

CAM Bastion Sterling Fund Ltd.

Annual Report and Audited Financial Statements

For the year ended 31 December 2009

# **CAM Bastion Sterling Fund Ltd.**

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# **CAM Bastion Sterling Fund Ltd.**

## **Directors and service providers**

<b>Company</b>	<p>CAM Bastion Sterling Fund Ltd Aurum House 35 Richmond Road P.O. Box HM 1806 Hamilton HM 08 Bermuda</p> <p>Tel: (1) (441) 292 6952 Fax: (1) (441) 295 4164</p>
<b>Directors</b>	<p>Dudley R Cottingham Tina Gibbons (Appointed 10 November 2009) Adam Hopkin (Appointed 10 November 2009) David Mark Frederick David Mohr S Arthur Morris Christopher C Morris</p>
<b>Custodian</b>	<p>Northern Trust Fiduciary Services (Ireland) Limited George's Court 54 - 62 Townsend Street Dublin 2 Ireland</p> <p>Tel: (353) (1) 542 2000 Fax: (353) (1) 542 2920</p>
<b>Promoter and Investment Advisor</b>	<p>CAM Fund Management Limited Aurum House 35 Richmond Road P.O. Box HM 1806 Hamilton HM 08 Bermuda</p> <p>Tel: (1) (441) 292 6952 Fax: (1) (441) 295 4164</p>
<b>Administrator</b>	<p>Northern Trust International Fund Administration Services (Ireland) Limited George's Court 54 - 62 Townsend Street Dublin 2 Ireland</p> <p>Tel: (353) (1) 542 2000 Fax: (353) (1) 542 2920</p>

## **CAM Bastion Sterling Fund Ltd.**

### **Directors and service providers (continued)**

**Bermuda  
Administrator,  
Registrar and  
Secretary**

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P.O. Box HM 1806  
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Auditor**

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Chartered Accountants  
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# **CAM Bastion Sterling Fund Ltd.**

## **Directors' Report**

The Directors have the pleasure to present the audited annual accounts of CAM Bastion Sterling Fund Ltd. (the "Company") for the year ended 31 December 2009 and report as set out herein in respect of matters required by the Bermuda Stock Exchange listing regulations.

At 31 December 2009 the Net Asset Value per Participating Share was £112.03 (2008: £102.96).

No dividends have been declared in the year ended 31 December 2009 (2008: £Nil) and the Directors do not recommend the payment of any dividends for the year ended 31 December 2009 (2008: £Nil).

CAM Bastion Sterling Fund Ltd. (the "Company") is a Feeder Fund which invests solely, apart from currency hedging, in the Participating Shares of CAM Bastion Fund Ltd. (the "Master Fund"). The Company's investment objective is to achieve long term capital growth by investing its assets in Shares of the Master Fund.

The annual report and audited financial statements of the Master Fund for the year ended 31 December 2009 are sent to all Shareholders with the accounts of the Company.



**Dudley R Cottingham**  
**Director**

21 May 2010

## **CAM Bastion Sterling Fund Ltd.**

### **Independent Auditor's Report to the Members and Directors of CAM Bastion Sterling Fund Ltd.**

We have audited the accompanying financial statements of CAM Bastion Sterling Fund Ltd. (the "Company"), which comprise the Statement of Financial Position and Portfolio Statement as at 31 December 2009 and the Statement of Comprehensive Income, Statement of Changes in Net Assets Attributable to Holders of Participating Shares and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 our 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, we consider internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, 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 opinion.

#### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2009 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



KPMG  
Chartered Accountants  
1 Harbourmaster Place  
International Financial Services Centre  
Dublin 1  
Ireland  
21 May 2010

## CAM Bastion Sterling Fund Ltd.

### Portfolio Statement as at 31 December 2009

Fund	2009			2008		
	Nominal Holding	Fair Value £	% of NAV	Nominal Holding	Fair Value £	% of NAV
CAM Bastion Fund Ltd.	30,079	2,776,857	102.32	21,158	1,940,440	102.95
Net Current Liabilities		(63,048)	(2.32)		(55,678)	(2.95)
Total Net Assets		<u>2,713,809</u>	<u>100.00</u>		<u>1,884,762</u>	<u>100.00</u>

