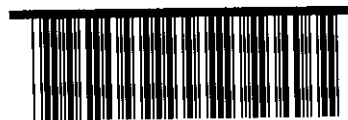


PHOENIX ASSET MANAGEMENT PARTNERS LIMITED

Report and Accounts

28 February 2002

 ERNST & YOUNG



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COMPANIES HOUSE

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22/07/02

Phoenix Asset Management Partners Limited

Registered No. 3514660

DIRECTORS

G S Channon
C Broadhurst
Sir Peter Thompson (Non-executive)

SECRETARY

Miss S Channon

AUDITORS

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

BANKERS

HSBC plc
22 Victoria Street
Westminster
London SW1H 0NJ

SOLICITORS

Clifford Chance
200 Aldersgate Street
London EC1A 4JJ

REGISTERED OFFICE

64-66 Glenthams Road
Barnes
London SW13 9JJ

Phoenix Asset Management Partners Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 28 February 2002.

RESULTS AND DIVIDENDS

The profit for the year is set out in the profit and loss account on page 5. Interim dividends of £1,150,011 were paid in the year. The directors have proposed a final dividend of £2,190,002. A profit of £58,534 has been transferred to reserves.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity is the provision of fund management services. The directors are encouraged by the result for the period and are optimistic about the future of the company.

During the year the new Hedge Fund was launched.

DIRECTORS AND THEIR INTERESTS

The directors at 28 February 2002 and their interests in the share capital of the company were as follows:

	<i>At 28 February 2002</i>	<i>At 1 March 2001</i>
	<i>Ordinary Shares</i>	<i>Ordinary Shares</i>
C Broadhurst	45,001	45,001
G S Channon*	45,001	45,001
Sir Peter Thompson	10,000	10,000

*45,000 shares are owned by Channon & Co Limited. Gary Channon owns 63% of the share capital of Channon & Co Limited and the remainder is owned by Mrs Channon.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the company made various charitable contributions totalling £30,250.

AUDITORS

On 28 June 2001 Ernst & Young, the company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treat the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to reappoint Ernst & Young LLP as the company's auditor will be put to the members at the Annual General Meeting.

On behalf of the board

Director

Date:

27/6/02



Phoenix Asset Management Partners Limited

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 judgements 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 accounts comply with the Companies Act 1985. They 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PHOENIX ASSET MANAGEMENT PARTNERS LIMITED

We have audited the company's accounts for the year ended 28 February 2002 which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement, Statement of Total Recognised Gains and Losses and the related notes 1 to 16. These accounts have been prepared on the basis of the accounting policies set out therein.

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 accounts in accordance with applicable United Kingdom law and accounting standards.

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

We report to you our opinion as to whether the accounts 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 accounts, 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.

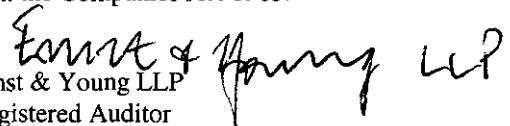
Basis of audit opinion

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 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 28 February 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
London

Date: 28 June 2002

Phoenix Asset Management Partners Limited

PROFIT AND LOSS ACCOUNT for the year ended 28 February 2002

	Notes	2002 £	2001 £
TURNOVER			
Management fees	2	1,168,041	487,600
Performance fees	2	6,004,171	794,387
GROSS PROFIT		7,172,212	1,281,987
Administrative expenses		(2,324,703)	(320,601)
OPERATING PROFIT	3	4,847,509	961,386
Bank interest receivable		9,155	3,930
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,856,664	965,316
Tax on ordinary activities	6	(1,458,117)	(286,843)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		3,398,547	678,473
Dividends	7	(3,340,013)	(600,012)
RETAINED PROFIT		58,534	78,461

STATEMENT OF RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to the shareholders of the company.

Phoenix Asset Management Partners Limited

BALANCE SHEET

at 28 February 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Tangible assets	8	34,699	42,826
		<u>34,699</u>	<u>42,826</u>
CURRENT ASSETS			
Debtors	9	5,918,381	952,740
Cash at bank		288,567	106,993
		<u>6,206,948</u>	<u>1,059,733</u>
CREDITORS: amounts falling due within one year	10	(6,034,681)	(951,743)
NET CURRENT ASSETS		<u>172,267</u>	<u>107,990</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>206,966</u>	<u>150,816</u>
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	11	(3,912)	(6,296)
		<u>203,054</u>	<u>144,520</u>
CAPITAL AND RESERVES			
Ordinary shares	12	100,002	100,002
Profit and loss account	13	103,052	44,518
SHAREHOLDERS' FUNDS - EQUITY		<u>203,054</u>	<u>144,520</u>

Signed on behalf of the Board

Director

Date:

