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Rexiter Capital Management Limited

Report and Accounts

31 December 2004

 ERNST & YOUNG



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# Rexiter Capital Management Limited

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Registered No. 3302709

## **DIRECTORS**

K King (*Chairman and Managing Director*)

H Coles

A Cowell

M Davey

C James

J Lyons

G MacLachlan

N Payne

C Vale

## **SECRETARY**

G MacLachlan

## **AUDITORS**

Ernst & Young LLP

1 More London Place

London SE1 2AF

## **SOLICITORS**

Clifford Chance

200 Aldersgate Street

London EC1A 4JJ

## **REGISTERED OFFICE**

21 St James's Square

London SW1Y 4SS

# Rexiter Capital Management Limited

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## DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2004.

### RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £345,181 (2003: Loss £364,035). The directors do not recommend the payment of a dividend.

### PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

The company's principal activities during the year were the provision of financial and investment advice and fund management. The company continues to seek new fund management business, through both its London office and its office in Korea. During the last quarter of the year the company completed the establishment of a subsidiary in Singapore to exploit opportunities for the provision of fund management services in Asia. The directors feel that the addition of this subsidiary will further enhance its Asian fund management operation.

The company saw significant new business in 2004 and funds under management grew from USD 0.9bn at the end of 2003 to USD 1.9bn at the end of 2004. There is renewed appetite from global institutional investors for emerging market equities and this has continued into 2005. This is the most interest the company has seen in its asset class since it was founded in 1997. The company's investment performance remained strong; it outperformed benchmark indices in both the Global Emerging Market product and the Asia ex-Japan product for each of the last five years. This has translated into an increasing number of consultant recommendations which has had a positive effect on fundflows and potential pipeline for new business.

Overall, the major improvement in the business climate has resulted in an upward swing in current profitability. The usual risks remain; the global economic climate and the company's relative performance versus its competitors within the asset class.

### DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

K King (Chairman and Managing Director)  
A Brown  
H Coles  
A Cowell  
J Cromarty (resigned 31 July 2004)  
M Davey  
C James  
J Lyons  
G MacLachlan  
N Payne  
C Vale  
N Wightman

Indemnity insurance for the directors was maintained during year.

# Rexiter Capital Management Limited

## DIRECTORS' REPORT

### DIRECTORS AND THEIR INTERESTS (continued)

The directors of the company who held office at 31 December 2004 had the following disclosable interests in the "B" ordinary shares of the company:

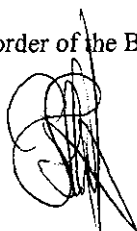
<i>Beneficial interests</i>	<i>Number of shares held at 31 December 2004</i>	<i>Number of shares held at 1 January 2004, or at date of appointment if later</i>
K King	70	70
A Brown	—	—
H Coles	24	24
A Cowell	19	19
M Davey	33	33
C James	33	33
J Lyons	—	—
G MacLachlan	14	14
C Vale	33	33
N Wightman	—	—
N Payne	14	14

None of the directors had a disclosable interest in the "A" ordinary shares of the company during the year.

### AUDITORS

A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the members at the Annual General Meeting.

By order of the Board,



G MacLachlan  
Secretary

25 April 2005

## Rexiter Capital Management Limited

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### 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that the accounts comply with the above requirements.

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 the 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.

**REPORT OF THE AUDITORS****to the shareholders of Rexiter Capital Management Limited**

We have audited the company's financial statements for the year ended 31 December 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Statement of Cash Flows, Reconciliation of Shareholders' Funds and the related notes 1 to 14. These financial statements have been prepared on the basis of 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 auditors' 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 United Kingdom law and accounting standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and 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.

