

Insinger de Beaufort
Asset Management N.V.
Annual Report for the period
ended 31 December 2006

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General information

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Directors' report

Annual Review

The investment environment

2006 was a gripping year for the global economy, with widely diverging opinions as to how it would unfold. Some of the macroeconomic questions and issues that dominated investor concerns were resolved; some are still very much alive; others continue to simmer beneath the surface. What follows is a brief summary of how some of these key issues played out in 2006, as well as how relevant they are as we begin 2007.

Firstly, with the US Federal Reserve having already hiked interest rates from a low of 1% to 4.25% by the end of 2005, how much further would the Fed raise rates in 2006? With Bernanke still cutting his teeth as the new Fed Chairman, there were concerns that he may end up hiking rates more aggressively than necessary in order to counter his reputation as an inflation dove, resulting in monetary overkill.

Yet most of the evidence so far suggests that the Fed has been successful in steering the US economy to a soft landing, and the Fed has been on hold since it raised rates to 5.25% in June. The US housing market did slow significantly in 2006, as evidenced by existing home sales declining by 10.7% year on year in September, and by the median house prices for single family homes declining year on year by over 4% in October. Yet there has been limited contagion to other areas of the economy, and consumer spending remained robust throughout the year. Record corporate profits helped raise employment levels, which together with rising wages and declining energy prices helped bolster consumer spending.

A second question was whether the Eurozone economy's gradual recovery would be able to gather momentum on a sustainable growth path higher than the sluggish trajectory of 2001-2005. Here the evidence has also been favourable. Forecasts for 2006 GDP growth were repeatedly raised throughout the year. In April GDP growth for the year was expected to be 2%, yet by the end of the year these forecasts had been raised to 3%. This contrasts with the US, where growth expectations were revised down during the year. The strength of the economy fed through to higher labour cost inflation than the ECB would like, and the markets ended the year discounting further rate hikes in 2007 and 2008, contributing to an expected slowing of GDP growth in 2007 to below 2006 levels. In the UK, the BoE's more accommodative stance continued to lead to higher consumer inflation than on the continent, a definite factor in the BoE's surprise rate hike in January 2007.

A third question was whether the economic recovery in Japan would feed through to rising consumer spending, helping to accelerate Japan's economic recovery. On this score the evidence has been disappointing. Growth expectations for Japan were repeatedly revised down during the year as little evidence emerged of a sustained pick up in consumer spending, and although the economy remains on an uptrend, GDP growth peaked in the first quarter of the year and declined in both the second and third quarters, and is expected to be 1.9% for the year as a whole. On the positive side, inflation has remained positive for over six months, suggesting that the economy appears so far to be sufficiently robust to avoid deflation even after the removal of quantitative easing.

A fourth question focuses on China specifically, and emerging economies in general. Following near double digit economic growth for five years and what appeared to be an overheating in certain sectors in the Chinese economy, would the authorities be able to cool down only those overheating areas without causing a hard landing in the overall economy? The government's plan to try to shift growth from the hot property development and manufacturing sectors to consumption and from the cities into the rural areas met with some success in 2006. Concerns over overheating have eased for the time being, with property investors anticipating a period of consolidation following the removal of significant amounts of liquidity.

The fifth and final issue deals with the relationship between geopolitical conflicts and the oil price. The Israel-Hezbollah conflict focused the markets on the possibility of a large oil producer (Iran) being at war with Israel (or the US), and oil prices peaked in early August when tensions were at their worst. Yet with concerns over a widening conflict dissipating and the markets pricing in a global slowdown, oil began a several month correction following its August peak. A warmer northern hemisphere winter also led to lower than expected energy demand, which further contributed to the sell off in energy prices. A number of other key commodities, such as copper and gold, also corrected sharply during the year, and appear to have entered a consolidation phase as speculative excesses are worked off.

Although our expected cyclical scenario for the US economy in 2007 is a Goldilocks slowdown, with inflation well behaved, there is no shortage of potential risks, both economic and geopolitical. The structural problems facing the US economy, namely record high levels of consumer debt and continued twin deficits, have clearly not gone away. Any unexpected pick up in inflation from current levels would likely feed through to higher bond yields and interest rates, damaging this highly leveraged economy. This highlights the importance of understanding and closely following inflationary trends as they develop in 2007.

