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# Phoenix Asset Management Partners Limited

## Report and Accounts

28 February 2003

 ERNST & YOUNG



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COMPANIES HOUSE

\*LXP23164\*

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30/08/03



# Phoenix Asset Management Partners Limited

Registered No: 3514660

## **Directors**

G S Channon

C Broadhurst

Sir Peter Thompson (Non-executive)

## **Secretary**

Miss S Channon

## **Auditors**

Ernst & Young LLP

Rolls House

7 Rolls Buildings

Fetter Lane

London EC4A 1NH

## **Bankers**

HSBC plc

22 Victoria Street

Westminster

London SW1H 0NJ

## **Solicitors**

Clifford Chance

200 Aldersgate Street

London EC1A 4JJ

## **Registered Office**

64-66 Glentham Road

Barnes

London SW13 9JJ

 ERNST & YOUNG



## Directors' report

The directors present their report and accounts for the year ended 28 February 2003.

### Results and dividends

The profit for the year is set out in the profit and loss account on page 6. Interim dividends of £1,400,014 (2002 - £3,340,013) were paid in the year. The directors do not propose a final dividend. A profit of £3,138,204 (2002 - £58,534) has been transferred to reserves.

### Principal activity and review of the business

The principal activity is the provision of fund management services. The directors are encouraged by the result for the period and are optimistic about the future of the company.

### Directors and their interests

The directors at 28 February 2002 and their interests in the share capital of the company were as follows:

	<i>At 28 February 2003</i>	<i>At 1 March 2002</i>
	<i>Ordinary Shares</i>	<i>Ordinary Shares</i>
C Broadhurst	45,001	45,001
G S Channon*	45,001	45,001
Sir Peter Thompson	10,000	10,000

\*45,000 shares are owned by Channon & Co Limited. Gary Channon owns 63% of the share capital of Channon & Co Limited and the remainder is owned by Mrs Channon.

### Political and charitable contributions

During the year the company made various charitable contributions totalling £1,000 (2002: £30,250).

### Auditors

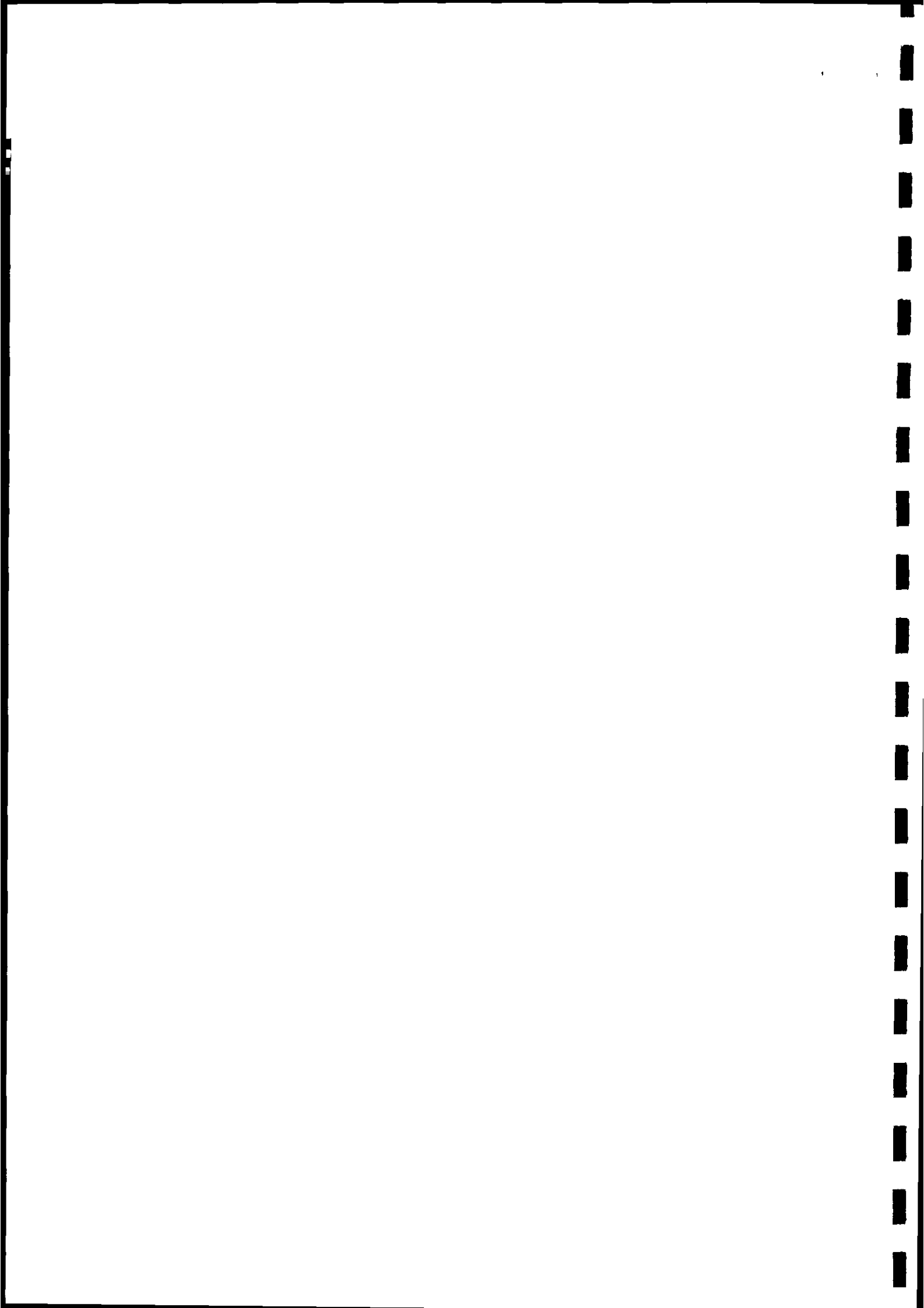
A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the board