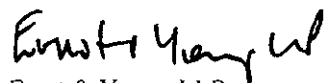
**Basis of audit opinion**

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 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 of the state of affairs of the company as at 31 December 2004 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  
25 April 2005

# Rexiter Capital Management Limited

## PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2004

	Notes	2004 £	2003 £
<b>TURNOVER</b>	2	3,828,119	2,945,793
Staff costs	3	(2,288,986)	(1,710,590)
Other operating charges		(1,247,086)	(1,592,924)
<b>OPERATING PROFIT/(LOSS)</b>	4	292,047	(357,721)
Interest receivable		53,134	85,529
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX</b>		345,181	(272,192)
Tax on profit/(loss) on ordinary activities	6	-	(91,843)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAX</b>		345,181	(364,035)

### Statement of Total Recognised Gains and Losses

There are no recognised gains or losses other than the profit for the year.

A reconciliation of movements in shareholders' funds is given in note 12.

All amounts are in respect of continuing activities.

# Rexiter Capital Management Limited

## BALANCE SHEET

at 31 December 2004

	Notes	2004 £	2003 £
<b>FIXED ASSETS</b>			
Tangible fixed assets	7	20,610	—
Investment in subsidiary	8	324	—
		<u>20,934</u>	<u>—</u>
<b>CURRENT ASSETS</b>			
Debtors	9	1,551,969	744,438
Cash at bank		1,601,496	1,362,767
		<u>3,153,465</u>	<u>2,107,205</u>
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(921,845)</u>	<u>(859,832)</u>
<b>NET CURRENT ASSETS</b>		<u>2,231,620</u>	<u>1,247,373</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,252,554</u>	<u>1,247,373</u>
<b>CAPITAL AND RESERVES</b>			
Equity shareholders' funds - ordinary shares:			
Called up share capital	11	2,000	2,000
Share premium account	12	598,000	598,000
Profit and loss account	12	(3,747,446)	(4,092,627)
Non equity shareholders' funds - non-cumulative redeemable preference shares:			
Called up share capital	11	5,400,000	4,740,000
		<u>2,252,554</u>	<u>1,247,373</u>

K King

Director

*Kenneth King*

25 April 2005

G MacLachlan

Director

*G MacLachlan*

25 April 2005



# Rexiter Capital Management Limited

## STATEMENT OF CASH FLOWS for the year ended 31 December 2004

	2004 £	2003 £
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		
Operating profit/(Loss)	345,181	(357,721)
Depreciation	2,958	—
(Increase) in debtors	(807,531)	(404,800)
(Decrease)/increase in creditors	62,014	(456,828)
	<u>(397,378)</u>	<u>(1,219,349)</u>
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>		
Interest received	53,134	85,529
	<u>53,134</u>	<u>85,529</u>
<b>CAPITAL EXPENDITURE</b>		
Payment to acquire tangible fixed assets	(23,568)	—
	<u>(23,568)</u>	<u>—</u>
<b>TAXATION</b>		
Overseas tax paid	(53,459)	(249,680)
	<u>(53,459)</u>	<u>(249,680)</u>
<b>FINANCING</b>		
Amounts paid up in respect of preference shares	660,000	—
	<u>660,000</u>	<u>—</u>
<b>INCREASE/(DECREASE) IN CASH</b>	<u>238,729</u>	<u>(1,383,500)</u>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>		
	2004 £	2003 £
(Decrease)/increase in cash	238,729	(1,383,500)
Net funds at 1 January	1,362,767	2,746,267
Net funds at 31 December	<u>1,601,496</u>	<u>1,362,767</u>

# Rexiter Capital Management Limited

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## NOTES TO THE ACCOUNTS

at 31 December 2004

### 1. ACCOUNTING POLICIES

#### ***Basis of preparation***

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

#### ***Depreciation***

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset evenly over its useful life, as follows:

Furniture & Fixtures:	over 3-6 years
Leasehold Improvements:	over 17 months (remaining period of lease)
Office Equipment:	over 5 months

#### ***Deferred taxation***

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less, tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### ***Foreign currencies***

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rate of exchange ruling at the date of transaction. Monetary assets and liabilities at the balance sheet date are translated at year end rates of exchange. Exchange differences arising are reported as part of the result for the year.