*The accompanying notes form part of these financial statements.*

## CAM Bastion Sterling Fund Ltd.

### Statement of Comprehensive Income for the year ended 31 December 2009

2008		Notes	2009
£			£
	<b>Income from financial assets at fair value through profit or loss</b>	2	
142	Net interest income		0
321,450	Net unrealised capital (loss)/gain on investments and currencies		(95)
(502,471)	Net realised capital gain/(loss) on investments and currencies		170,636
<b>(180,879)</b>	<b>Total income from financial assets at fair value through profit or loss</b>		<b>170,541</b>
	<b>Expenses</b>	2	
0	Net interest expense		16
<b>0</b>	<b>Operating expenses</b>		<b>16</b>
	<b>Change in net assets attributable to holders of Participating</b>		
<b>(180,879)</b>	<b>Shares resulting from operations</b>		<b>170,525</b>

*The accompanying notes form part of these financial statements.*



## CAM Bastion Sterling Fund Ltd.

### Statement of Financial Position as at 31 December 2009

2008	Notes	2009
£		£
<b>Assets</b>		
<b>Financial assets at fair value through profit or loss</b>		
1,940,440	Investments at fair value	2,776,857
<b>Loans and receivables</b>		
0	Cash and cash equivalents	200,000
<b>1,940,440</b>	<b>Total Assets</b>	<b>2,976,857</b>
<b>Liabilities</b>		
<b>Financial liabilities at fair value through profit or loss</b>		
55,671	Unrealised depreciation on forward foreign exchange contracts	0
<b>Financial liabilities measured at amortised cost</b>		
0	Bank overdraft	259,034
7	Bank interest payable	0
0	Subscriptions to shares not yet allotted	4,014
<b>55,678</b>	<b>Total Liabilities (excluding amounts attributable to holders of Participating Shares)</b>	<b>263,048</b>
<b>Net Assets attributable to holders of Participating and Sponsor Shares</b>		
<b>1,884,762</b>	<b>Net Assets attributable to holders of Participating Shares</b>	<b>2,713,809</b>
<b>1,884,761</b>	<b>Net Assets attributable to holders of Participating Shares</b>	<b>2,713,808</b>
<b>1</b>	<b>Net Assets attributable to holders of Sponsor Shares</b>	<b>1</b>
<b>18,305.37</b>	<b>Participating Shares outstanding (number of shares)</b>	<b>24,222.77</b>
<b>102.96</b>	<b>Net Asset Value per Participating Share</b>	<b>112.03</b>

These financial statements were approved by the Directors on 21 May 2010 and signed on their behalf by:



**D.R. Cottingham**

**Director**



**C.C. Morris**

**Director**

*The accompanying notes form part of these financial statements.*

## CAM Bastion Sterling Fund Ltd.

### Statement of Changes in Net Assets Attributable to Holders of Participating Shares for the year ended 31 December 2009

	Total £
<b>Balance at 1 January 2009</b>	<b>1,884,761</b>
Change in net assets attributable to holders of participating shares resulting from operations	170,525
Subscriptions during the year	659,090
Redemption during the year	(568)
<b>Balance at 31 December 2009</b>	<b>2,713,808</b>
<b>Balance at 1 January 2008</b>	<b>1,720,205</b>
Change in net assets attributable to holders of participating shares resulting from operations	(180,879)
Subscriptions during the year	345,435
<b>Balance at 31 December 2008</b>	<b>1,884,761</b>

*The accompanying notes form part of these financial statements.*

## CAM Bastion Sterling Fund Ltd.

### Statement of Cash Flows for the year ended 31 December 2009

	2008			2009
	£			£
<b>Cash flows from operating activities</b>				
		Change in net assets attributable to holders of participating		
(180,879)		shares resulting from operations		170,525
<b>Adjustment for non cash items</b>				
181,021		Net (gain)/loss on investments		(170,541)
<b>Changes in operating assets and liabilities</b>				
55,677		(Decrease)/increase in creditors		(55,678)
<b>55,819</b>		<b>Net cash (used in)/received from operating activities</b>		<b>(55,694)</b>
<b>Cash flows from investing activities</b>				
(771,288)		Purchase of investments		(1,064,649)
440,388		Proceeds from sales of investments and currencies		398,773
<b>(330,900)</b>		<b>Net cash outflow from investing activities</b>		<b>(665,876)</b>
<b>Cash flows from financing activities</b>				
345,435		Issue of shares		663,104
0		Redemption of shares		(568)
<b>345,435</b>		<b>Net cash inflow from financing activities</b>		<b>662,536</b>
70,354		Net (decrease)/increase in cash and cash equivalents		(59,034)
<b>(70,354)</b>		<b>Cash and cash equivalents at the beginning of the year</b>		<b>0</b>
<b>0</b>		<b>Cash and cash equivalents at the end of the year</b>		<b>(59,034)</b>
<b>Supplementary Information</b>				
148		Net interest (paid)/received		(23)