Director



26 June 2003

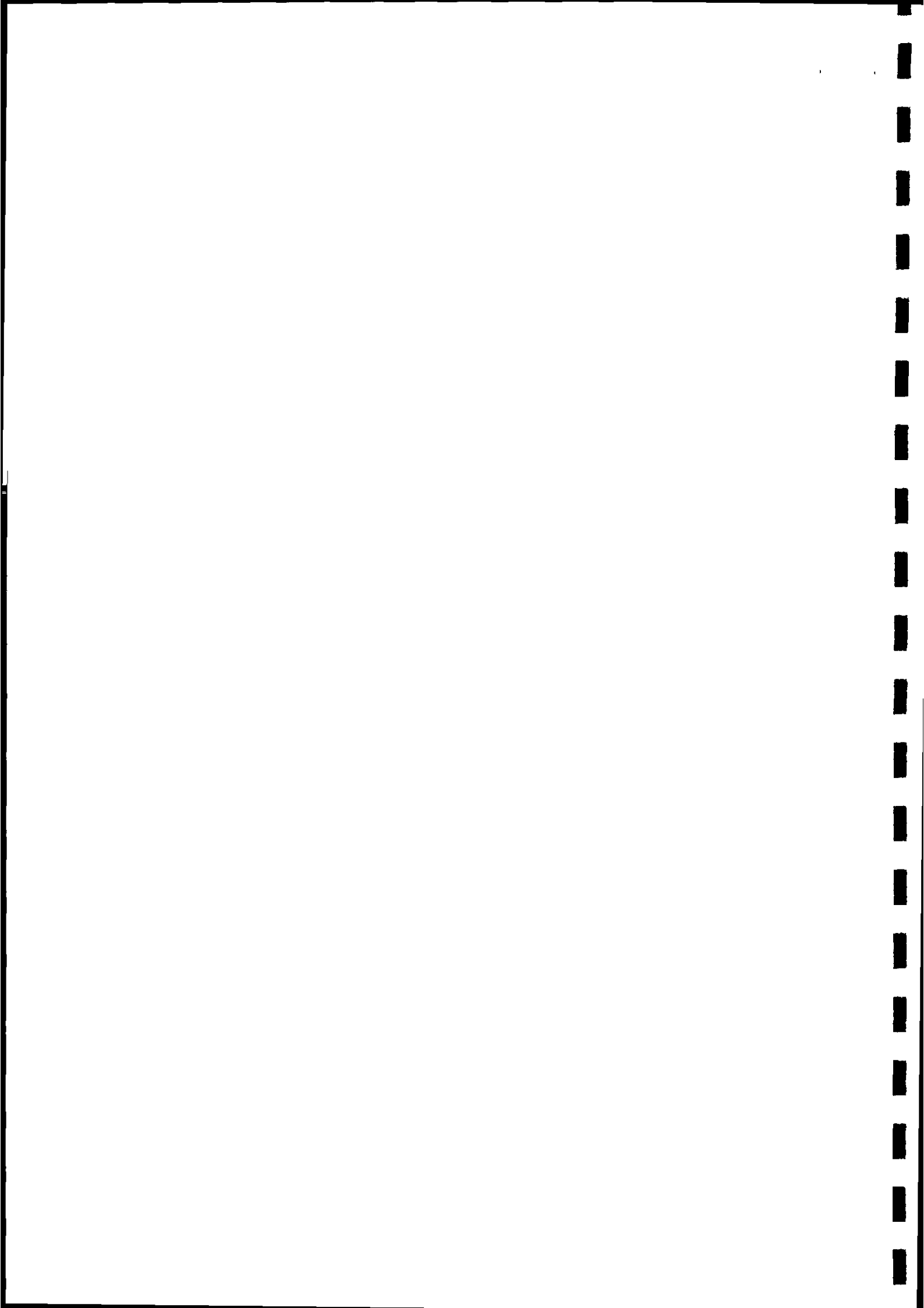


## Statement of directors' responsibilities in respect of the accounts

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; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that 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.





