Crosby Asset Management (UK) Limited

Financial statements

For the year ended 31 December 2009

Company No. 06294906

Company information

Company registration number	06294906
Registered office	4 Old Park Lane London W1K 1QW
Directors	Johnny Kok Chung Chan Trevor John Wells
Secretary	Trevor John Wells
Bankers	HSBC Bank plc 60 Queen Victoria Street London EC4N 4TR
Solicitors	Nabarro LLP Lacon House 84 Theobald's Road London WC1X 8RW
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditor Enterprise House 115 Edmund Street Birmingham B3 2HJ

Index

Report of the directors

The directors present their report and the financial statements of the Company for the year ended 31 December 2009

Principal activities and business review

The Company is principally engaged in the provision of corporate services There was a loss for the year after taxation amounting to $64,565 (2008, $720,933)

Results and dividends

The trading results for the year, and the Company's financial position at the end of the year are shown in the attached financial statements The directors have not recommended a dividend

The Company provided corporate services to other group companies

The Company's key performance indicator is to provide sufficient support to other companies in the group which generate profit and value for the group

The directors of the Company

The directors who served the Company during the year are detailed below

Johnny Kok Chung Chan
Stephen Joseph Fletcher (resigned 9 January 2009)
Martin Graeme Angus (resigned 30 September 2009)
Trevor John Wells (appointed 30 September 2009)

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 that 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 2006 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

Report of the directors (continued)

Directors' responsibilities (continued)

In so far as the directors are aware

- there is no relevant audit information of which the Company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Financial risk management objectives and policies

The Company's principal financial instruments are cash and short term deposits The main purpose of these financial instruments is to raise finance for the Company's operations The Company has various other financial instruments such as inter-company debtors, prepayments and accruals, intercompany creditors and other creditors, which arise directly from its operations The Company does not enter into derivative accruals and transactions

It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk and foreign currency risk The board reviews and agrees policies for managing each of these risks and they are summarised below

Interest rate risk

The Company seeks to obtain the best interest available on a risk free basis for its cash and short term deposits

Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of amounts advanced from a group undertaking and its cash and short term deposits

Foreign currency risk

The financial statements are prepared in United States Dollars as this is the currency in which the financial statements of the group to which the Company belongs are reported in The Company does not seek to hedge exposure to the United States Dollar

Report of the directors (continued)

Auditors

Grant Thornton UK LLP are willing to continue in office and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting

BY ORDER OF THE BOARD

Trevor John Wells
Director
25 March 2010

Report of the independent auditors to the members of Crosby Asset Management (UK) Limited

We have audited the financial statements of Crosby Asset Management (UK) Limited for the year ended 31 December 2009 which comprise the principal accounting policies, the profit and loss account, the balance sheet, and the notes 1 to 15 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006 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 explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Report of the independent auditors to the members of Crosby Asset Management (UK) Limited

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in the principal accounting policies concerning the Company's ability to continue as a going concern

As explained in the principal accounting policies, the Crosby Asset Management Inc ("CAM") group's ("the Group"), of which the Company is a subsidiary, current liabilities exceeded its current assets by US$973,000 as at 31 December 2009 and the Group incurred a loss attributable to owners of CAM of US$10,941,000 CAM is dependent on its parent, Crosby Capital Limited ("Crosby") for financial support The ability of Crosby to provide funding to the Group is dependent on Crosby deferring the payment of a US$20 million convertible bond, due for repayment in March 2011 Crosby has been approached by certain convertible bond holders

These matters, explained in the principal accounting policies, indicated the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern Crosby Asset Management (UK) Limited is dependent on its intermediate parent undertaking, CAM for financial support The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches visited by us or
- the financial statements are not in agreement with the accounting records or returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Grant Thornton UK LLP

Mark Taylor
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

25 March 2010

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards The principal accounting policies remain unchanged from the previous year and are set out below

Going concern

The ability of the Company to continue as a going concern is dependent upon the continued financial support of the Crosby Asset Management Inc ("CAM") group ("the Group"), its immediate parent undertaking

