

Company Registration No. 4339850 (England and Wales)

HED CAPITAL MANAGEMENT LTD
DIRECTOR'S REPORT AND UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

WEDNESDAY



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HED CAPITAL MANAGEMENT LTD

COMPANY INFORMATION

Director	R Edwards
Secretary	J C R Batty
Company number	4339850
Registered office	39 Meadway London Great Britain NW11 7AX
Accountants	<i>Ramon Lee & Partners</i> Kemp House 152 - 160 City Road London EC1V 2DW
Business address	39 Meadway London Great Britain NW11 7AX

HED CAPITAL MANAGEMENT LTD

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HED CAPITAL MANAGEMENT LTD

DIRECTOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2005

The director presents his report and financial statements for the year ended 30 June 2005.

Principal activities

The principal activity of the company continued to be that of a hedge fund consultant.

Directors

The following directors have held office since 1 July 2004:

R Edwards

C Munro

(Resigned 19 September 2005)

Directors' interests

The directors' interests in the shares of the company were as stated below:

		A Ordinary shares of 20p each	
		30 June 2005	1 July 2004
R Edwards		-	-
C Munro		-	-
		B Ordinary shares of 25p each	
		30 June 2005	1 July 2004
R Edwards		-	-
C Munro		1,130	1,130
		C Ordinary shares of 25p each	
		30 June 2005	1 July 2004
R Edwards		4,900	4,900
C Munro		-	-
		D Ordinary shares of 25p each	
		30 June 2005	1 July 2004
R Edwards		240	240
C Munro		-	-
		Preference shares of 0p each	
		30 June 2005	1 July 2004
R Edwards		-	-
C Munro		249,597	249,597

HED CAPITAL MANAGEMENT LTD

DIRECTOR'S REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2005

Director's responsibilities

Company law requires the director 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 period. In preparing those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board



J C R Batty

Secretary

6 February 2007

HED CAPITAL MANAGEMENT LTD

CHARTERED ACCOUNTANTS' REPORT TO THE BOARD OF DIRECTORS ON THE UNAUDITED FINANCIAL STATEMENTS OF HED CAPITAL MANAGEMENT LTD

In accordance with the engagement letter dated 6 February 2007, and in order to assist you to fulfil your duties under the Companies Act 1985, we have compiled the financial statements of **HED CAPITAL MANAGEMENT LTD** for the year ended 30 June 2005, set out on pages 4 to 14 from the accounting records and information and explanations you have given to us.

This report is made to the Company's Board of Directors, as a body, in accordance with the terms of engagement. Our work has been undertaken so that we might compile the financial statements that we have been engaged to compile, report to the Company's Board of Directors that we have done so, and state those matters we have agreed to state to them in this 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 Board of Directors as a body, for our work or for this report.

We have carried out this engagement in accordance with technical guidance issued by the Institute of Chartered Accountants in England and Wales and have complied with the ethical guidance laid down by the Institute relating to members undertaking the compilation of financial statements.

You have acknowledged on the balance sheet as at 30 June 2005 your duty to ensure that the company has kept proper accounting records and to prepare financial statements that give a true and fair view under the Companies Act 1985. You consider that the company is exempt from the statutory requirement for an audit for the year.

We have not been instructed to carry out an audit of the financial statements. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the financial statements.

Ramon Lee & Partners

6 February 2007

Chartered Accountants

Kemp House
152 - 160 City Road
London
EC1V 2DW

HED CAPITAL MANAGEMENT LTD

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2005

	Notes	2005 £	2004 £
Turnover		15,422	18,597
Cost of sales		(42,003)	(93,601)
Gross loss		(26,581)	(75,004)
Administrative expenses		(292,492)	(201,592)
Operating loss	2	(319,073)	(276,596)
Other interest receivable and similar income	3	883	1,022
Loss on ordinary activities before taxation		(318,190)	(275,574)
Tax on loss on ordinary activities	4	-	-
Loss on ordinary activities after taxation		(318,190)	(275,574)
Dividends (including those in respect of non-equity shares)		(398,884)	(196,752)
Retained loss for the year	11	(717,074)	(472,326)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

HED CAPITAL MANAGEMENT LTD

BALANCE SHEET

AS AT 30 JUNE 2005

	Notes	2005 £	£	2004 £	£
Fixed assets					
Tangible assets	6		1,124		6,321
Investments	7		125		125
			<u>1,249</u>		<u>6,446</u>
Current assets					
Debtors	8	4,541		4,433	
Cash at bank and in hand		2,562		26,661	
		<u>7,103</u>		<u>31,094</u>	
Creditors: amounts falling due within one year	9	(133,865)		(97,862)	
Net current liabilities			<u>(126,762)</u>		<u>(66,768)</u>
Total assets less current liabilities			<u>(125,513)</u>		<u>(60,322)</u>
Capital and reserves					
Called up share capital	10		2,468		2,443
Share premium account	11		1,253,151		1,000,176
Profit and loss account	11		(1,381,132)		(1,062,941)
Shareholders' funds	12		<u>(125,513)</u>		<u>(60,322)</u>
Equity interests			(2074549)		(1357475)
Non-equity interests			1949037		1297153
			<u>(125,513)</u>		<u>(60,322)</u>

HED CAPITAL MANAGEMENT LTD

BALANCE SHEET (CONTINUED)

AS AT 30 JUNE 2005

In preparing these financial statements:

- (a) The director is of the opinion that the company is entitled to the exemption from audit conferred by Section 249A(1) of the Companies Act 1985;
- (b) No notice has been deposited under Section 249B(2) of the Companies Act 1985, and
- (c) The director acknowledges his responsibilities for:
 - (i) ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985, and
 - (ii) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of Section 226, and which otherwise comply with the requirements of this Act relating to accounts, so far as applicable to the company.