*The accompanying notes form part of these financial statements.*

# CAM Bastion Sterling Fund Ltd.

## Notes to the Financial Statements for the year ended 31 December 2009

### 1 General

CAM Bastion Sterling Fund Ltd. (the “Sterling Fund” or the “Company”) was incorporated in Bermuda under the Companies Act 1981 on 15 February 2006 and acts as an investment company. Shares of the Sterling Fund are denominated in sterling. The Sterling Fund is one of three Feeder Funds comprising the Sterling Fund, CAM Bastion Dollar Fund Ltd. (the “Dollar Fund”) and CAM Bastion Rand Fund Ltd. (the “Rand Fund”) that invest in CAM Bastion Fund Ltd. (the “Master Fund”). The other Feeder Funds have US dollar and South African rand denominated shares respectively.

The Feeder Funds must solely invest into Participating Shares of the Master Fund, except in the case of the Rand and Sterling Funds in respect of currency hedging. The Participating Shares of the Master Fund are valued in US dollars. The Rand and Sterling Funds whilst investing into US dollar denominated Participating Shares of the Master Fund will, by appropriate currency hedging, seek to protect the value of their shares in South African rand and sterling terms respectively irrespective of movements in currency values between the US dollar, South African rand and sterling. The Master Fund pays the fees of the Administrators, Custodian, the Investment Advisor, audit, formation and minor out of pocket expenses and Directors’ fees of all funds. Each Fund will otherwise bear its own costs and liabilities.

The Company’s investment objective is to achieve long term capital growth by investing in the Participating Shares of the Master Fund. The annual report and audited financial statements of the Master Fund for the year ended 31 December 2009 are attached and should be read in conjunction with these financial statements.

The audited financial statements were approved by the Board of Directors on 21 May 2010.

### 2 Principal Accounting Policies

The principal accounting policies which have been applied are set out below.

#### Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

#### Basis of Preparation

The financial statements are presented in the currency of the primary economic environment in which the Company operates, which is sterling, reflecting the fact that the redeemable Participating Shares are issued in sterling and the Company’s operations are primarily conducted in sterling. They are prepared on a fair value basis for financial assets and financial liabilities at fair value through profit or loss. All other assets and liabilities are stated at amortised cost.

The accounting policies and presentation have been applied consistently by the Company and are consistent with those used in the previous year.

The Company is organised and operates as one segment (in terms of both business and geography). Consequently, no segment reporting is provided in the Company’s financial statements.

#### Changes in accounting policy and disclosures

During the year, the IASB approved amendments to a number of existing standards as a result of the improvements project and issued several new standards. The objectives of the improvements project were to reduce or eliminate alternatives, redundancies and conflicts within the standards, to deal with some convergence issues and to make other improvements.

These financial statements have been prepared in accordance with amendments to IFRS 7, details of which are in Note 11 of the Master Fund financial statements.

The Directors are of the belief that there has been no impact of other revised standards on the current year’s financial statements.

## **CAM Bastion Sterling Fund Ltd.**

### **Notes to the Financial Statements for the year ended 31 December 2009 (continued)**

#### **2 Principal Accounting Policies (continued)**

##### **Changes in accounting policy and disclosures (continued)**

There are a number of other IFRS and interpretations which were in issue but have not been applied in the financial statements as they are not yet effective. The Directors anticipate that the adoption of these standards will have no material impact on the financial statements of the Fund.

##### **Investments**

The Company, on initial recognition, designates all investments as at fair value through profit or loss as, in doing so, it results in more relevant information because the investments and related liabilities are managed as a group of financial assets and liabilities and performance is evaluated on a fair value basis and reported to key management personnel on that basis.

Investments in collective investment schemes are recorded at the net asset value per share as reported by the administrators of such funds. Investment transactions are recorded on a settlement date basis which is the date of cash subscription of the investment or the date cash is received from redemption of an investment. Realised capital gains and losses on investment transactions are determined on the weighted average cost basis and are included in the Statement of Comprehensive Income. Unrealised capital gains and losses from a change in the fair value of investments are recognised in the Statement of Comprehensive Income.

Where administrators are unable to provide net asset value per share the Directors make their own assessment of value based on available information.

Under IFRS, Participating Shares are treated as a financial liability and the format of the Statement of Financial Position reflects this position.

##### **Forward Foreign Exchange Contracts**

The Company seeks to protect the value of the Participating Shares in sterling terms by entering into Forward Foreign Exchange Contracts. These contracts are recorded at fair value through profit or loss utilising the prevailing forward price at the Statement of Financial Position date. Any unrealised gain or loss is recognised in the Statement of Comprehensive Income.