Directors' report

Annual Review

(continued)

Main developments

The effective investment process that we use to develop a macro economic view coupled with a thorough asset manager selection process has continued to provide the basis for good returns in the investment funds that we manage. Our specialty and hedge funds performed particularly well and provided excellent performance coupled with very low volatility. As a result, we were able to earn substantial performance fees on these products.

The year under review saw continued growth in assets under management, both from market growth and net new money. Our new Institutional Sales activities booked some success with inflows into our hedge funds, and our expectations are high for this unit for 2007. Although the market remained difficult for our Dutch distribution efforts, the gross inflows from this unit were significantly higher than the previous year. We are now seeing some light at the end of the tunnel and also expect this unit to have a good 2007.

The Insinger group's distribution to the UK market continued to develop successfully leading to strong inflows into products managed by us. The group also continued to expand their activities in South Africa, which has a positive knock on effect on our own activities.

On the legal side, we obtained the necessary license for the Wet toezicht beleggingsfondsen (the Wtb) and implemented the necessary changes required for the new Wet financiële toezicht (the Wft). We also took steps to convert our Multiple Managers SICAV to UCITS III, and assisted the UK office in converting the Insinger de Beaufort Manager Selection ICVC to a Non-UCITS Retail Scheme.

Risk Management

An important part of our governance structure are our risk management processes. As a financial institution we are constantly evaluating the potential risks that underlie our business and how to mitigate these risks. We have processes in place to control and monitor risks and members of the executive management are responsible for ensuring that risks and controls are addressed in each of their areas of operations. Particular attention is paid to:

Market and Portfolio Risk : although we have no market positions in our own name, it is vital for us to manage Market and Portfolio Risk within all the portfolios that we manage on behalf of our clients. As such, management of market and portfolio risks is an integral part of our investment processes.

Operational Risk : it is essential for us to have an adequate administrative organisation and system of internal controls in place. All our processes and controls are documented in our Bwise risk management system, and are regularly monitored to ensure the effective working of the controls, particularly those in high risk areas.

Legal & Compliance Risk : the regulatory environment in which we operate is continually changing with existing legislation being regularly updated or new laws being implemented. Greater emphasis is being placed by regulators on the integrity risks, particularly in respect of customer due diligence and transparency. We have a dedicated Legal & Compliance team which is responsible for reviewing all changes in the legal and compliance environment and implementing these changes within our products, policies and processes.

In addition to our own risk management processes, as part of the Insinger de Beaufort ("IdB") group we also "plug in" to the group's risk management processes and policies. We have access to the group's risk management department which supplies us with support and tools to ensure that risk management is adequately executed in a consistent manner throughout the IdB group. Overlaying this process the IdB group's Internal Audit department independently monitors the ongoing adequacy and execution of our processes and controls. They report their findings both to us and to the IdB group's Audit Committee, which oversees the group's risk management and control systems on behalf of the group's supervisory board.

We can confirm that we have written procedures of the administrative organisation and internal controls that comply with the requirements of the Wet toezicht beleggingsinstellingen ("Wtb") and the Besluit toezicht beleggingsinstellingen ("Btb") 2005.

During the course of the year we reviewed various aspects of the administrative organisation and internal controls. This review indicated nothing that could conclude that the written procedures of the administrative organisation and internal controls as required by article 8 of the Btb did not comply with the requirements of the Btb and the related legislation. There was also no indication that the administrative organisation and system of internal controls did not function effectively or in accordance with the written procedures.

Directors' report

Annual Review

(continued)

Results

Gross income grew to EUR 29.8 million from EUR 20.8 million. The past year showed a net inflow of new assets under management of EUR 176 million reflecting the continued success of our range of funds and programme products. The total assets under management amounted to EUR 2,065 million as at 31 December 2006 compared to EUR 1,786 million as at 31 December 2005.

Strategy & Outlook

We have plans to further rationalise our product range to allow us to focus on our core products. We intend to launch a number of new products (e.g. a new guarantee product) to meet market demand. We also intend to continue to expand our hedge fund platform by launching a new hedge fund and by supporting the IdB Group in taking on the responsibility for an existing hedge fund.