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on 6 February 2007

Richard Edwards

R Edwards

Director

HED CAPITAL MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company meets its day to day working capital requirements through an overdraft facility which is repayable on demand.

The nature of the company's business is such that there can be considerable unpredictable variation in the timing of cash inflows. The director have prepared projected cash flow information for the period ending 9 months from the date of their approval of these financial statements. On the basis of this cash flow information and discussions with the company's bankers, the director consider that the company will continue to operate within the facility currently agreed and within that which they expect will be agreed company's with the company's bankers.

However, the margin of facilities over requirements is not large and, inherently there can be no certainty in relation to these matters. On this basis, the director consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from a withdrawal of the overdraft facility by the company's bankers.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards, which have been applied consistently (except as otherwise stated).

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life.

1.5 Patents

Patents are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	33.33% on cost
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1.7 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.8 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

HED CAPITAL MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2005

2	Operating loss	2005	2004
		£	£
	Operating loss is stated after charging:		
	Depreciation of tangible assets	5,197	6,001
	Auditors' remuneration	-	3,300
	Director's emoluments	-	78,023
		<u> </u>	<u> </u>
3	Investment income	2005	2004
		£	£
	Bank interest	883	1,022
		<u> </u>	<u> </u>
4	Taxation	2005	2004
	Current tax charge	-	-
		<u> </u>	<u> </u>
	Factors affecting the tax charge for the year		
	Loss on ordinary activities before taxation	(318,190)	(275,574)
		<u> </u>	<u> </u>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2004 - 19.00%)	(60,456)	(52,359)
		<u> </u>	<u> </u>
	Effects of:		
	Other tax adjustments	60,456	52,359
		<u> </u>	<u> </u>
		60,456	52,359
		<u> </u>	<u> </u>
	Current tax charge	-	-
		<u> </u>	<u> </u>

The company has estimated losses of £ 599,612 (2004 - £ 286,619) available for carry forward against future trading profits.

HED CAPITAL MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2005

5 Intangible fixed assets

	Other intangible assets £
Cost	
At 1 July 2004 & at 30 June 2005	109,998
Amortisation	
At 1 July 2004 & at 30 June 2005	109,998
Net book value	
At 30 June 2005	-
At 30 June 2004	-

6 Tangible fixed assets

	Plant and machinery etc £
Cost	
At 1 July 2004 & at 30 June 2005	19,503
Depreciation	
At 1 July 2004	13,182
Charge for the year	5,197
At 30 June 2005	18,379
Net book value	
At 30 June 2005	1,124
At 30 June 2004	6,321

HED CAPITAL MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2005

7 Fixed asset investments

	Shares in group undertakings and participating interests £
Cost	
At 1 July 2004 & at 30 June 2005	125
Net book value	
At 30 June 2005	125
	<hr/>
At 30 June 2004	125
	<hr/>

HED Capital Management Limited owns 100% of the shares in Beaufort G.P. (Cayman) Limited, an unlimited company incorporated in the Cayman Islands. Beaufort G.P. (Cayman) Limited operated as a General Partner of a Cayman Island limited partnership.

The investment in the Beaufort US Chaos Fund Ltd comprises 1 US\$100 Class B Share in the open-ended limited liability company incorporated in the Cayman Islands.

8 Debtors	2005 £	2004 £
Trade debtors	900	-
Other debtors	3,641	4,433
	<hr/>	<hr/>
	4,541	4,433
	<hr/>	<hr/>

9 Creditors: amounts falling due within one year	2005 £	2004 £
Trade creditors	50,059	94
Other creditors	83,806	97,768
	<hr/>	<hr/>
	133,865	97,862
	<hr/>	<hr/>

HED CAPITAL MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2005

10 Share capital	2005 £	2004 £
Authorised		
3,140 A Ordinary shares of 20p each	628	628
1,720 B Ordinary shares of 25p each	430	430
4,900 C Ordinary shares of 25p each	1,225	1,225
240 D Ordinary shares of 25p each	60	60
1,716,200 Preference shares of 0.0001p each	172	122
	<u>2,515</u>	<u>2,465</u>
 Allotted, called up and fully paid		
3,140 A Ordinary shares of 20p each	628	628
1,720 B Ordinary shares of 25p each	430	430
4,900 C Ordinary shares of 25p each	1,225	1,225
240 D Ordinary shares of 25p each	60	60
1,251,392 (2004: 998,392) 15% Preference shares of 0.0001p each	125	100
	<u>2,468</u>	<u>2,443</u>

On 5 August 2004, the company issue 88,000 Preference shares of £0.0001, paid at a premium of £0.9999.