27/6/02



Phoenix Asset Management Partners Limited

STATEMENT OF CASH FLOWS for the year ended 28 February 2002

	<i>Notes</i>	<i>2002</i> £	<i>2001</i> £
NET CASH INFLOW FROM OPERATING ACTIVITIES	16	2,155,917	19,737
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	16	9,155	3,930
TAXATION		(275,365)	–
CAPITAL EXPENDITURE	16	(8,110)	(44,495)
EQUITY DIVIDENDS PAID		(1,700,023)	(50,000)
INCREASE/(DECREASE) IN CASH		<u>181,574</u>	<u>(70,828)</u>

NOTES TO THE ACCOUNTS

at 28 February 2002

1. ACCOUNTING POLICY

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Fixed assets

All fixed assets are initially recorded at costs.

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:

Computer equipment and software	-	3 years
Fixture and fittings	-	3 years

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. Differences arising from rate movement between the due date and the actual payment date are taken to the profit and loss account.

Leasing commitments

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

Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes, FRS 19 'Deferred Taxation' was issued on 7 December 2000 and it is mandatory for years ending on or after 23 January 2002. The company has decided to adopt FRS 19 early.

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

2. TURNOVER

Turnover, which is stated net of value added tax, is attributable to one continuing activity, the supply of investment management services. Fees are recognised once receivable.

Performance fees in respect of institutional accounts are recognised at 50% of the total amount earned during the period. The remaining 50% which is contingent on continued out performance is retained by the trustees until the earlier of the date of the termination of the account, or when the next performance fee becomes due, and is recognised accordingly. All other performance fees are recognised on a realisable basis.

Phoenix Asset Management Partners Limited

NOTES TO THE ACCOUNTS

at 28 February 2002

3. OPERATING PROFIT/(LOSS)

This is stated after charging:

	2002	2001
	£	£
Depreciation of owned fixed assets	15,915	1,669
Loss on disposal of fixed assets	322	—
Auditors' remuneration:		
Audit services	11,000	9,000
Non-audit services	4,000	—
Operating lease rentals -- Other	14,431	1,206

4. STAFF COSTS

	2002	2001
	£	£
Wages and salaries	1,733,532	68,083
Social security costs	248,347	13,535
	<u>1,981,879</u>	<u>81,618</u>

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

Administration/compliance	1	1
Fund management	3	3
	<u>4</u>	<u>4</u>

5. DIRECTORS' EMOLUMENTS

Emoluments of directors were as follows:

	2002	2001
	£	£
Emoluments	1,710,108	62,762

The amount in respect of highest paid director is as follows:

Emoluments	763,459	32,381
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Phoenix Asset Management Partners Limited

NOTES TO THE ACCOUNTS

at 28 February 2002

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £	2001 £
UK corporation tax:		
UK corporation tax on profits of the year	1,465,683	280,547
Adjustments in respect of prior year	(5,182)	—
	<u>1,460,501</u>	<u>280,547</u>
Deferred tax:		
Originating and reversal of timing differences (note 11)	(2,324)	6,296
	<u>(2,324)</u>	<u>6,296</u>
	<u>1,458,117</u>	<u>286,843</u>

Factors affecting the tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2002 £	2001 £
Profit on ordinary activities before taxation	4,856,664	965,316
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2000: 30%)	1,456,999	289,595
Effect of:		
Disallowed expenses and non-taxable income	4,928	26,244
Depreciation in excess of capital allowances	3,756	(35,292)
Adjustments in respect of previous periods	(5,182)	—
	<u>1,460,501</u>	<u>280,547</u>

7. DIVIDENDS

	2002 £	2001 £
Equity dividend on ordinary shares		
Interim paid	1,150,011	50,000
Final proposed	2,190,002	550,012
	<u>3,340,013</u>	<u>600,012</u>

Phoenix Asset Management Partners Limited

NOTES TO THE ACCOUNTS

at 28 February 2002

8. TANGIBLE FIXED ASSETS

	<i>Computer Equipment and software</i>	<i>Furniture and fixtures</i>	<i>Total</i>
Cost:			
At 29 February 2001	30,531	13,964	44,495
Additions	3,399	5,411	8,810
Disposals	(1,599)	—	(1,599)
At 28 February 2002	32,331	19,375	51,706
Depreciation:			
At 29 February 2001	1,281	388	1,669
Provided during the year	9,827	6,088	15,915
Disposal	(577)	—	(577)
At 28 February 2002	10,531	6,476	17,007
Net book value 28 February 2002	21,800	12,899	34,699
At 29 February 2001	29,250	13,576	42,826

9. DEBTORS

	<i>2002 £</i>	<i>2001 £</i>
Trade debtors	5,916,806	943,614
VAT recoverable	—	5,427
Prepayment	1,575	3,699
	5,918,381	952,740