#### ***Pensions***

The company participates in a defined benefit pension scheme and a defined contribution scheme. The pension cost is assessed in accordance with the advice of qualified actuaries so as to recognise the cost of pensions on a systematic basis over employees' service lives. The cost associated with the defined contribution scheme represents contribution payable.

# Rexiter Capital Management Limited

## NOTES TO THE ACCOUNTS

at 31 December 2004

### 2. TURNOVER

Turnover, which is stated net of value added tax, represents the company's fees for the provision of fund management and investment advisory services.

An analysis of turnover by geographical market is given below:

	2004 £	2003 £
United States of America	1,712,104	822,942
Korea	822,737	1,371,476
Rest of the World	1,293,278	751,375
	<u>3,828,119</u>	<u>2,945,793</u>

### 3. STAFF COSTS

Staff costs including directors' emoluments were:

	2004 £	2003 £
Wages and salaries	1,847,282	1,361,626
Social security costs	227,120	164,646
Other pension costs	214,584	184,318
	<u>2,288,986</u>	<u>1,710,590</u>

The average weekly number of employees during the period was 13 (2003 - 13).

Directors' emoluments were:

	2004 £	2003 £
Emoluments	1,637,551	1,182,422
Company contribution to money purchase pension schemes	7,935	6,863
	<u>1,645,486</u>	<u>1,189,285</u>

	2004 No.	2003 No.
Members of defined benefit pension schemes	6	6

The amounts in respect of the highest paid director were as follows:

	2004 £	2003 £
Emoluments	309,570	231,302

# Rexiter Capital Management Limited

## NOTES TO THE ACCOUNTS

at 31 December 2004

### 4. OPERATING PROFIT

This is stated after charging:

	2004	2003
	£	£
Auditors' remuneration - audit	12,750	9,950
- non audit services	54,053	59,901

### 5. RELATED PARTY TRANSACTIONS

During the year, the company reimbursed two fellow group companies for various expenses paid by them on behalf of the company. The total amount of reimbursements made to State Street Global Advisors Limited during the year was £678,854 (2003 - £860,913) and as at 31 December 2004 £29,928 (2003 - £54,656) was also owed to State Street Global Advisors Limited in respect of these transactions. The total amount of reimbursements made to State Street Bank and Trust Company was £1,625,762 (2003 - £1,490,516) and as at 31 December 2004 £nil (2003 - £43,743) was owed to State Street Bank and Trust Company in respect of these transactions.

During the year, the company also received payments from fellow group company for the provision of investment management services. The total amount of payments received from State Street Bank and Trust Company during the year was £1,856,835 (2003 - £1,800,256) and as at 31 December 2004 £nil (2003 - £59,877) was owed by the company to State Street Bank and Trust Company in respect of these transactions.

### 6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2004	2003
	£	£
UK Corporation Tax		
UK Corporation tax on profits for the period	-	-
Adjustments in respect of previous periods	-	-
Overseas taxation	-	91,843
Total corporation tax	-	91,843

# Rexiter Capital Management Limited

## NOTES TO THE ACCOUNTS

at 31 December 2004

### 6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES (continued)

The tax assessed on the profit/ (loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the United Kingdom. The differences are explained below:

	2004 £	2003 £
Profit on ordinary activities before tax	345,181	(272,192)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 30% (2003: 30%)	103,554	(95,821)
<i>Effect of:</i>		
Disallowed expenses and non-taxable income	2,269	—
Depreciation in excess of capital allowances	—	5,234
Other timing differences	26,700	—
Higher rates on overseas earnings	—	135,873
(Brought forward losses used)/losses available to carry forward	(132,523)	105,669
Current tax charge for the period	—	150,955

There is a deferred tax asset of approximately £1,050,000 which has not been recognised due to uncertainty as to when it will reverse.