We will continue our push into the Institutional market where the solid track record in our Specialty and Hedge funds will stand us in good stead. Given the slight recovery in the Dutch distribution market, we will undertake new initiatives to spur on our asset gathering in this market throughout 2007. We will also continue to supply our products and services to support the group's activities in the UK and in South Africa.

We expect that there will be ongoing growth in the UK and South Africa, and intend to continue to extend our distribution activities in these jurisdictions.

On the legal side, the implementation of MIFID will take a lot of our attention. The deadline is 1 November 2007, but we have already made good inroads into identifying the exact steps required to become MIFID compliant.

Amsterdam, 7 May 2007
Directors

J.J. Human
P.G. Sieradzki
G.R. Ester
E.M. Martens
P.D. Yeo
D.H. Williams

Profit and loss account

for the period ended 31 December 2006

	<u>Notes</u>	<u>2006</u>	<u>2005</u>
		EURO	EURO
Income			
Net interest income		946,117	408,600
Commission and management fee income	1	<u>28,826,689</u>	<u>20,347,943</u>
		29,772,806	20,756,543
Expenses			
Salaries, pension- and social security expenses	2	10,611,672	6,176,735
Other expenses	3	<u>3,936,236</u>	<u>3,835,896</u>
		14,547,908	10,012,631
Result on ordinary activities before taxation		15,224,898	10,743,912
Taxation on ordinary activities		<u>(3,882,349)</u>	<u>(3,180,197)</u>
Result after taxation		<u>11,342,549</u>	<u>7,563,715</u>

Balance Sheet

as at December 2006 (before result appropriation)

	<u>Notes</u>	<u>2006</u>	<u>2005</u>
Assets		EURO	EURO
Current assets			
Receivable from related parties	4	42,978,351	30,501,232
Loans and advances to customers	5	97,321	—
Receivables and accrued income	6	<u>8,119,535</u>	<u>4,062,639</u>
		<u>51,195,207</u>	<u>34,563,871</u>
Shareholder's equity and liabilities			
Shareholder's equity			
Issued and paid up share capital	7	70,000	70,000
Other reserves		18,869,314	11,305,599
Result for the period		<u>11,342,549</u>	<u>7,563,715</u>
		<u>30,281,863</u>	<u>18,939,314</u>
Current liabilities			
Taxes and social securities		3,882,349	3,180,197
Other liabilities	8	10,749,755	7,133,463
Liabilities to related parties	9	<u>6,281,240</u>	<u>5,310,897</u>
		<u>20,913,344</u>	<u>15,624,557</u>
		<u>51,195,207</u>	<u>34,563,871</u>

Statement of changes in Equity

for the period ended 31 December 2006

	<u>Share Capital</u>	<u>Other Reserves</u>	<u>Result for the year</u>	<u>Total</u>
Balance as at 1 January 2006	70,000	11,305,599	7,563,715	18,939,314
Appropriation of the result of prior year		7,563,715	(7,563,715)	—
Net profit			11,342,549	11,342,549
Balance as at 31 December 2006	<u>70,000</u>	<u>18,869,314</u>	<u>11,342,549</u>	<u>30,281,863</u>

	<u>Share Capital</u>	<u>Other Reserves</u>	<u>Result for the year</u>	<u>Total</u>
Balance as at 1 January 2005	70,000	7,296,805	4,008,794	11,375,599
Appropriation of the result of prior year		4,008,794	(4,008,794)	—
Net profit			7,563,715	7,563,715
Balance as at 31 December 2005	<u>70,000</u>	<u>11,305,599</u>	<u>7,563,715</u>	<u>18,939,314</u>

