement in net funds arises solely from movements in cash at bank.

22 Capital commitments

There was no capital expenditure contracted for but not provided for in the financial statements (2004: £nil).

23 Operating lease commitments

	Group 2005 £'000	Group 2004 £'000
Land and buildings		
Expiring within one year	-	114
Expiring within two to five years	-	-
	-	114

24 Related party transactions

Included within the group's turnover is £1,040,000 (2004: £17,099,000) generated from the investment advisory services provided to SFM. At 31 December 2005 other debtors (see note 12) includes £2,000,000 (2004: £246,000) due from SFM (see below). At 31 December 2005 other creditors (see note 14) includes £32,000 (2004: £157,000) due to SFM.

In November 2005, Soros Private Equity Partners Limited issued a demand promissory note to SFM in the amount of £2,000,000. The loan is payable on demand and is non-interest bearing.

25 Ultimate parent undertaking

The company's share capital is ultimately wholly owned by Soros Fund Management LLC a Delaware, USA, registered company.