##### **Translation of Foreign Currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at exchange rates in effect at the date of the financial statements. Transactions in foreign currencies are translated into sterling based on exchange rates on the date of the transaction.

##### **Interest Income**

Interest income is recognised in the Statement of Comprehensive Income for all interest bearing instruments on an effective interest basis.

##### **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash balances held at banks together with bank overdrafts. The bank overdrafts are repayable on demand and form an integral part of the Company's cash management system.

##### **Taxation**

The Company has received an undertaking from the Ministry of Finance of Bermuda, under the Exempted Undertakings Tax Protection Act, 1966 exempting the Company from income, profit, capital transfer or capital taxes, should taxes be enacted, until 28 March 2016.

## CAM Bastion Sterling Fund Ltd.

### Notes to the Financial Statements for the year ended 31 December 2009 (continued)

#### 2 Principal Accounting Policies (continued)

##### Expenses

All expenses are recognised in the Statement of Comprehensive Income on an accruals basis.

##### Use of Estimates

The preparation of financial statements in accordance with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Actual results could differ from those estimates.

##### Derecognition of Financial Assets and Liabilities

A financial asset is derecognised when the Company loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. Assets that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as at the settlement date. The Company uses the weighted average cost basis to determine the realised gain or loss on derecognition. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

#### 3 Fees

The Company pays no direct fees. Please refer to the accompanying Master Fund financial statements for notes regarding fees paid by the Master Fund.

#### 4 Share Capital

	December 2009 £	December 2008 £
Authorised share capital of £0.001 par value per share		
1,000 Sponsor Shares	1	1
5,999,000 Participating Shares	5,999	5,999
	6,000	6,000

All of the Sponsor Shares have been issued to and are beneficially owned by the Investment Advisor. The Sponsor Shares do not carry the right to participate in the assets of the Company in a winding up, except to the extent of repayment of par value paid in cash, nor in any dividends or other distribution of the Company so long as any Participating Shares are in issue.

The Participating Shares are entitled to receive, to the exclusion of the Sponsor Shares, any dividends which may be declared by the Board of the Company and, upon the winding up of the Company, their par value and any surplus remaining after paying to the holders of the Sponsor Shares the par value of the Sponsor Shares (to the extent actually paid up in cash). The Sponsor Shares have the general voting powers of the Company and the holders of Participating Shares are entitled to receive notice of and attend all general meetings of the members.

	Number of Participating Shares		Number of Participating Shares
Opening at 1 January 2009	18,305.37	Opening at 1 January 2008	15,268.83
Issued during the year	5,922.49	Issued during the year	3,036.54
Redeemed during the year	(5.09)	Redeemed during the year	0.00
Closing at 31 December 2009	24,222.77	Closing at 31 December 2008	18,305.37

## CAM Bastion Sterling Fund Ltd.

### Notes to the Financial Statements for the year ended 31 December 2009 (continued)

#### 4 Share Capital (continued)

##### Statement of Changes in Sponsor and Participating Shares

	Sponsor Shares £	Participating Shares £	Share Premium £	Return allocated to Participating Shareholders £	Total £
<b>Balance at 1 January 2009</b>	<b>1</b>	<b>18</b>	<b>1,884,743</b>	<b>0</b>	<b>1,884,762</b>
Change in net assets attributable to holders of participating shares				170,525	170,525
Subscriptions during the year		6	659,084		659,090
Redemption during the year		(0)	(568)		(568)
<b>Balance at 31 December 2009</b>	<b>1</b>	<b>24</b>	<b>2,543,259</b>	<b>170,525</b>	<b>2,713,809</b>
<b>Balance at 1 January 2008</b>	<b>1</b>	<b>15</b>	<b>1,545,265</b>	<b>174,925</b>	<b>1,720,206</b>
Change in net assets attributable to holders of participating shares			(5,954)	(174,925)	(180,879)
Subscriptions during the year		3	345,432		345,435
<b>Balance at 31 December 2008</b>	<b>1</b>	<b>18</b>	<b>1,884,743</b>	<b>0</b>	<b>1,884,762</b>

#### 5 Bank Overdraft

The Company has a facility with Northern Trust (Guernsey) Limited and any outstanding bank overdraft is secured over the portfolio of the Company.

#### 6 Net Asset Value per Participating Share

The Net Asset Value per Participating Share is calculated by dividing the net assets less the par value of the Sponsor Shares included in the Statement of Financial Position by the number of Participating Shares in issue at the year end.