Cash flow statement

	2006	2005
	EURO	EURO
Cash flows from operating activities		
Net profit	11,342,549	7,563,715
Adjustments for:		
Taxation	3,882,349	3,180,197
Net cash inflow from operating activities before changes in operating assets and liabilities	<u>15,224,898</u>	<u>10,743,912</u>
Decrease/(Increase) in operating assets:		
Receivable from related parties	(12,477,119)	(12,199,534)
Loans and advances to customers	(97,321)	—
Other assets	(4,056,896)	(668,617)
(Decrease)/Increase in operating liabilities:		
Liabilities to related parties	970,343	4,565,538
Other liabilities	3,616,292	2,124,990
Net cash inflow from operating activities before payment of taxation	<u>3,180,197</u>	<u>4,566,289</u>
Taxation paid	(3,180,197)	(4,566,289)
Net cash inflow from operating activities after payment of taxation	<u>—</u>	<u>—</u>
Net increase in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of year	—	—
Net increase in cash and cash equivalents	—	—
Cash and cash equivalents at the end of year	<u>—</u>	<u>—</u>

Summary of significant accounting policies for the period ended 31 December 2006

General

Insinger de Beaufort Asset Management N.V. ('the N.V.')

 is a 100% subsidiary of Bank Insinger de Beaufort N.V., Amsterdam. The ultimate holding company is Insinger de Beaufort Holdings S.A., Luxembourg. The annual accounts of the N.V. are included in the consolidated annual accounts of Insinger de Beaufort Holdings S.A., Luxembourg.

The activities of Insinger de Beaufort Asset Management N.V. are not significantly impacted by seasonal influences

Accounting policies

The annual accounts were prepared in accordance with the statutory provisions of Title 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board. The annual accounts are denominated in euro.

Basis of valuation of assets and liabilities

General information

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or fair value. If not specifically stated otherwise, they are recognised at the amounts at which they were acquired or incurred. The balance sheet, profit and loss account and cash flow statement include references to the notes.

Foreign currency

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Resulting gains or losses are recognised in the profit and loss account.

Receivables and accrued income

Receivables are valued against face value after deduction of provisions for bad debts.

This item has a period shorter than one year.

Basis for determination of results

General

Income and expenses are recorded in the year to which they relate.

Fees and commissions

Revenue from the various services the Company performs is recognised when the following criteria are met: persuasive evidence of an arrangements exists, the services have been rendered, the fee or commission is fixed or determinable and collectability is reasonably assured.

Foreign exchange

Income and expenses are translated at the rate of exchange ruling at the date of the transaction.

Employee benefits

The parent company, Bank Insinger de Beaufort N.V., has only defined contribution plans. A defined contribution plan is a pension plan under which the parent company pays fixed contributions into a separate entity. The parent company has no legal or constructive obligations to pay further contributions once the contributions have been paid.

Taxation

The tax charge is calculated on the profit before taxes for the year under review in accordance with ruling tax legislation. The N.V. forms part of the fiscal unit headed by Insinger de Beaufort Holding B.V. As a member of the fiscal unit headed by Insinger de Beaufort Holding B.V., the N.V. is severally liable for the tax liability of the fiscal unit.

Cash flow statement

The cash flow statement has been drawn up in accordance with the indirect method, making a distinction between cash flows from operating, investment and financing activities.

Cash flows in foreign currency are converted at the average exchange rates during the financial year. With regard to cash flow from operations, the net profit is adjusted for income and expenses that did not result in receipts and payments in the same financial year and for changes in provisions and accrued and deferred items (other assets, accrued assets, other debts and accrued liabilities).

Cash and cash equivalents consist of cash, deposits at the Dutch Central Bank and deposits at other banks. It does not include the bank balances with Bank Insinger de Beaufort N.V.

Accounting estimates

Insinger de Beaufort Asset Management N.V. makes estimates and assumptions that effect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated.

Notes

	2006	2005
	EURO	EURO
1 Commission and management fee income	28,826,689	20,347,943
<p>Included under the line commission and management fee income are management fees, commissions received and paid, upfront fees and performance fees.</p>		
2 Salaries, pension- and social security expenses	10,611,672	6,176,735
Salaries	10,354,477	5,948,375
Social security expenses	140,041	121,367
Pension costs	117,154	106,993
	<u>10,611,672</u>	<u>6,176,735</u>
<p>This relates to recharged personnel costs. An amount of EUR 6,598,034 (2005: EUR 4,381,407) relates to directors of which is variable EUR 5,425,000 (2005: EUR 3,250,000). The directors remuneration has increased due to the increase of the result of the company in 2006 compared to 2005.</p>		
3 Other expenses	3,936,236	3,835,896
Recharges ¹	2,791,360	2,799,696
Information suppliers	393,620	272,763
Communication & travel	203,028	160,048
Other	548,228	603,389
	<u>3,936,236</u>	<u>3,835,896</u>
<p>1) Relate to recharged expenses from the parent company Bank Insinger de Beaufort N.V. for various services received.</p>		