Phoenix Asset Management Partners Limited

NOTES TO THE ACCOUNTS

at 28 February 2002

10. CREDITORS: amounts falling due within one year

	2002	2001
	£	£
Trade creditors	198,406	75,512
Other creditors	11,528	26,101
Accruals	1,665,507	15,500
PAYE and Social Security	10,412	4,071
Corporation tax	1,465,683	280,547
Dividends payable	2,190,002	550,012
VAT payable	493,143	—
	<u>6,034,681</u>	<u>951,743</u>

11. PROVISION FOR LIABILITIES AND CHARGES

The movement in deferred taxation during the current and previous years are as follows:

	2002	2001
	£	£
At 1 March	6,296	—
Charge for the year (note 6)	(3,756)	6,296
Prior year adjustment	1,372	—
At 28 February	<u>3,912</u>	<u>6,296</u>

12. SHARE CAPITAL

	2002	Authorised 2001
	£	£
Ordinary shares of £1 each	1,000,000	1,000,000

	Allotted, called up and fully paid			
	2002	2001	2002	2001
	No.	No.	£	£
Ordinary shares of £1 each	100,002	100,002	100,002	100,002

Phoenix Asset Management Partners Limited

NOTES TO THE ACCOUNTS

at 28 February 2002

13. SHARE CAPITAL, MOVEMENT ON RESERVES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>Share capital</i> £	<i>Profit and loss account</i> £	<i>Total shareholders' funds</i> £
Balance at 29 February 2001	100,002	44,518	144,520
Retained profit for the year	—	58,534	58,534
Balance at 28 February 2002	100,002	103,052	203,054

14. RELATED PARTY TRANSACTIONS

45,000 £1 shares are owned by Channon & Co Limited of which G S Channon is a director. During the period Channon & Co Limited recharged office administration expenses to the company amounting to £50,283 (2001 - £50,623). As at 28 February 2002, £11,750 (2001 - £1,547) was outstanding.

Channon & Co Limited also owns 45.8% of Channon Construction Limited. During the year, Channon Construction Limited provided building services to Phoenix Asset Management Partners Limited in respect of their business premises (64-66 Glenthams Road), amounting to £Nil (2001 - £30,272). As at 28 February 2002 £Nil (2001 - £17,492) was outstanding.

The directors of the company are also directors of Value Partners Limited (incorporated in The Bahamas), which acts as the investment manager of Phoenix UK Fund and Phoenix Hedge Fund (also incorporated in The Bahamas). During the period management fees of £250,798 (2001 - £145,749) and performance fee of £875,509 (2001 - £Nil) were receivable by the company from Value Partners Limited. £28,409 (2001 - £28,801) of fees were outstanding at the year end. As of 28 February 2002 G S Channon and C Broadhurst were no longer directors or shareholders of Value Partners Limited. Sir Peter Thompson remains as sole owner of Value Partners Limited.

G S Channon and C Broadhurst are directors of Phoenix UK Fund. Initial subscription fees of £47,922 (2001 - £19,373) were receivable by the company from the Fund during year. £3,710 (2001 - £4,663) of fees were outstanding at the year end.

G S Channon claimed £16,890 (2001 - £22,533) and C Broadhurst £57,941 (2001 - £67,646) in respect of business expenses incurred during the year ended 28 February 2002. As at the year end £3,124 (2001 - £5,946) and £9,542 (2001 - £17,832) respectively remained outstanding.

15. OTHER FINANCIAL COMMITMENTS

At 28 February 2002 the company had annual commitments under non-cancellable operating leases for land buildings as set out below:

	<i>Land and buildings</i> 2002	<i>Land and buildings</i> 2001
Operating leases which expire:		
Between 2 to 5 years	14,200	14,200

Phoenix Asset Management Partners Limited

NOTES TO THE ACCOUNTS at 28 February 2002

16. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	2002	2001
	£	£
Operating profit	4,847,509	961,386
Depreciation charges	15,915	1,669
Loss on sale of fixed assets	322	—
Increase in debtors	(4,965,641)	(925,765)
Increase/(decrease) in creditors	2,257,812	(17,553)
	<u>2,155,917</u>	<u>19,737</u>

(b) Analysis of cash flows for heading netted in the statement of cash flows

	2002	2001
	£	£
Returns on Investments and servicing of finance		
Interest received	9,155	3,930
	<u> </u>	<u> </u>
Capital expenditure		
Payments to acquire tangible fixed assets	(8,810)	(44,495)
Receipts from sales of tangible fixed assets	700	—
	<u>(8,110)</u>	<u>(44,495)</u>

(c) Analysis of changes in net debt

	29 February 2001 £000	Cash flows £000	28 February 2002 £000
Cash at bank	106,993	181,574	288,567
	<u> </u>	<u> </u>	<u> </u>