Registered No: 3514660

PHOENIX ASSET MANAGEMENT PARTNERS LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st MARCH 2009

Phoenix Asset Management Partners Limited

Directors

G.S. Channon
Sir Peter Thompson
S. Tatters
Mrs. C. Maby

Secretary and Registered Office

Mrs K. Wood
64-66 Glentham Road, Barnes, London SW13 9JJ

Auditors

Moore Stephens LLP
St. Paul's House, Warwick Lane, London EC4M 7BP

Bankers

C. Hoare & Co
37 Fleet Street, London EC4P 4DQ

Solicitors

Clifford Chance
200 Aldersgate Street, London EC1A 4JJ

Report of the Directors

The directors present their annual report and the audited financial statements for the year ended 31st March 2009.

The principal activity of the Company is the provision of fund management services to the Phoenix UK Fund, an offshore Fund based in the Bahamas, and segregated accounts for a number of UK pension funds. The investment philosophy is inspired by Warren Buffett and Benjamin Graham. These funds are mainly invested in UK listed companies and cash deposits held in a concentrated portfolio of usually less than 20 companies.

In addition to an annual management fee earned on the Net Assets under management, performance fees are earned only if the Net Asset Value for the Phoenix UK Fund has increased by 5% plus the annual UK inflation rate or in the case for the pension funds annual returns have outperformed the All Share Index.

The principal risks and uncertainties are dependent on the Investment Manager, Gary Channon, continuing to manage the Funds. This is because he is the Chief Investment Officer, is not easily replaced and so should something happen to prevent him from carrying out his duties there is a risk that many investors will withdraw their investments from Phoenix. The price of the shares in the funds can go down as well as up, thereby reducing potential management fees or with persistent underperformance increased risk of losing a pension client or a Phoenix UK Fund investor. Despite the underperformance in investment returns from the last three years' results, the Directors are optimistic about the future.

The company is authorised and regulated by the Financial Services Authority.

Phoenix Asset Management Partners Limited

Report of the Directors (Continued)

Results and Dividends

The result for the period before dividends was a profit of £432,526 (2008: £1,006,271).

The dividends for the period were £650,014 (2008: £1,025,015).

Directors and Directors' Interests

The directors' interests in the share capital of the company are as follows:

	At 31st March 2009 Ordinary Shares	At 31st March 2008 Ordinary Shares
G.S. Channon *	90,002	90,002
Sir Peter Thompson	10,000	10,000
Mrs. C. Maby	-	-
S. Tatters	-	-

* 90,001 shares are owed by Channon & Co Limited. G.S. Channon owns 63% of the share capital of Channon & Co. Ltd, and virtually all the remainder is owned by Mrs. Channon, G.S. Channon's wife.

Share options valued at £38,855 have been granted to C. Maby. The number of shares granted were 3,402 and are exercisable one year and one day from the date of grant.

Each of the persons who are directors at the time when this report is approved has confirmed that:

(a) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) each director has taken all the steps that ought to have been taken as a director, including making appropriate enquiries of fellow directors and the company's auditors for that purpose, in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information .

By Order of the Board on

G. CHANNON - Director

22 July 2009

Phoenix Asset Management Partners Limited

Statement of 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 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;
- 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 enable them to ensure that the financial statements 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 Shareholders of Phoenix Asset Management Partners Limited

We have audited the financial statements of Phoenix Asset Management Partners Limited for the year ended 31st March 2009 which are set out on pages 5 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members 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 members those matters we are required to state to them in an auditor's 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 members 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 (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 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 report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

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 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.

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 company's affairs as at 31st March 2009 and of its result for the period then ended;
- The financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the directors' report is consistent with the financial statements.

Moore Stephens LLP

St. Paul's House,
London, EC4M 7BP

MOORE STEPHENS LLP

Registered Auditor
Chartered Accountants

22 July 2009

Phoenix Asset Management Partners Limited

Profit and Loss Account
For the year ended 31st March 2009

	Note	2009	2008
Turnover			
Management fees	2	1,545,871	2,416,386
Administration expenses		(936,022)	(978,500)
Operating Profit	3	609,849	1,437,886
Interest receivable	4	3,340	7,719
Profit on Ordinary Activities before Taxation		613,189	1,445,605
Tax on profit on ordinary activities	7	(180,663)	(439,334)
Profit for the Period	13	£ 432,526	£ 1,006,271

Statement of total recognised gains and losses

There are no recognised gains or losses other than those included in the profit and loss account.

All amounts are derived from continuing operations.