In preparing the financial statements, the Directors have considered the operations of the Company and the Group as a going concern notwithstanding that the Group's current liabilities exceed its current assets by approximately US$973,000 as at 31 December 2009, and the Group incurred a loss attributable to owners of CAM of approximately US$10,941,000 CAM is dependent on its parent, Crosby Capital Limited ("Crosby") for financial support The ability of Crosby to provide funding to the Group is dependent on Crosby deferring the payment of a US$20 million convertible bond, which is due for repayment in March 2011 The Directors have prepared the Group financial statements based on the assumption that the Group can continue as a going concern and are of the view that the Group will have sufficient working capital to finance its operations for twelve months from the date of signing these financial statements, after taking into consideration the following

i Crosby has been approached by certain convertible bond holders on a possible restructuring of the convertible bond, which may include a change in the terms of the convertible bond and an extension of the maturity date, and

ii the Group continues to implement measures to tighten cost controls over various administrative expenses and to attain positive cash flow operations with the funding from Crosby

The Directors of the Group believe that the aforementioned restructuring of Crosby's convertible bond and cost control measures will be successful Having regard to the cash flow projection of the Group, which has been prepared assuming that these measures are successful, the Directors of the Group are of the opinion that, in the light of the measures taken to date, together with the expected results of other measures in progress, the Group will have sufficient cash resources to satisfy its future working capital requirement

Should the Group be unable to generate sufficient cash flows and/or Crosby be unable to secure the support of convertible bond holders, the Group might not be able to continue in business as a going concern and provide financial support to the Company Accordingly, adjustments would have to be made in the financial statements of the Company to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively The effect of these adjustments has not been reflected in the financial statements

Principal accounting policies (continued)

Cash flow statement

The Directors have taken advantage of the exemption in Financial Reporting Standard 1 (Revised 1996) from including a cash flow statement on the grounds that the Company's cash flows are included within the consolidated cash flow statement of its parent undertaking

Turnover

Management services fee income is recognised in accordance with the substance of the relevant agreements

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Office and computer equipment	-	3 years
Fixtures and fittings	-	5 years
Leasehold improvements	-	5 years or over the terms of the lease, whichever is shorter

Operating lease agreements

Rental applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

Deferred taxation

Deferred taxation is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date Deferred tax assets are recognised when it is more likely than not that they will be recovered Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date

Investments

Investments are stated at cost less any provision for impairment in value

Consolidation

In the opinion of the directors, the Company and its jointly controlled entity comprise a small sized group The Company has, therefore, taken advantage of the exception provided by section 398 of the Companies Act 2006 not to prepare group accounts

Principal accounting policies (continued)

Share based employee remuneration

In accordance with FRS 20 'Share Based Payment', all share-based payments are recognised in the Company's financial statements The group to which the Company belongs operates equity-settled share-based remuneration plans for remuneration of its employees

The Company bears the cost of the share-based payments that relates to its employees The employee services received in exchange for the share-based remuneration are measured at fair value These are indirectly determined by reference to the fair value of the options awarded Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets)

All share-based remuneration is recognised as an expense in the profit or loss account with a corresponding credit to the capital contribution reserve in equity, as the actual issue of the shares will be by Crosby Asset Management Inc, the intermediate parent undertaking If vesting or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates No adjustment is made to the expense recognised in prior periods if fewer share options ultimately are exercised than originally estimated

When the share options have vested and then lapsed, the amount previously recognised in the capital contribution reserve is transferred to the retained profits or accumulated losses

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

Foreign currency

The financial statements are prepared in United States Dollars as this is the currency in which the financial statements of the group to which the Company belongs are reported in

Transactions in foreign currencies are translated at the exchange rate applying on the date of the transaction Foreign currency assets and liabilities are retranslated at the year end rate All exchange differences are recognised in the profit and loss account

Profit and loss account

	Notes	2009 $	2008 $
Turnover		**892,324**	852,072
Administrative expenses		**(958,446)**	(1,573,728)
Operating loss	1	**(66,122)**	(721,656)
Interest receivable		**1,434**	723
Sundry Income		**123**	-
Loss before and after taxation and retained loss for the financial year	12	**(64,565)**	(720,933)

All of the activities are classed as continuing

The Company has no recognised gains or losses other than the loss for the year as set out above

The accompanying principal accounting policies and notes form part of these financial statements.