Notes

	2006	2005
	EURO	EURO
4 Receivable from related parties	42,978,351	30,501,232
This relates to the following items:		
Bank Insinger de Beaufort N.V.	42,805,047	30,368,202
Insinger Finance (Pty) Limited	6,041	4,416
Insinger de Beaufort Investments (SA) (Pty) Ltd	—	24,850
Insinger de Beaufort (ACD) Limited	167,263	103,764
	<u>42,978,351</u>	<u>30,501,232</u>
5 Loans and advances to customers	97,321	—
This amounts comprises two loans to business partners with no interest. As security for this credit facility future income flow is pledged.		
6 Receivables and accrued income	8,119,535	4,062,639
This relates primarily to debtors and receivables from investment management. The remaining term is less than one year.		
7 Shareholder's equity	70,000	70,000
Issued and paid up share capital.		
The authorised capital of EUR 350,000 consists of 350 shares with a nominal value of EUR 1,000.=		
The issued and paid up share capital amounts to EUR 70,000 and consists of 70 shares with a nominal value of EUR 1,000.=		

Notes

	2006	2005
	EURO	EURO
8 Other liabilities		
This item includes accrued expenses and deferred income. The remaining term is less than one year.	10,749,755	7,133,463
9 Liabilities to related parties		
The breakdown of this item is as follows:	6,281,240	5,310,897
Bank Insinger de Beaufort N.V.	6,225,814	5,310,897
Insinger de Beaufort	46,900	—
Insinger de Beaufort Investment (SA) (Pty) Ltd	8,526	—
	6,281,240	5,310,897

Notes

10 Related-party transactions

Insinger de Beaufort Asset Management N.V. is controlled by Bank Insinger de Beaufort N.V. which owns 100% of the ordinary shares. A number of banking transactions are entered into with related parties in the normal course of business.

The outstanding balances with related parties are separately disclosed in the balance sheet.

11 Employees

The N.V. has no employees. A group company has recharged the total personnel costs of 26 FTE's (2005: 24)

12 Contingent liabilities

As a member of the fiscal unity headed by Insinger de Beaufort Holding B.V., the N.V. is severally liable for the tax liability of the fiscal unity.

Amsterdam, 7 May 2007
Directors

J.J. Human
P.G. Sieradzki
G.R. Ester
E.M. Martens
P.D. Yeo
D.H. Williams

Other information

Appropriation of the result

Article 16 of the articles of association states;

1. All profit as revealed in the adopted annual accounts is at the disposal of the general meeting.
2. The company is entitled to allocate payments to shareholders and other beneficiaries from the profit available for distribution only insofar as shareholders' equity exceeds the paid-up and called-up portion of the share capital augmented by statutorily retainable reserves. No distribution of profit can be made to the company itself on shares held by the company itself.
3. The general meeting is entitled, with due regard to the provision laid down in paragraph 2 of this article and to article 2:105 of the Civil Code, to make one or more interim dividends available for distribution.
4. Profit distribution takes place after the adoption of the annual accounts showing that such appropriation is permissible.

The proposed appropriation of the results 2006 result is as follows:

Net profit 2006	11,342,549
Dividend paid	—
To add to the other reserves	<u>11,342,549</u>

Auditors' report

The auditors' report can be found on the next page.

To the Management Board and Shareholder of
Insinger de Beaufort Asset Management N.V.

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2006 of Insinger de Beaufort Asset Management N.V., Amsterdam as set out on pages 7 to 15 which comprise the balance sheet as at 31 December 2006, the profit and loss account and cashflow statement for the year then ended and the notes.

The directors' responsibility

The directors of the company are responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Insinger de Beaufort Asset Management N.V. as at 31 December 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 7 May 2007
PricewaterhouseCoopers Accountants N.V.

J.M. de Jonge RA