Phoenix Asset Management Partners Limited

Balance Sheet - 31st March 2009

	Note	2009	2008
Fixed Assets			
Tangible assets	9	26,887	32,790
		26,887	32,790
Current Assets			
Debtors	10	408,870	639,371
Cash at bank and in hand		86,240	287,161
		495,110	926,532
Creditors, amounts falling due within one year	11	(153,680)	(394,998)
Net Current Assets		341,430	531,534
Total Assets Less Current Liabilities		368,317	564,324
Capital and Reserves			
Ordinary shares	12	100,002	100,002
Profit and loss account	13	201,242	418,730
Share reserve	13	67,073	45,592
Shareholders' Funds	13	£ 368,317	£ 564,324

The financial statements were approved by the Board on 22 July 2009
and signed on its behalf by

G.S. CHANNON Director

Phoenix Asset Management Partners Limited

Cash Flow Statement
For the year ended 31st March 2009

	Note	2009	2008
Net Cash Inflow from Operating Activities	16a	752,924	1,589,026
Returns on Investment and Servicing of Finance	16b	3,340	7,719
Taxation		(298,898)	(416,406)
Capital Expenditure	16b	(8,273)	(30,059)
Equity Dividends Paid		(650,014)	(1,025,015)
(Decrease)/Increase in Cash	16c	£ (200,921)	£ 125,265

Phoenix Asset Management Partners Limited

Financial Statements for the year ended 31st March 2009

Notes

1. **Principal Accounting Policies**

(a) Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards within the United Kingdom.

(b) Tangible fixed assets and depreciation

Tangible fixed assets are depreciated on the straight line basis over the period of their estimated useful lives at the following annual rates:

Furniture and equipment	- 33% per annum
Computer equipment	- 33% per annum
Leasehold improvements	- 33% per annum

(c) Operating leases

Rental payments made under operating leases are charged to the profit and loss account as incurred.

(d) Deferred tax

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at rates that are expected to crystallise based on current tax rates and law.

Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different to those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that they will be recovered. Deferred tax assets and liabilities are not discounted.

(e) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate prevailing at the balance sheet date.

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. All differences on exchange are dealt with in the profit and loss.

(f) Share based payments

The company has applied the requirements of FRS20 share based payments. The company engages in equity settled share based payment transactions in respect of service received from certain directors and other employees. The fair value of the options granted is determined using the Black-Scholes option pricing model which take into account the exercise price of the option, the current share value, the risk free interest rate, the expected volatility of the company's share value over the life of the option and other relevant factors.

(g) Pensions

Contributions to employees' personal pension plans are expensed as incurred.

Phoenix Asset Management Partners Limited

Financial Statements for the year ended 31st March 2009

Notes (Continued)

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.

Turnover is split between that received from within the UK £1,231,319 (2008: £1,987,057) and that received from outside the UK, being Bahamas based funds £314,552 (2008: £429,329).

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 when they crystallise.

3. Operating Profit

The operating profit is stated after charging:

	2009 £	2008 £
Depreciation of owned fixed assets	14,176	9,372
Auditors' remuneration - audit fee	13,500	13,000
- taxation	2,350	2,350
- other	4,750	1,950
Operating lease rentals – Land & buildings	36,000	30,500

4. Interest Receivable

		2009		2008
Bank interest receivable	£	3,340	£	7,719

5. Staff Costs

		2009 £		2008 £
Wages and salaries		320,439		533,830
Social security costs		37,060		59,952
Pension costs		8,500		13,940
	£	365,999	£	607,722

5. **Staff Costs (Continued)**

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

	2009	2008
Administrative/compliance	1	1
Fund management	4	4
	5	5

6. **Directors' Emoluments**

Emoluments of directors included within wages and salaries were as follows:

	2009	2008
Emoluments	233,892	304,813

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

Emoluments	146,424	154,500

Pension contributions were made on behalf of one director (2008: one) in the period.