**Independent auditors' report****to the members of Phoenix Asset Management Partners Limited**

We have audited the company's accounts for the year ended 28 February 2003 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement and the related notes 1 to 16. These accounts 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 accounts in accordance with applicable United Kingdom law and accounting standards.

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

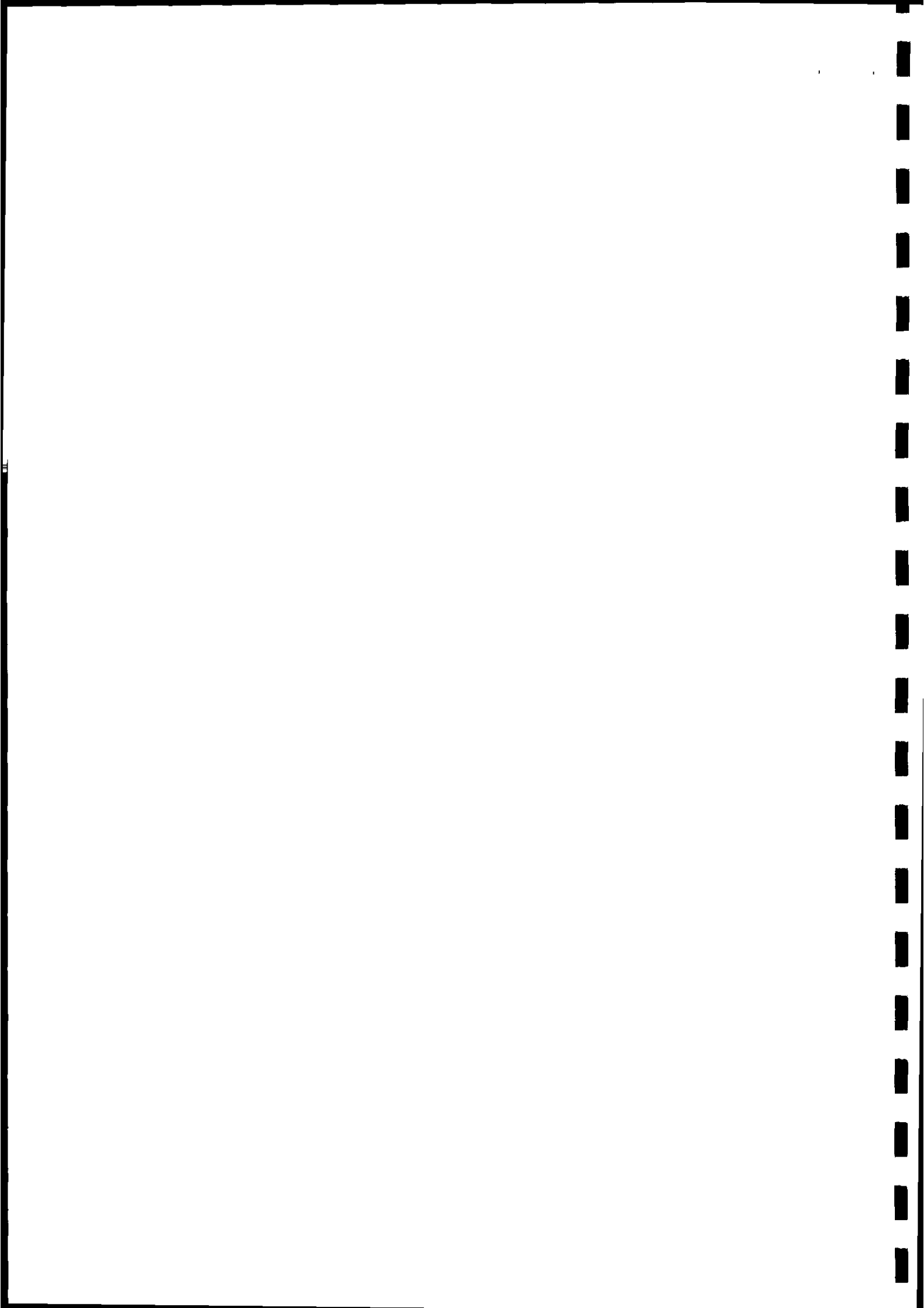
We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.