Balance sheet

	Notes	2009 $	2008 $
Fixed assets			
Tangible assets	5	**111,462**	178,101
Investments	6	**-**	161,651
		111,462	339,752
Current assets			
Debtors	7	**859,458**	935,914
Cash at bank and in hand		**8,309**	1,303
		867,767	937,217
Current liabilities			
Creditors amounts falling due within one year	8	**(30,320)**	(136,206)
Net current assets		**837,447**	801,011
Total assets less current liabilities		**948,909**	1,140,763
Creditors: amounts falling due after more than one year	9	**(214,325)**	(1,849,370)
Net assets/(liabilities)		**734,584**	(708,607)
Capital and reserves			
Called-up equity share capital	10	**1,500,002**	2
Capital contribution reserve	11	**12,686**	12,324
Profit and loss account	12	**(778,104)**	(720,933)
Shareholders' funds/(deficit)	13	**734,584**	(708,607)

These financial statements were approved by the directors on 25 March 2010 and are signed on their behalf by

Trevor John Wells
Director
Company number 06294906

The accompanying principal accounting policies and notes form part of these financial statements.

Notes to the financial statements

1 Operating loss

Operating loss is stated after charging/(crediting)

	2009 $	2008 $
Auditors' remuneration		
Audit fees	**7,706**	-
Taxation fees	**3,896**	-
Depreciation of owned fixed assets	**80,171**	2,935
Foreign currency gains	**(6,260)**	(25,613)
Operating lease charges		
Buildings	**55,872**	40,069
Other	**16,744**	20,510

The auditors' remuneration for the year ended 31 December 2008 is included in the profit and loss account for the year ended 31 December 2009 as underaccrual

2 Directors and employees

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

	2009 No	2008 No
Staff	**3**	5

The aggregate payroll costs of the above were

	2009 $	2008 $
Social security costs	**62,885**	154,599
Wages and salaries	**521,075**	1,213,784
Share based payment	**7,756**	12,324
Other benefits	**44,140**	42,579
	635,856	1,423,286

The following share options detailed below have been granted over shares in Crosby Asset Management Inc to employees, all of which are exercisable as follows

(i) the first 30% of the options between the first and tenth anniversary of grant,
(ii) the next 30% of the options between the second and tenth anniversary of grant, and
(iii) the remaining options between the third and tenth anniversary of the date of grant

Date of Grant	Number	Exercise Price (pence)
11 January 2005	400,000	21 15
11 January 2008	250,000	22 25

The total fair value of the options granted, measured at the relevant dates of grant were US$93,414

Notes to the financial statements (continued)

2 Directors and employees (continued)

The following significant assumptions were used to derive the fair value, using the Binomial option pricing model

(i) an expected volatility between 60% and 65% throughout the option life,
(ii) 5% dividend yield,
(iii) the estimated expected life of the options granted is 10 years,
(iv) the risk free rates are based on the yields on UK Government Bonds,
(v) 20% of option holders will early exercise when the share price underlying a vested option reaches 110% of the exercise price and the remaining 80% exercise when the share price underlying a vested option reaches 150% of the exercise price The option will be exercised at the end of the contractual term if these prices are not achieved

The Binomial option pricing model requires the input of highly subjective assumptions, including the volatility of share price Because changes in subjective input assumptions can materially affect the fair value estimate in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options

Employee share-based expense of US$7,756 has been included in the profit and loss account for 2009 (2008 US$12,324)

Information in respect to the number of options granted is as follows

	Options 2009	**Weighted average exercise price 2009 Pence**	Options 2008	Weighted average exercise price 2008 Pence
At 1 January and 31 December	**550,000**	**21.65**	550,000	21 65

3 Directors

Remuneration in respect of directors was as follows

	2009 $	2008 $
Emoluments receivable	**29,528**	252,236

The emoluments of the highest paid director were $29,528 (2008 $152,237)