7. **Tax on Profit on Ordinary Activities**

	2009	2008
UK corporation tax:		
UK corporation tax on profits for the period	179,894	447,129
Under/(over) provision in prior years	769	(7,795)
	£ 180,663	£ 439,334

Phoenix Asset Management Partners Limited

Financial Statements for the year ended 31st March 2009

Notes (Continued)

7. Tax on Profit on Ordinary Activities (Continued)

Factors affecting the tax charge for the period

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

	2009	2008
Profit on ordinary activities before taxation	613,189	1,445,605
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008: 29%)	171,693	433,682
Effect of:		
Disallowed expenses and non-taxable income	8,912	16,356
Depreciation in excess of capital allowances	(711)	(2,909)
	£ 179,894	£ 447,129

8. Dividends

	2009	2008
Equity dividend on ordinary shares		
1st interim paid	225,006	250,003
2nd interim paid	25,000	100,001
3rd interim paid	60,002	250,003
4th interim paid	60,002	50,002
5th interim paid	180,004	100,001
6th interim paid	100,000	125,002
7th interim paid	-	150,003
	£ 650,014	£ 1,025,015

Phoenix Asset Management Partners Limited

Financial Statements for the year ended 31st March 2009

Notes (Continued)

9. Tangible Fixed Assets

		Leasehold Improvements		Computer Equipment and Software		Furniture and Fixtures		Total
Cost								
At 1st April 2008		9,662		119,116		26,429		155,207
Additions		2,500		4,264		1,509		8,273
At 31st March 2009		12,162		123,380		27,938		163,480
Depreciation								
At 1st April 2008		268		98,169		23,980		122,417
Provided during the period		4,054		8,569		1,553		14,176
At 31st March 2009		4,322		106,738		25,533		136,593
Net book value								
At 31st March 2009	£	7,840	£	16,642	£	2,405	£	26,887
At 31st March 2008	£	9,394	£	20,947	£	2,449	£	32,790

10. Debtors

		2009		2008
Trade debtors		311,201		550,584
Prepayments		37,652		26,589
Other debtors		-		32,907
Amounts owed by parent company		60,017		29,291
	£	408,870	£	639,371

11. Creditors: amounts falling due within one year

		2009		2008
Trade creditors		16,902		2,022
Corporation tax		95,894		214,129
Accruals		15,000		94,858
Other taxes and social security		25,884		83,989
	£	153,680	£	394,998

Phoenix Asset Management Partners Limited

Financial Statements for the year ended 31st March 2009

Notes (Continued)

12. Share Capital

	2009	2008
Authorised		
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000
Authorised, allotted called up and fully paid		
100,002 Ordinary shares of £1 each	100,002	100,002

13. Reconciliation of Movements in Shareholders' Funds

	Option Reserve	Share Capital	Profit and Loss Account	Total Shareholders' Funds
Balance at 1st April 2008	45,592	100,002	418,730	564,324
Accumulated profit for period	-	-	432,526	432,526
Dividends	-	-	(650,014)	(650,014)
Option costs	21,481	-	-	21,481
As at 31st March 2009	£ 67,073	£ 100,002	£ 201,242	£ 368,317

14. Related Party Transactions

90,001 £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 £172,641 (2008 - £110,168). As at 31st March 2009 £60,017 (2008 - £29,291) was owed by Channon & Co Limited and G.S. Channon.

Sir Peter Thompson is the sole owner of Phoenix Asset Management (Bahamas). G.S. Channon and C. Maby are directors of Phoenix Asset Management (Bahamas), which acts as the investment manager of Phoenix UK Fund. During the period management fees of £314,552 (2008 - £429,329) were receivable by the company from Phoenix Asset Management (Bahamas). £24,502 (2008 - £34,065) of fees were outstanding at the year end.

Sir Peter Thompson is also a director of Douglas Stewart Limited for which professional fees were charged in the year of £25,000 (2008 - £nil).

Phoenix Asset Management Partners Limited

Financial Statements for the year ended 31st March 2009

Notes (Continued)

15. Lease Commitments

At the period end the company had annual commitments under non-cancellable operating leases for land and buildings as set out below:

	2009 Land and Buildings	2008 Land and Buildings
Operating leases which expire:		
Over 5 years	36,000	36,000

16. Notes to the Statement of Cash Flows

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

	2009	2008
Operating profit	609,849	1,437,886
Depreciation charges	14,176	9,372
(Increase)/decrease in debtors	230,501	(66,520)
(Decrease)/increase in creditors	(123,083)	162,696
Option cost	21,481	45,592
	£ 752,924	£ 1,589,026

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

	2009	2008
Returns on Investments and Servicing of Finance		
Interest received	£ 3,340	£ 7,719
Capital Expenditure		
Payments to acquire tangible fixed assets	£ (8,273)	£ (30,059)

(c) Analysis of changes in net debt

	31st March 2008	Cash Flows	31st March 2009
Cash at bank	£ 287,161	£ (200,921)	£ 86,240

Phoenix Asset Management Partners Limited

Financial Statements for the year ended 31st March 2009

Notes (Continued)

17. Controlling Party

In the directors' opinion the parent company at the period end is Channon & Co Ltd a company incorporated in the UK. The ultimate holding party of Channon & Co Ltd is Gary Channon.