### 7. TANGIBLE FIXED ASSETS

	Leasehold Improvements £	Office Equipment £	Furniture Fixtures £	Total £
Cost:				
At 1 January 2004	—	—	—	—
Additions:	11,413	509	11,646	23,568
At 31 December 2004	11,413	509	11,646	23,568
Depreciation:				
At 1 January 2004	—	—	—	—
Charge for the year	(2,014)	(306)	(638)	(2,958)
At 31 December 2004	(2,014)	(306)	(638)	(2,958)
Net book value:				
At 31 December 2004	9,399	203	11,008	20,610
At 1 January 2004	—	—	—	—

# Rexiter Capital Management Limited

## NOTES TO THE ACCOUNTS

at 31 December 2004

### 8. INVESTMENT IN SUBSIDIARY

On 27 October 2004, the company purchased 100% of the 1,000 ordinary shares issued at a nominal value of S\$1 each, in Rexiter Capital Management Singapore Pte. Limited ("the subsidiary").

The value of transactions in the subsidiary in the period to 31 December 2004 was not material. Consolidated accounts have therefore not been prepared.

### 9. DEBTORS

	2004	2003
	£	£
Trade debtors	441,532	176,723
Amounts due from other group undertakings	46,782	265,563
Other debtors	108,658	12,155
Prepayments and accrued income	954,997	289,997
	<u>1,551,969</u>	<u>744,438</u>

### 10. CREDITORS: amounts falling due within one year

	2004	2003
	£	£
Trade creditors	24,947	126,692
Amounts owed to other group undertakings	5,833	719,549
Social security and PAYE	39,203	332,356
Corporation tax payable	—	150,955
Accruals and deferred income	851,862	144,945
	<u>921,845</u>	<u>1,474,497</u>

### 11. CALLED UP SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	2004	2003	2004	2003
	No.	No.	No.	No.
"A" ordinary shares of £1 each	750	750	750	750
"B" ordinary shares of £5 each	250	250	250	250
	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>

The rights and restrictions attaching to the ordinary shares are as follows:

#### Income

To the extent that there are distributable profits (after payment of the preferential dividend) the directors may pay and declare dividends to the holders of the "A" and "B" ordinary shares as if they constituted one class of share.

#### Capital

On a return of capital on winding up, the company's remaining assets available for distribution (after payments due to the holders of preference shares) will be applied to "A" and "B" ordinary shareholders as if they constituted one class of share, in accordance with the amount paid up, including any share premium.

# Rexiter Capital Management Limited

## NOTES TO THE ACCOUNTS

at 31 December 2004

### 11. CALLED UP SHARE CAPITAL (continued)

#### *Voting*

Each holder of the "A" and "B" ordinary shares is entitled to receive notice of and attend any general meeting of the company and shall have one vote in respect of each share.

	2004	Authorised 2003	2004	Allotted and called up 2003
	No.	No.	No.	No.
"A" non-cumulative preference shares of £1 each	5,400,000	5,400,000	3,200,000	3,200,000
"B" non-cumulative preference shares of £1 each	2,200,000	2,200,000	2,200,000	2,200,000

During the year, the unpaid portion of the "B" non-cumulative preference shares was paid. Therefore, at 31 December 2004 the allotted and called up "A" and "B" non-cumulative preference shares were fully paid.

The rights and restrictions attaching to the preference shares are as follows:

#### *Income*

Holders of "A" non-cumulative preference shares are entitled to be paid in respect of each financial year 15% on the paid up amount of each share and holders of "B" non-cumulative preference shares are entitled to be paid in respect of each financial year 10% on the paid up amount of each share, to the extent that there are profits available to meet these dividends. The directors are not bound to recommend the payment of the dividends even if the company has profits available for distribution. Preference dividends are payable half yearly in arrears on 1 April and 1 October.

#### *Capital*

On a return of capital on winding up, the available assets of the company will be applied in repaying the holder of each preference share in priority to any other class of share. The amount payable will be the paid up value of the share plus any dividends accrued since the day after the previous payment date.

#### *Purchase and redemption*

At any point in time the company may purchase preference shares through the market or by private treaty, in each case at a price which does not exceed 110% of the nominal value. The company has the right to redeem all or some of the preference shares outstanding. On 31 December 2018 the company will redeem any preference shares remaining in issue at par.