4 Taxation

The Company has no tax credit for the period on the losses of $64,565 The potential deferred tax asset on the losses is $18,078, which has not been provided due to the uncertainty of when these losses will be utilised The total potential deferral tax asset on losses is $219,939

Notes to the financial statements (continued)

5 Tangible assets

	Leasehold improvements $	Fixture and fittings $	Office equipment $	Computer equipment $	Total $
Cost					
At 1 January 2009	-	25,819	2,923	152,294	181,036
Addition	1,630	-	-	5,964	7,594
Transfer from fellow subsidiaries	-	-	-	5,938	5,938
At 31 December 2009	1,630	25,819	2,923	164,196	194,568
Depreciation					
At 1 January 2009	-	-	-	2,935	2,935
Charge for the year	536	8,262	1,910	69,463	80,171
At 31 December 2009	536	8,262	1,910	72,398	83,106
Net book value					
At 31 December 2009	**1,094**	**17,557**	**1,013**	**91,798**	**111,462**
At 31 December 2008	-	25,819	2,923	149,359	178,101

6 Investments

	2009 $	2008 $
The investments relate to a capital contribution and a loan to Apollo Multi Asset Management LLP ("Apollo") as follows		
Capital contribution in Apollo	-	4,023
Loan to Apollo	-	157,628
	-	161,651

The economic interest the Company had in Apollo as at 31 December 2008 was 51% but it did not have management control and so the investment was considered to be one in a jointly controlled entity Apollo is a limited liability partners incorporated in English and Wales It is an investment management business

The loan to Apollo as at 31 December 2008 was interest-free, unsecured and had no fixed repayment terms

During the year the Company disposed of its investment in Apollo and the capital contribution was written off, and the loan of $171,551 was reclassified as other debtors upon disposal

Notes to the financial statements (continued)

7 Debtors

	2009 $	2008 $
Amounts owed by group undertakings	**687,640**	853,575
Prepayments and other debtors	**171,818**	82,339
	859,458	935,914

8 Creditors: amounts falling due within one year

	2009 $	2008 $
Accruals and other creditors	**30,320**	136,206

9 Creditors: amounts falling due after more than one year

	2009 $	2008 $
Amounts owed to group undertakings	**214,325**	1,849,370

10 Share capital

Authorised and issued and fully paid share capital

	2009 £	2008 £
Authorised share capital 5,000,000 (2008 1) ordinary shares of £1 each	**5,000,000**	1

	2009		2008	
Allotted called up and fully paid	No.	$	No.	$
914,970 (2008,1) ordinary shares of £1 each	914,970	1,500,002	1	2

On 30 September 2009 the company increased its authorised share capital to 5,000,000 ordinary shares of £1 each, and allotted 914,969 ordinary shares of £1 each at par

11 Capital contribution reserve

	$
At 1 January 2009	12,324
Share-based payment charge for the year	7,756
Share options lapsed for the year	(7,394)
At 31 December 2009	**12,686**

Notes to the financial statements (continued)

12 Profit and loss reserve

	2009	2008
	$	$
Loss for the year	**(64,565)**	(720,933)
Share options lapsed for the year	**7,394**	-
	(57,171)	(720,933)
Opening reserve	**(720,933)**	-
Closing reserve	**(778,104)**	(720,933)

13 Reconciliation of movement in shareholders' equity funds / (deficit)

	$
Loss for the year	(64,565)
Increase in called-up equity share capital	1,500,000
Share-based payment charge for the year	7,756
Net increase in shareholders' equity funds	1,443,191
Opening shareholders' equity deficit	(708,607)
Closing shareholders equity funds	**734,584**

14 Controlling related parties

The immediate parent undertaking and controlling related party of this Company is Crosby Asset Management International Limited The ultimate controlling related party is Crosby Capital Limited

15 Operating Lease Commitment

Operating lease payments due under a non-cancellable operating lease in respect of buildings amounting to $43,202 (2008 Nil) which are repayable as follows -

	2009	2008
	$	$
Less than one year	**36,278**	-
Between one and five years	**6,924**	-
	43,202	-