18. Share Option Scheme

The estimated fair values of options which fall under FRS20 and the inputs used in the Black-Scholes pricing model to calculate those fair values are as follows:

Date of grant	Expiry date	Expected Life (yrs)	Risk-free rate	Share price at grant (£)	Exercise price (£)	Volatility	Dividend yield	Estimated fair value (£)	Number outstanding
30/03/2007	31/03/2010	3.00	5.3715%	80.40	65.72	34.4632%	10.00%	15.4328	3,254
30/03/2008	31/03/2011	3.00	3.8742%	90.56	80.40	30.9474%	10.00%	12.3023	1,370
30/03/2009	31/03/2012	3.00	2.0716%	45.02	90.56	55.5592%	14.40%	3.0158	1,254

The risk-free rate has been represented by the yield to maturity at the date of grant of a UK Gilt strip with term to maturity equal to the expected life of the option. The volatility of the Company's share price at each date of grant has been calculated at the average of the standard deviations of continuously compounded returns on the stock of a group of comparable companies. Options are conditional on the employee remaining employed by the company.

The number and weighted average exercise price of share options is as follows:

	Number	2009 Weighted average exercise price (£)	Number	2008 Weighted average exercise price (£)
Outstanding at the beginning of the year	6,266	70.28	4,318	65.72
Granted during the year	1,784	90.56	1,948	80.40
Forfeited during the year	2,172	75.57	-	-
Outstanding at the end of the year	5,878	74.44	6,266	70.28
Exercisable at the end of the year	3,254	65.72	-	-
The weighted average remaining contractual life of outstanding options	5,878	1.66 yrs	6,266	2.30 yrs

BIPRU 11: Pillar 3 Disclosure

Introduction

Phoenix Asset Management Partners Limited ('PAMP') is authorised to conduct investment business under the Financial Services and Markets Act 2000 through membership of the Financial Services Authority ('FSA'). Chapter 11 of the FSA's Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU') requires BIPRU firms to make certain disclosures to market participants. These are known as Pillar 3 disclosures. PAMP is a BIPRU firm as defined in the FSA's rulebook and this document is designed to meet our Pillar 3 disclosure requirements.

Disclosure Policy

The PAMP directors' policy is to review and approve the issue of the Company's Pillar 3 disclosures on an annual basis, unless circumstances necessitate additional disclosures. Disclosures are prepared by the PAMP Finance Officer in conjunction with the preparation of the annual statutory accounts. The current chosen location for disclosure is the Company's annual accounts.

The BIPRU 11 requirements allow firms to omit one or more of the disclosures listed under BIPRU 11.5 if the information provided by such disclosures is not regarded as material. The requirements similarly allow firms to omit items of information from the BIPRU 11.5 disclosures if the information is regarded as proprietary or confidential. The PAMP members review any such omissions as part of the overall approval process.

Disclosure Basis

PAMP is a stand alone Limited company, consequently this disclosure is made on an individual basis under BIPRU 11.2.1

Disclosure Data

This disclosure is prepared in conjunction with the annual statutory accounts and FSA report covering the financial year ending 31st March 2009. As such it represents the first disclosure required under the BIPRU requirements.

Regulatory & Business Profile

Phoenix Asset Management Partners Ltd (PAMP) is a UK-established BIPRU limited licence firm. PAMP is an FSA authorised and regulated firm providing discretionary investment management services in the UK. As such it is operating in a developed economy with a sophisticated legal, accounting, regulatory and financial services infrastructure.

PAMP provides discretionary investment management and advisory services to five clients. As such, the firm operates in the financial service sector, building concentrated portfolios in developed markets, which are generally deep and liquid.

Identification of PAMP's Key Internal Controls

- PAMP has a single clearly defined product (the Phoenix UK Fund) known to management. Daily fund information concerning the product performance and investment weights by client is produced at the close of business each day and reviewed.

- The Winterbotham Trust Company Limited (a licensed independent Bahamian regulated financial services group) act as the Fund administrators and custodians responsible for accounting and fund valuations for the Phoenix UK Fund. The fund board holds quarterly meetings, which are minuted. PAMP ensures segregation between the manager, administrator, custodians and bankers responsible for trading, pricing, accounting, settlement and reporting of the Phoenix UK Fund and other clients. Monthly third party reconciliation of securities and cash positions of the other clients are carried out with the relevant custodians, Northern Trust and State Street.