## **Independent auditors' report**

**to the members of Phoenix Asset Management Partners Limited (continued)**

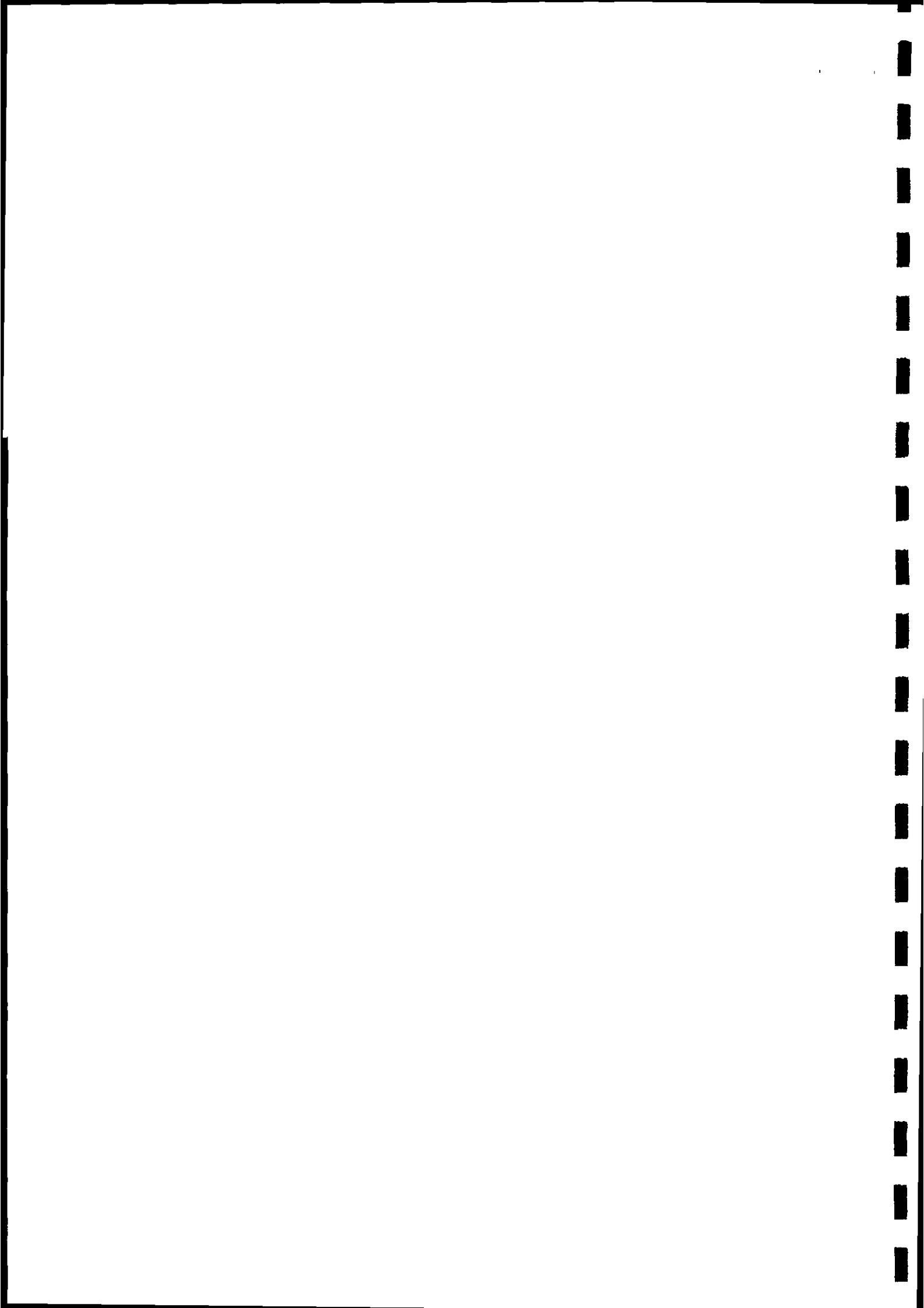
### **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 28 February 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script that reads 'Ernst &amp; Young LLP'.

Ernst & Young LLP  
Registered Auditor  
London

26 June 2003



**Profit and loss account**

for the year ended 28 February 2003

	Notes	2003 £	2002 £
<b>Turnover</b>			
Management fees	2	1,514,956	1,168,041
Performance fees	2	5,783,648	6,004,171
<b>Gross profit</b>		<u>7,298,604</u>	<u>7,172,212</u>
Administrative expenses		(793,578)	(2,324,703)
<b>Operating profit</b>	3	<u>6,505,026</u>	<u>4,847,509</u>
Bank interest receivable		9,561	9,155
<b>Profit on ordinary activities before taxation</b>		<u>6,514,587</u>	<u>4,856,664</u>
Tax on ordinary activities	6	(1,976,369)	(1,458,117)
<b>Profit on ordinary activities after taxation</b>		<u>4,538,218</u>	<u>3,398,547</u>
Dividends	7	(1,400,014)	(3,340,013)
<b>Retained profit</b>		<u>3,138,204</u>	<u>58,534</u>

**Statement of total recognised gains and losses**

There are no recognised gains or losses other than the profit attributable to the shareholders of the company.