	December 2009	December 2008
Total Net Assets (£) Less Par Value of Sponsor Shares	<b>2,713,808</b>	1,884,761
Issued Participating Shares	<b>24,222.77</b>	18,305.37
<b>Net Asset Value per Participating Share (£)</b>	<b>112.03</b>	102.96

#### 7 Related Parties

The Company, Administrators, Investment Advisor, Custodian and Directors are related parties by virtue of the material contracts in existence that are outlined in notes 3 to 5 of the financial statements of the Master Fund.

Mrs T Gibbons and Mr A Hopkin are directors of the Investment Advisor and directors of Aurum Fund Management Ltd. Mr S A Morris, Mr D R Cottingham and Mr C C Morris are directors of the Investment Advisor, are directors of Aurum Fund Management Ltd., are directors of Continental Sponsors Ltd., the sponsoring broker on the Bermuda Stock Exchange and are also directors of Global Fund Services Ltd., the Bermuda Administrator. Mr D Mark is a Vice President of Research with Aurum Fund Management Ltd. Mr F D Mohr is a director of the Investment Advisor.

## CAM Bastion Sterling Fund Ltd.

### Notes to the Financial Statements for the year ended 31 December 2009 (continued)

#### 7 Related Parties (continued)

The Directors of the Company, the Master Fund, the Investment Advisor and Aurum Fund Management Ltd. may also act in the capacity of directors for other mutual funds.

CAM Fund Management Limited is Investment Advisor to, and owns all of the Sponsor Shares of, the Company, and, as at 31 December 2009 is itself owned 50% each by Aurum Fund Management Ltd. and Citadel Offshore Holdings Ltd. The board of Citadel Offshore Holdings Limited have approved a re-organisation of the Citadel offshore group whereby its shareholding in CAM Fund Management Limited would be distributed to Citadel Solutions Holdings (Pty) Ltd with effect from 1 April 2010.

Persons connected to the Directors, as defined under the stock exchange listing requirements, directly and indirectly own all the Sponsor Shares of the Company. At 31 December 2009 Directors and Persons so connected did not directly or indirectly hold Participating Shares in the Company (2008: Nil).

All dealings between all parties were at arm's length prices.

#### 8 Financial Instruments and Risk Exposure

The Company invests all its assets, other than, currency hedging, into the Master Fund, which is exposed to market risk, currency risk, credit risk and liquidity risk arising from the financial instruments it holds. These risks are explained in the financial statements of the Master Fund which are attached.

The Company is exposed to currency risk in pursuit of its investment objective set out on page 10. The currency risk is managed on a monthly basis using Forward Foreign Exchange Contracts. At the Statement of Financial Position date, there was net exposure to currency risk:

31 December 2009	Monetary Assets £	Monetary Liabilities £	Forward Foreign Exchange Contracts £	Net Exposure £
US dollar	2,776,857	(259,034)	(2,517,182)	641

  

31 December 2008	Monetary Assets £	Monetary Liabilities £	Forward Foreign Exchange Contracts £	Net Exposure £
US dollar	1,940,440	(7)	(1,958,664)	(18,231)

#### 9 Net Forward Foreign Exchange Contracts

As at 31 December 2009, the Company had entered into and not closed a Forward Foreign Exchange Contract to hedge the value of the Company's portfolio. The contract was with the Custodian.

##### Open Forward Foreign Currency Transactions at 31 December 2009

Currency Sold	Currency Bought	Currency Rate	Maturity Date	Unrealised Gain/(Loss) £
US\$4,053,670	£	1.6104	29 January 2010	0
				0



## CAM Bastion Sterling Fund Ltd.

### Notes to the Financial Statements for the year ended 31 December 2009 (continued)

#### 9 Net Forward Foreign Exchange Contracts (continued)

##### Open Forward Foreign Currency Transactions at 31 December 2008

Currency Sold	Currency Bought	Currency Rate	Maturity Date	Unrealised Loss £
US\$2,852,206	£	1.4988	30 January 2009	(55,671)
				(55,671)

#### 10 Fair Value Measurement

The International Accounting Standards Board published *Improving Disclosures about Financial Instruments (Amendments to IFRS 7)* that are explained in Note 11 of the Master Fund financial statements.

The following table presents the financial instruments carried on the Statement of Financial Position by level within the valuation hierarchy as at 31 December 2009.

Financial assets at fair value through profit or loss At 31 December 2009	Total £	Level 1 £	Level 2 £	Level 3 £
CAM Bastion Fund Ltd.	2,776,857	-	2,776,857	-
Total	2,776,857	-	2,776,857	-

#### 11 Subsequent Events

No events have occurred in respect of the Company subsequent to the year end that may be deemed relevant to the accuracy of these financial statements.