On 13 January 2005, the company issue 120,000 Preference shares of £0.0001, paid at a premium of £0.9999.

On 15 April 2005, the company issue 45,000 Preference shares of £0.0001, paid at a premium of £0.9999.

HED CAPITAL MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2005

10 Share capital

(continued)

Rights Regarding Income

The preference shares carry the right to a fixed cumulative preferential dividend of 15% on the amount paid up or credited as paid up on each preference share (including any premium). This dividend ranks for payment in priority to the payment of a dividend on any other shares of the company.

Any dividend declared by the company in respect of the ordinary shares shall be distributed to the holders of the ordinary shares as follows:

- 32.6% to the holders of the A ordinary shares pro rata to the number of shares held by such holders.
- 18.4% to the holders of the B ordinary shares pro rata to the number of shares held by such holders.
- 49% to the holders of the C ordinary shares pro rata to the number of shares held by such holders.

If, however, at the date of declaration of a dividend to the holders of the ordinary shares, all premium due on D ordinary shares has been paid up, the dividend shall be distributed to the holders of the ordinary shares as follows:

- 31.4% to the holders of the A ordinary shares pro rata to the number of shares held by such holders.
- 17.2% to the holders of the B ordinary shares pro rata to the number of shares held by such holders.
- 49% to the holders of the C ordinary shares pro rata to the number of shares held by such holders.
- 2.4% to the holders of the D ordinary shares pro rata to the number of shares held by such holders.

The D ordinary shares do not carry any right to dividend or other distribution by the company until such a time as all premium due thereon has been called up and credited as paid.

Rights As Regards To Capital

On a return of assets on liquidation, reduction of capital or otherwise, the surplus capital of the company is returned as follows, and in the following order:

- 1 to the preference shareholders an amount equal to the capital paid up on the preference shares together with any arrears of or deficiency of the fixed cumulative dividend on such shares.
- 2 to the ordinary shareholders a sum equal to any premium paid on such ordinary shares.
- 3 to the ordinary shareholders a sum equal to the nominal value of such shares (to the extent paid up).
- 4 the balance of any assets shall belong to and be distributed amongst the ordinary shareholders as follows:

- 32.6% to the holders of the A ordinary shares pro rata to the number of shares held by such holders.
- 18.4% to the holders of the B ordinary shares pro rata to the number of shares held by such holders.
- 49% to the holders of the C ordinary shares pro rata to the number of shares held by such holders.

13 Called Up Share Capital (continued)

however, if all premium due on the D shares in issued has been credited as paid up, the balance of any assets shall belong to and be distributed amongst the ordinary shareholders as follows:

- 31.4% to the holders of A ordinary shares pro rata to the number of shares held by such holders.
- 17.2% to the holders of the B ordinary shares pro rata to the number of shares held by such holders.
- 49% to the holders of the C ordinary shares pro rata to the number of shares held by such holders.
- 2.4% to the holders of the D ordinary shares pro rata to the number of shares held by such holders.

On any sale of the entire share capital of the company the proceeds shall be distributed amongst the members as follows:

- 1 to the preference shareholders to the extent of the amount paid up with respect to the nominal amount and premium thereon credited as paid up.
- 2 thereafter, to the ordinary shareholders in the percentages shown above, depending on whether all premium due on D ordinary shares has been credited and paid up.

Rights As Regards To Voting

B ordinary shares, D ordinary shares and preference shares entitle the holders thereof to receive notice

HED CAPITAL MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 30 JUNE 2005**

of and to attend all general or other meetings of the company but they do not entitle the holders to speak or vote at any such meetings.

The A ordinary shares shall confer on the A ordinary shareholders the right to receive notice of, attend, speak and vote at all general meetings of the company, in respect of 51% of the voting rights.

The C ordinary shares shall confer on the C ordinary shareholders the right to receive notice of, attend, speak and vote at all general meetings of the company, in respect of 49% of the voting rights.

Further details on redemption and variation of the rights attaching to shares are given in the articles of association of the company.

HED CAPITAL MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2005

11 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Balance at 1 July 2004	1,000,176	(664,058)
Retained loss for the year	-	(717,074)
Premium on shares issued during the year	252,975	-
Balance at 30 June 2005	<u>1,253,151</u>	<u>(1,381,132)</u>

12 Reconciliation of movements in shareholders' funds

	2005 £	2004 £
Loss for the financial year	(318,190)	(275,574)
Dividends	(398,884)	(196,752)
	<u>(717,074)</u>	<u>(472,326)</u>
Proceeds from issue of shares	253,000	282,164
	<u>(464,074)</u>	<u>(190,162)</u>
Net depletion in shareholders' funds	(60,322)	129,840
Closing shareholders' funds	<u>(125,513)</u>	<u>(60,322)</u>