**Balance sheet**

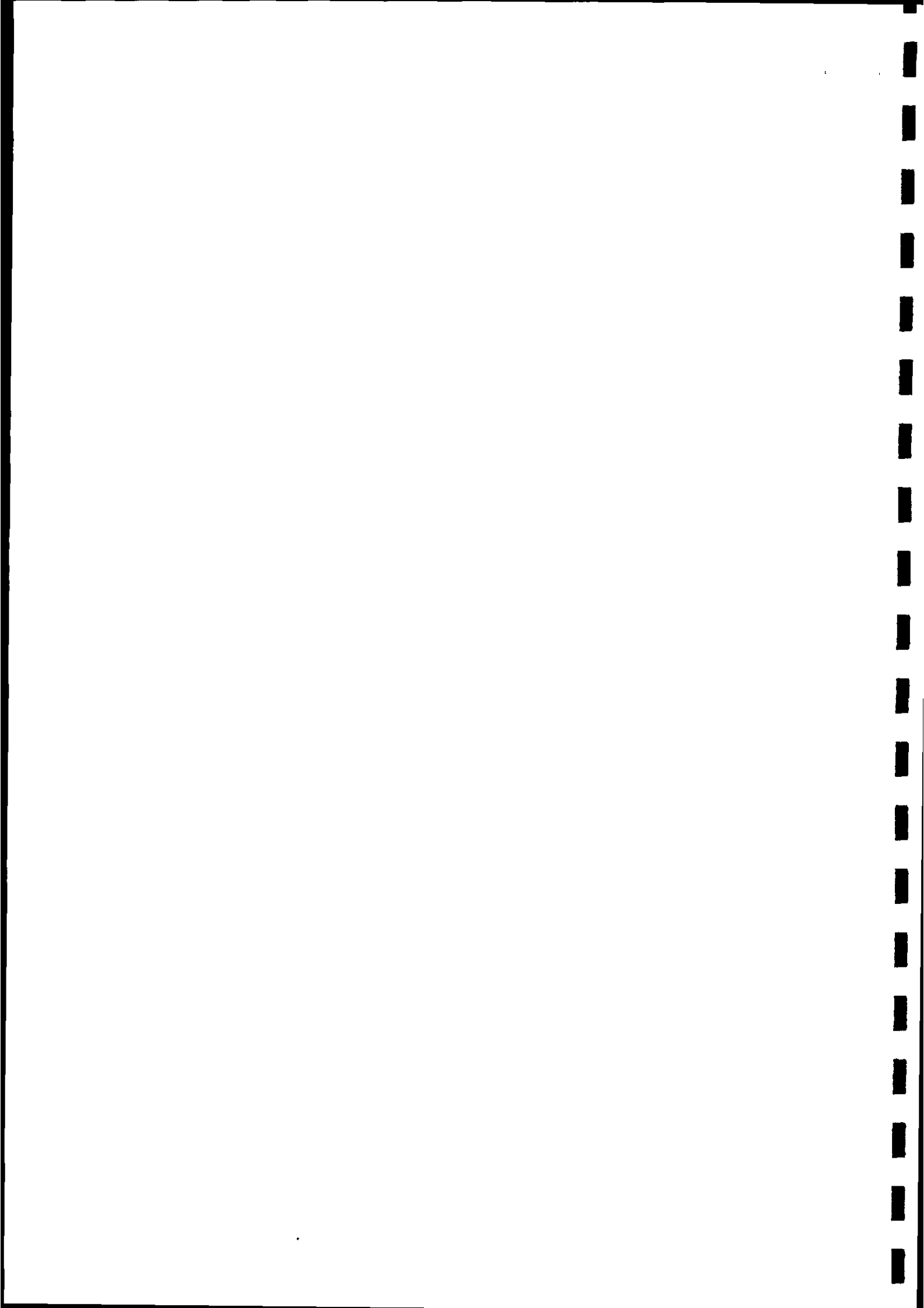
at 28 February 2003

	Notes	2003 £	2002 £
<b>Fixed assets</b>			
Tangible assets	8	32,126	34,699
		<u>32,126</u>	<u>34,699</u>
<b>Current assets</b>			
Debtors	9	5,300,421	5,918,381
Cash at bank		120,743	288,567
		<u>5,421,164</u>	<u>6,206,948</u>
<b>Creditors:</b> amounts falling due within one year	10	(2,110,724)	(6,034,681)
<b>Net current Assets</b>		<u>3,310,440</u>	<u>172,267</u>
<b>Total assets less current liabilities</b>		<u>3,342,566</u>	<u>206,966</u>
<b>Provision for liabilities and charges</b>			
Deferred taxation	11	(1,308)	(3,912)
		<u>3,341,258</u>	<u>203,054</u>
<b>Capital and reserves</b>			
Ordinary shares	12	100,002	100,002
Profit and loss account	13	3,241,256	103,052
<b>Shareholders' funds - equity</b>		<u>3,341,258</u>	<u>203,054</u>

