

Altedge Capital (UK) Limited

Report and Accounts
31 December 2004

Rees Pollock
Chartered Accountants



OFFICERS AND PROFESSIONAL ADVISERS

The Board of Directors

C Goekjian
C Habib
X Himmer
S B Rumball

Company Secretary

SLC Registrars Limited

Registered Office

42-46 High Street
Esher
Surrey
KT10 9QY

Auditors

Rees Pollock
35 New Bridge Street
London
EC4V 6BW

Bankers

National Westminster Bank plc
2nd Floor
Cavell House
2a Charing Cross Road
London
WC2H 0NN

Registered Number

04288208

DIRECTORS' REPORT

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

Principal activities and review of the business

The principal activity of the company during the year was as an investment management company.

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached accounts.

The directors have not recommended a dividend.

Directors

The directors who served the company during the year were as follows:

C Goekjian
C Habib
X Himmer
S B Rumball

None of the directors had any interest in the share capital of the company during the year. However C Goekjian has a 99.8% interest and X Himmer a 0.2% interest in the ultimate controlling party, Altedge Capital Management Limited.

Directors' responsibilities

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 at the end of the year and of the profit or loss for the year then ended.

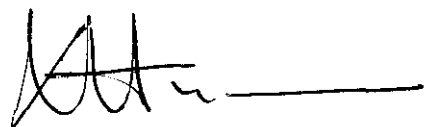
In preparing those accounts, the directors are required to select suitable accounting policies, as described on page 8, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the accounts on the going concern basis unless 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 the accounts comply with the Companies Act 1985. The directors 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.

Auditors

During the year the previous auditors, MRI Moores Rowland LLP, resigned and Rees Pollock were appointed in their place. A resolution to re-appoint Rees Pollock as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to be 'X Himmer', followed by a horizontal line.

X Himmer
Director

26 April 2005



REES POLLOCK

Chartered Accountants

35 New Bridge Street
London EC4V 6BW
Telephone 020 7778 7200
Fax 020 7329 6408

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALTEDGE CAPITAL (UK) LIMITED

We have audited the accounts on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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 law and United Kingdom 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.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs 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.

Rees Pollock
Chartered Accountants
Registered Auditors

28 April 2005

Partners: Andy Pollock FCA, Simon Rees FCA CTA, Johnny Mouldsdale FCA, Catherine Kimberlin FCA, Jonathan Munday FCA CTA 4

Registered to carry on audit work and regulated for a range of investment business activities by The Institute of Chartered Accountants in England and Wales.

www.reespollock.co.uk

Altedge Capital (UK) Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2004

	Note	2004 £	2003 £
TURNOVER	2	450,694	175,728
Cost of sales		18,911	—
GROSS PROFIT		431,783	175,728
Administrative expenses		533,292	620,222
Other operating income		(100,400)	(83,400)
OPERATING LOSS	3	(1,109)	(361,094)
Interest receivable		3,913	6,284
Interest payable	6	(256)	—
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		2,548	(354,810)
Tax on profit/(loss) on ordinary activities	7	—	—
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		2,548	(354,810)
Balance brought forward		(620,919)	(266,109)
Balance carried forward		(618,371)	(620,919)

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 8 to 13 form part of these accounts.

Altedge Capital (UK) Limited

BALANCE SHEET
at 31 December 2004

	Note	£	2004 £	2003 £
FIXED ASSETS				
Tangible assets	8		22,877	59,699
CURRENT ASSETS				
Debtors	9	391,061		220,578
Cash at bank		84,583		154,752
		475,644		375,330
CREDITORS: amounts falling due within one year	10	66,892		55,948
NET CURRENT ASSETS			408,752	319,382
TOTAL ASSETS LESS CURRENT LIABILITIES			431,629	379,081
CAPITAL AND RESERVES				
Called-up share capital	14		1,050,000	1,000,000
Profit and loss account			(618,371)	(620,919)
SHAREHOLDERS' FUNDS (including non-equity interests)	15		431,629	379,081



Xavier Himmer

26 April 2005

The notes on pages 8 to 13 form part of these accounts.