#### *Voting*

Preference shares confer the right to receive notice of and attend general meetings but carry no right to vote.

# Rexiter Capital Management Limited

## NOTES TO THE ACCOUNTS at 31 December 2004

### 12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital £</i>	<i>Share premium account £</i>	<i>Profit and loss account £</i>	<i>Total share- holders' funds £</i>
Balance at 1 January 2003	4,742,000	598,000	(3,728,592)	1,611,408
Retained loss for the year	—	—	(364,035)	(364,035)
Balance at 31 December 2003	4,742,000	598,000	(4,092,627)	1,247,373
Proceeds from paid up capital	660,000	—	—	660,000
Retained profit for the year	—	—	345,181	345,181
Balance at 31 December 2004	5,402,000	598,000	(3,747,446)	2,252,554

### 13. ULTIMATE PARENT COMPANY

The ultimate parent company is State Street Corporation, incorporated in the Commonwealth of Massachusetts, in the United States of America. Copies of State Street Corporation's consolidated accounts can be obtained from 225 Franklin Street, Boston, Commonwealth of Massachusetts, United States of America.

### 14. STAFF PENSION SCHEME

Some of the company's employees participate in a defined contribution non-contributory pension scheme operated by State Street Bank and Trust Company ('SSB&T') for United Kingdom employees. The cost to the company of the scheme for the year and the amount of outstanding contributions owed by the company in respect of the scheme at the year end are set out below:

Defined contribution scheme costs for the year £47,552

Outstanding contributions in respect of the defined contribution scheme nil

Others of the company's employees participate in a defined benefit non-contributory pension scheme operated by State Street Bank and Trust Company ('SSB&T') for United Kingdom employees; the scheme provides benefits based on the final pensionable salary ('the Group scheme'). The assets of the Group scheme are held separately from those of SSB&T and are administered by Mercer Human Resource Consulting (pension consultants).

The company has been advised by the independent qualified actuaries of the Group scheme that the underlying assets and liabilities of the scheme cannot be separated by legal entity on a consistent and reasonable basis. Accordingly, the effect of the Group scheme deficit on the company cannot be determined. Therefore the company has taken advantage of the multi-employer scheme provisions within FRS 17 and on this basis certain disclosures otherwise required by FRS 17 are not given.

The contributions to the Group scheme are determined with the advice of independent qualified actuaries on the basis of triennial valuations. Group scheme contributions, based on the most recent formal actuarial valuation as at 31 August 2002, were 23% of pensionable earnings to 31 August 2004 and 23% of pensionable earnings plus £76,750 per month thereafter. The cost to the company of the scheme for the year was £144,432 and there were no outstanding contributions owed by the company in respect of the scheme at the year end.



# Rexiter Capital Management Limited

## NOTES TO THE ACCOUNTS

at 31 December 2004

### 14. STAFF PENSION SCHEME (continued)

The overall details of the Group scheme are outlined below.

The preliminary results of the most recent actuarial valuation, which was conducted as at 31 August 2002, have been updated as at 31 December 2004 as follows:

		2004		2003
<i>Main assumptions:</i>				
Discount rate applied to Group scheme liabilities (% per annum)		5.25		5.25
Rate of pensionable salary increases (% per annum)		4.25		4.25
Rate of pension increases (% per annum)		2.75		2.75
Price inflation (% per annum)		2.75		2.75
<i>Fair value of Group scheme's assets:</i>				
		2004		2003
	<i>expected</i>		<i>expected</i>	
	<i>rate</i>		<i>rate</i>	
	<i>of return</i>	<i>value</i>	<i>of return</i>	<i>value</i>
	%	£000	%	£000
Equities	5.75	46,563	5.75	39,659
Other	3.75	510	2.75	71
Total fair value of Group scheme's assets		47,073		39,730
Present value of scheme liabilities		(72,656)		(64,353)
Deficit in the scheme		(25,583)		(24,623)
		2004		2003
<i>Level of funding</i>				
the market value of assets expressed as a percentage of the benefits accrued to members, after allowing for future salary increases		65%		62%