Signed on behalf of the Board

Director

26 June 2003





## Statement of cash flows

for the year ended 28 February 2003

	Notes	2003 £	2002 £
<i>Net cash inflow from operating activities</i>	16	4,898,062	2,155,917
<i>Returns on investments and servicing of finance</i>	16	9,561	9,155
<i>Taxation</i>		(1,465,509)	(275,365)
<i>Capital expenditure</i>	16	(19,922)	(8,110)
<i>Equity dividends paid</i>		(3,590,016)	(1,700,023)
<i>(Decrease)/increase in cash</i>		<u>(167,824)</u>	<u>181,574</u>

## Notes to the accounts

at 28 February 2003

### 1. Accounting policies

#### Basis of preparation

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

#### Fixed assets

All fixed assets are recorded at cost.

#### Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Computer equipment and software	-	3 years
Fixture and fittings	-	3 years

#### Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. Differences arising from rate movement between the due date and the actual payment date are taken to the profit and loss account.

#### Leasing commitments

Rentals payable under the operating leases are charged in the profit and loss account on a straight line basis over the lease term.

#### Deferred taxation

Provision is made for corporation tax at the current rates on the excess of taxable income over allowable expenses. FRS 19 "Deferred Tax" has been adopted in these accounts and a provision is made on all material timing differences arising from the different treatment of items for accounting and tax purposes.

A deferred tax asset is recognised only to the extent that there will be taxable profits in the future against which the asset can be offset. It is considered too uncertain that this will occur and, therefore, no deferred tax asset has been recognised.

### 2. Turnover

Turnover, which is stated net of value added tax, is attributable to one continuing activity, the supply of investment management services. Fees are recognised once receivable.

Turnover is split between that received from within the UK £5,810,799 (2002: £6,087,997) and that received from outside the UK, being Bahamas based funds £1,487,805 (2002: £1,084,215).

Performance fees in respect of institutional accounts are recognised at 50% of the total amount earned during the period. The remaining 50% which is contingent on continued out performance is retained by the trustees until the earlier of the date of the termination of the account, or when the next performance fee becomes due, and is recognised accordingly. All other performance fees are recognised when they crystallise.

## Notes to the accounts

at 28 February 2003

### 3. Operating profit

This is stated after charging:

	2003	2002
	£	£
Depreciation of owned fixed assets	22,495	15,915
Loss on disposal of fixed assets	—	322
Auditors' remuneration:		
Audit services	11,500	11,000
Non-audit services	11,900	4,000
Operating lease rentals	14,283	14,431
	<u>          </u>	<u>          </u>

### 4. Staff costs

	2003	2002
	£	£
Wages and salaries	369,396	1,733,532
Social security costs	58,882	248,347
	<u>          </u>	<u>          </u>
	428,278	1,981,879
	<u>          </u>	<u>          </u>

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

	2003	2002
Administration/compliance	1	1
Fund management	3	3
	<u>          </u>	<u>          </u>
	4	4
	<u>          </u>	<u>          </u>

### 5. Directors' emoluments

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

	2003	2002
	£	£
Emoluments	313,273	1,710,108
	<u>          </u>	<u>          </u>

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

	2003	2002
	£	£
Emoluments	155,159	763,459
	<u>          </u>	<u>          </u>



## Notes to the accounts

at 28 February 2003

## 6. Tax on profit on ordinary activities

	2003 £	2002 £
UK corporation tax:		
UK corporation tax on profits of the year	1,979,147	1,465,683
Adjustments in respect of prior year	(174)	(5,182)
	<u>1,978,973</u>	<u>1,460,501</u>
Deferred tax:		
Originating and reversal of timing differences (note 11)	(2,604)	(2,324)
	<u>1,976,369</u>	<u>1,458,117</u>

## Factors affecting the tax charge for the year

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

	2003 £	2002 £
Profit on ordinary activities before taxation	<u>6,514,587</u>	<u>4,856,664</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	1,954,376	1,456,999
Effect of:		
Disallowed expenses and non-taxable income	21,993	4,928
Depreciation in excess of capital allowances	2,777	3,756
Adjustments in respect of previous periods	(173)	(5,182)
	<u>1,978,973</u>	<u>1,460,501</u>