- Gary Channon, the investment manager has extensive financial services and investment experience in senior executive positions at leading Banks. He is involved in the day to day management of the business and his personal wealth and reputation is at risk in the PUKF therefore aligning him with the success of PAMP. PAMP uses a number of brokers thereby diversifying exposures

- Monthly management accounts and reporting packs are produced and reviewed at the monthly board meetings, which is chaired by the non-executive Chairman Sir Peter Thompson.

- PAMP has implemented a MiFID compliant conflict policy and has policies in place to identify and assess potential clients in line with FSA regulations.

- PAMP uses Clifford Chance in the UK and local legal counsel to mitigate its legal risks in both the UK and the Bahamas. PAMP also has Directors and Officers Liability insurance in place

- PAMP's IT risks are mitigated by the fact it has two sites, which replicate information.

Identification of PAMPL's Key Business Risks

The firm manages over £150mm in assets and is fundamentally profitable at a management fee level without taking into account performance fees. Whilst a drop in assets of 25% would have a significant impact on revenues, PAMP would remain profitable. Staffing represents the significant majority of costs and, given the fact they include discretionary bonuses, could be reduced significantly if required. PAMP derives a high proportion of its management fees from a relatively small number of large clients. PAMP is open to competitive pressures and poor performance relative to peers may impact AUM directly. Liquidity with the funds managed by PAMP may be impacted by poor performance leading to redemptions.

PAMP faces routine legal risks associated with investment management in the UK and Bahamas, where the firm and PUKF fund are domiciled.

PAMP employs 4 FTEs plus a non-executive compliance director under a contract for services and all 5 perform a number of FSA approved functions. Given the small staging levels the firm is vulnerable to staff loss but, like many similar smaller asset managers, it runs a significant key man risk because is places significant reliance on the fund manager's expertise.

Phoenix increases it regulatory risks if it fails to deal with its regulator in an open and co-operative manner and fails to report relevant information to its regulator (the FSA). Regulatory sanctions can lead to increased compliance costs and reputational damage

PAMP relies on basic software packages such as Sage accounting and Microsoft office. IT servers are shared between the office and the CEO's place of residence. It is managed in-house with supplementary support from an external service provider

PAMP is 90% owned by Gary Channon.

Counterparty Risk.

PAMP's direct credit exposures will be limited to its main suppliers together with the fund's management and performance fee receivables. PAMP is indirectly exposed to PUKF, which is exposed to companies it invests in, its custodians, bankers and brokers.

Market Risk.

PAMP does not take market positions onto its balance sheet, but the PUKF invests in UK liquid stocks and has the ability to invest in a wide range of assets.

PAMP has low direct liquidity risks given its known income and expense base. It faces higher indirect risks through its investment advice and decisions in relation to its clients, the majority of which are currently in liquid stocks. However, as noted above, the wide scope of the PUKF's investment objectives potentially could increase a liquidity mismatch between Fund assets and liabilities.

Capital Resources

PAMP's capital resources comprise core Tier 1 capital only and therefore there are no other items or deductions. The Tier 1 Capital resources as at 31 March 2009 is £368,317

In accordance with GENPRU 2.1.45R (calculation of variable capital requirement for a BIPRU firm), our capital requirement has been determined as being our fixed overhead requirement and not the sum of our credit risk capital requirement and our market risk capital requirement.

Compliance with the rules in BIPRU and Pillar 2 rule requirements.

Our overall approach to assessing the adequacy of our internal capital is set out in our Internal Capital Adequacy Assessment Process (ICAAP).

The ICAAP involves separate consideration of risks to our capital combined with stress testing using scenario analysis. The level of capital required to cover risks is a function of impact and probability. We assess impact by modelling the changes in our income and expenses caused by various potential risks over a 1-year time horizon. Probability is assessed subjectively.

Our Pillar 2 requirement, which is our own assessment of the minimum amount of capital that we believe is adequate against the risks identified, has been assessed as being less than our Pillar 1 capital requirement. Therefore, our Pillar 1 requirement is the minimum regulatory capital requirement that we will hold.

Credit and Market Risks

Disclosure in relation to these have been considered immaterial under BIPRU 11.35R (Exemption from disclosure: Materiality), as our capital requirement under GENPRU 2.1.45R (calculation of the variable capital requirement for a BIPRU firm), is our Fixed Overhead requirement rather than the sum of our credit risk capital and our market risk capital requirement. At 31 March 2009, our Fixed Overhead requirement is deemed to be £244,625.