## 7. Dividends

	2003 £	2002 £
Equity dividend on ordinary shares		
Interim paid	1,400,014	1,150,011
Final proposed	–	2,190,002
	<u>1,400,014</u>	<u>3,340,013</u>



## Notes to the accounts

at 28 February 2003

## 8. Tangible fixed assets

	<i>Computer equipment and software</i> £	<i>Furniture and fixtures</i> £	<i>Total</i> £
Cost:			
At 29 February 2002	32,331	19,375	51,706
Additions	19,293	629	19,922
At 28 February 2003	51,624	20,004	71,628
Depreciation:			
At 29 February 2002	10,531	6,476	17,007
Provided during the year	16,001	6,494	22,495
At 28 February 2003	26,532	12,970	39,502
Net book value 28 February 2003	25,092	7,034	32,126
At 29 February 2002	21,800	12,899	34,699

## 9. Debtors

	<i>2003</i> £	<i>2002</i> £
Trade debtors	5,291,794	5,916,806
Prepayment	4,127	1,575
Amounts due from directors	4,500	–
	5,300,421	5,918,381

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

	<i>2002</i> £	<i>2001</i> £
Trade creditors	46,333	198,406
Other creditors	6,899	11,528
Accruals	17,934	1,665,507
PAYE and Social Security	24,541	10,412
Corporation tax	1,979,147	1,465,683
Dividends payable	–	2,190,002
VAT payable	35,870	493,143
	2,110,724	6,034,681

## Notes to the accounts

at 28 February 2003

## 11. Provision for liabilities and charges

The movement in deferred taxation during the current and previous years are as follows:

	2003 £	2002 £
At 1 March	3,912	6,296
Charge for the year (note 6)	(2,777)	(3,756)
Prior year adjustment	173	1,372
At 28 February	1,308	3,912

## 12. Share capital

	Authorised	
	2003 No.	2002 No.
Ordinary shares of £1 each	1,000,000	1,000,000

	Allotted, called up and fully paid			
	2003 No.	2002 No.	2003 £	2002 £
Ordinary shares of £1 each	100,002	100,002	100,002	100,002

## 13. Share capital, movement on reserves and reconciliation of movements in shareholders' funds

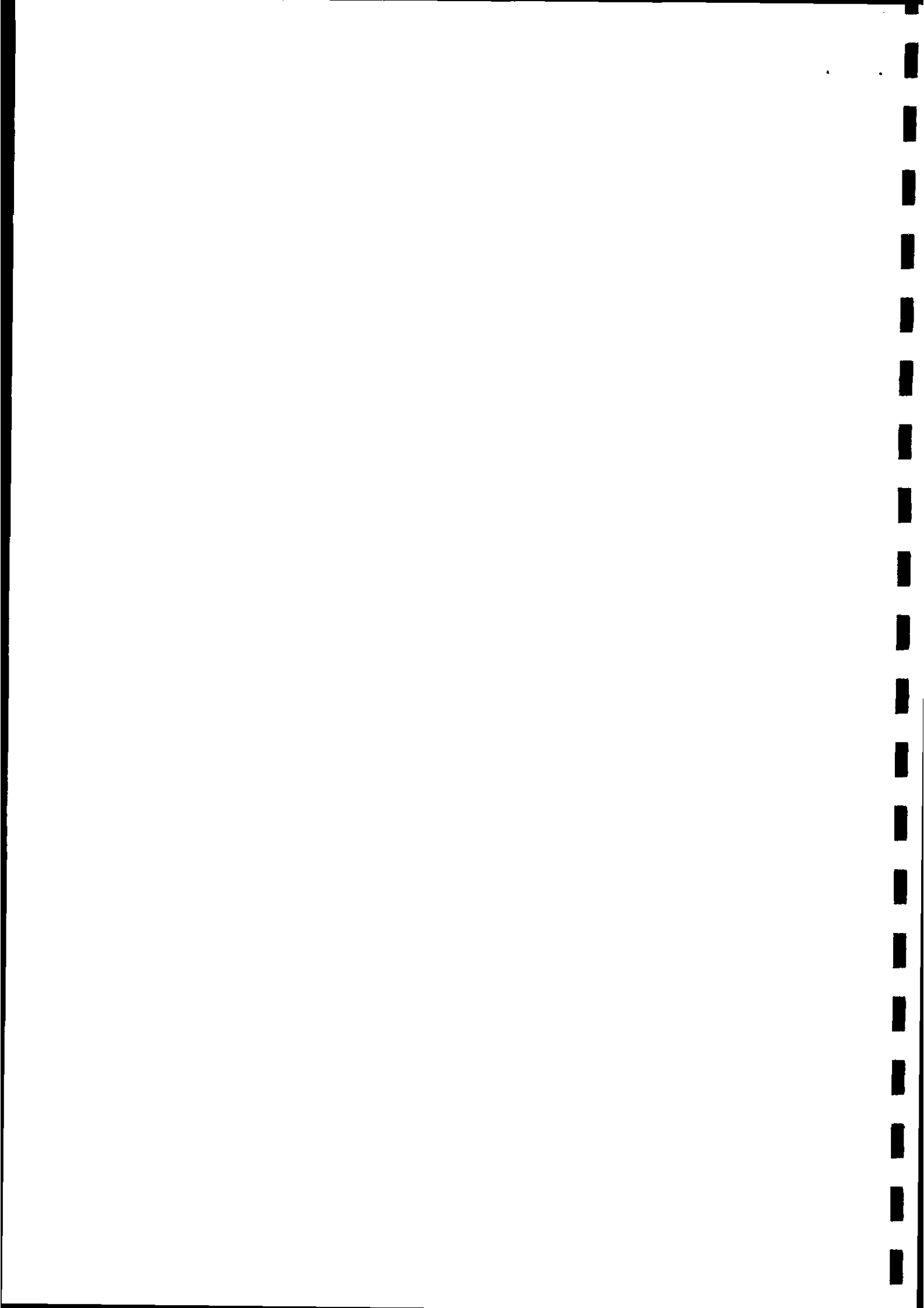
	Share capital £	Profit and loss account £	Total shareholders' funds £
Balance at 29 February 2002	100,002	103,052	203,054
Retained profit for the year	-	3,138,204	3,138,204
Balance at 28 February 2003	100,002	3,241,256	3,341,258

## 14. Related party transactions

45,000 £1 shares are owned by Channon & Co Limited of which G S Channon is a director. During the period Channon & Co Limited recharged office administration expenses to the company amounting to £46,996 (2002 - £50,283). As at 28 February 2003, £14,688 (2002 - £11,750) was outstanding.

Channon & Co Limited also owns 56.1% (2002: 45.8%) of Channon Construction Limited. During the year, Channon Construction Limited provided services to Phoenix Asset Management Partners Limited, amounting to £655 (2002 - £Nil). As at 28 February 2003 £Nil (2002 - £Nil) was outstanding.





## Notes to the accounts

at 28 February 2003

## 14. Related party transactions (continued)

Sir Peter Thompson remains as sole owner and director of Value Partners Limited (incorporated in The Bahamas), which acts as the investment manager of Phoenix UK Fund and Phoenix Hedge Fund (also incorporated in The Bahamas). During the period management fees of £513,133 (2002 - £250,798) and performance fees of £918,530 (2002 - £875,509) were receivable by the company from Value Partners Limited. £183,758 (2002 - £28,409) of fees were outstanding at the year end.

G S Channon and C Broadhurst are directors of Phoenix UK Fund. Initial subscription fees of £55,882 (2002 - £47,922) were receivable by the company from the Fund during year. £2,000 (2002 - £3,710) of fees were outstanding at the year end.

G S Channon claimed £20,226 (2002 - £16,890), C Broadhurst £50,968 (2002 - £57,941) and Sir Peter Thompson £1,042 in respect of business expenses incurred during the year ended 28 February 2003. As at the year end £8,624 (2002 - £3,124) and £7,973 (2002 - £9,542) and Nil respectively remained outstanding.

## 15. Other financial commitments

At 28 February 2003 the company had annual commitments under non-cancellable operating leases for land and buildings as set out below:

	<i>Land and buildings 2003 £</i>	<i>Land and buildings 2002 £</i>
Operating leases which expire:		
Between 2 to 5 years	14,200	14,200

## 16. Notes to the statement of cash flows

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

	<i>2003 £</i>	<i>2002 £</i>
Operating profit	6,505,026	4,847,509
Depreciation charges	22,495	15,915
Loss on sale of fixed assets	—	322
Decrease/(increase) in debtors	617,960	(4,965,641)
(Decrease) increase in creditors	(2,247,419)	2,257,812
	<u>4,898,062</u>	<u>2,155,917</u>



## Notes to the accounts

at 28 February 2003

### 16. Notes to the statement of cash flows (continued)

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

	2003 £	2002 £
<b>Returns on Investments and servicing of finance</b>		
Interest received	9,561	9,155
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(19,922)	(8,810)
Receipts from sales of tangible fixed assets	-	700
	<u>(19,922)</u>	<u>(8,110)</u>

(c) Analysis of changes in net debt

	29 February 2002 £	Cash flows £	28 February 2003 £
Cash at bank	288,567	(167,824)	120,743
	<u>288,567</u>	<u>(167,824)</u>	<u>120,743</u>