Altedge Capital (UK) Limited

CASH FLOW STATEMENT

for the year ended 31 December 2004

	Note	£	2004 £	2003 £
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	16		(96,566)	(523,737)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received		3,913		6,284
Interest paid		(256)		—
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			3,657	6,284
CAPITAL EXPENDITURE				
Payments to acquire tangible fixed assets		(145)		(1,739)
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE			(145)	(1,739)
CASH OUTFLOW BEFORE FINANCING			(93,054)	(519,192)
FINANCING				
Issue of non-equity share capital		50,000		100,000
NET CASH INFLOW FROM FINANCING			50,000	100,000
DECREASE IN CASH	17		(43,054)	(419,192)

The notes on pages 8 to 13 form part of these accounts.

1. ACCOUNTING POLICIES

Basis of accounting

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

Turnover

The turnover shown in the profit and loss account represents the value of goods and services provided during the year, stated net of value added tax.

Depreciation

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

Fixtures & fittings	-	25% per annum straight line
Equipment	-	33% per annum straight line
Software	-	25% per annum straight line

Operating lease agreements

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

Deferred taxation

Deferred taxation is provided on all timing differences, without discounting, calculated at the rate at which it is estimated that tax will be payable, except where otherwise required by accounting standards.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

2. TURNOVER

The turnover and operating profit for the year was derived from the company's principal continuing activity which was carried out wholly in the UK.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2004

3. OPERATING LOSS

Operating loss is stated after charging:

	2004	2003
	£	£
Depreciation of owned fixed assets	36,967	36,578
Auditors' remuneration		
- as auditors	9,805	7,000
- for other services	2,400	32,605
Operating lease costs:		
- land and buildings	115,382	106,072
- plant and equipment	572	4,896
Net loss on foreign currency translation	<u>5,180</u>	<u>1,710</u>

4. PARTICULARS OF EMPLOYEES

The average number of persons employed by the company during the financial year, including the directors, amounted to 5 (2003 - 4).

The aggregate payroll costs of the above were:

	2004	2003
	£	£
Wages and salaries	189,431	251,172
Social security costs	21,913	24,416
Other pension costs	4,451	6,070
	<u>215,795</u>	<u>281,658</u>

5. DIRECTORS' EMOLUMENTS

	2004	2003
	£	£
Emoluments	<u>152,944</u>	<u>162,163</u>
Value of company pension contributions to money purchase schemes	<u>3,960</u>	<u>6,070</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2004	2003
	£	£
Interest payable on bank borrowing	<u>256</u>	<u>—</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2004

7. TAXATION ON ORDINARY ACTIVITIES

Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 19% (2003 - 30%).

	2004	2003
	£	£
Profit/(loss) on ordinary activities before taxation	<u>2,548</u>	<u>(354,810)</u>
Profit/(loss) on ordinary activities multiplied by rate of tax	484	(106,443)
Effects of:		
Expenses not deductible for tax purposes	274	171
Depreciation for the period in excess of capital allowances	716	10,973
Unrelieved tax losses	—	95,299
Fifth item to increase/(decrease) tax liability	<u>(1,474)</u>	<u>—</u>
Total current tax	<u>—</u>	<u>—</u>

8. TANGIBLE FIXED ASSETS

	Fixtures & fittings £	Equipment £	Software £	Total £
Cost				
At 1 January 2004	68,468	46,214	17,820	132,502
Additions	—	145	—	145
At 31 December 2004	<u>68,468</u>	<u>46,359</u>	<u>17,820</u>	<u>132,647</u>
Depreciation				
At 1 January 2004	34,527	29,737	8,539	72,803
Charge for the year	17,116	15,396	4,455	36,967
At 31 December 2004	<u>51,643</u>	<u>45,133</u>	<u>12,994</u>	<u>109,770</u>
Net book value				
At 31 December 2004	<u>16,825</u>	<u>1,226</u>	<u>4,826</u>	<u>22,877</u>
At 31 December 2003	<u>33,941</u>	<u>16,477</u>	<u>9,281</u>	<u>59,699</u>

9. DEBTORS

	2004	2003
	£	£
Trade debtors	—	11,304
Other debtors	116,720	102,683
Prepayments and accrued income	<u>274,341</u>	<u>106,591</u>
	<u>391,061</u>	<u>220,578</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2004

10. CREDITORS: amounts falling due within one year

	2004	2003
	£	£
Bank loans and overdrafts	—	27,115
Trade creditors	19,477	8,964
Amounts owed to group undertakings	268	3,122
Other taxation and social security	7,041	5,696
Other creditors	297	4,051
Accruals and deferred income	39,809	7,000
	<u>66,892</u>	<u>55,948</u>

11. DEFERRED TAXATION

No provision has been made in the accounts and the amounts unprovided at the end of the year are as follows:

	2004	2003
	£	£
Excess of taxation allowances over depreciation on fixed assets	14,548	13,833
Tax losses available	100,947	102,420
	<u>115,495</u>	<u>116,253</u>

This deferred tax asset has not been provided in these accounts, as there is insufficient certainty as to the timing of future profits.

12. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as set out below:

	Land & buildings	
	2004	2003
	£	£
Operating leases which expire:		
Within 2 to 5 years	<u>96,188</u>	<u>96,188</u>

13. RELATED PARTY TRANSACTIONS

During the year the company invoiced Altedge Capital Management Limited, their ultimate parent company, £363,849 (2003 £175,728) for management fees. At 31 December 2004 £191,843 of this was still due to the company (in 2003 £3,122 was due to Altedge Capital Management Limited).

Altedge Capital (UK) Limited received advisory fees of £47,632 (2003 £nil) in the year from Altedge Advisors Limited, a company registered in the Cayman Islands. This is a company under the common control of Altedge Capital Management Limited, registered in the Bahamas. £9,191 of this remained outstanding at year-end and is included in accrued income.

S Rumball, a director of the company, is also a director of Iliad Partners Limited. During the year the company invoiced an amount of £50,400 (2003 £50,400) in respect of rent to Iliad Partners Limited.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2004

14. SHARE CAPITAL

Authorised share capital:

	2004	2003
	£	£
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000
1,000,000 Preference shares of £1 each	1,000,000	1,000,000
	<u>2,000,000</u>	<u>2,000,000</u>

Allotted, called up and fully paid:

	2004		2003	
	No	£	No	£
Ordinary shares of £1 each	50,000	50,000	50,000	50,000
Preference shares of £1 each	1,000,000	1,000,000	950,000	950,000
	<u>1,050,000</u>	<u>1,050,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

On 24 September 2004 50,000 Redeemable Non Cumulative Preference shares of £1 each were issued at par for cash.

Redeemable non-cumulative preference shares do not carry any right to vote except at a separate class meeting of the preference shareholders. The preference shares carry a non-cumulative dividend of 5% per annum of their nominal value. The preference shares are redeemable at par value at the option of the company at any time subject to prior written approval from the Financial Services Authority and that the redemption does not place the company in breach of their financial requirements.

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

EQUITY SHAREHOLDERS' FUNDS

	2004	2003
	£	£
Profit/(Loss) for the financial year	2,548	(354,810)
Opening equity shareholders' deficit	<u>(570,919)</u>	<u>(216,109)</u>
Closing equity shareholders' deficit	<u>(568,371)</u>	<u>(570,919)</u>

NON-EQUITY SHAREHOLDERS' FUNDS

Opening non-equity shareholders' funds	950,000	850,000
New non-equity share capital subscribed	50,000	100,000
Closing non-equity shareholders' funds	<u>1,000,000</u>	<u>950,000</u>

TOTAL SHAREHOLDERS' FUNDS	<u>431,629</u>	<u>379,081</u>
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NOTES TO THE ACCOUNTS

for the year ended 31 December 2004

**16. RECONCILIATION OF OPERATING LOSS TO
NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	2004	2003
	£	£
Operating loss	(1,109)	(361,094)
Depreciation	36,967	36,578
Increase in debtors	(170,483)	(40,252)
Increase/(decrease) in creditors	38,059	(158,969)
Net cash outflow from operating activities	<u>(96,566)</u>	<u>(523,737)</u>

17. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2004	2003
	£	£
Decrease in cash in the period	(43,054)	(419,192)
Movement in net funds in the period	(43,054)	(419,192)
Net funds at 1 January 2004	127,637	546,829
Net funds at 31 December 2004	<u>84,583</u>	<u>127,637</u>

18. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Jan 2004 £	Cash flows £	At 31 Dec 2004 £
Net cash:			
Cash in hand and at bank	154,752	(70,169)	84,583
Overdrafts	(27,115)	27,115	—
	<u>127,637</u>	<u>(43,054)</u>	<u>84,583</u>
Net funds	<u>127,637</u>	<u>(43,054)</u>	<u>84,583</u>

19. ULTIMATE PARENT COMPANY

The company's ultimate parent undertaking is Altedge Capital Management Limited, a company incorporated in the Bahamas.

The ultimate controlling party is considered to be C Goekjian, the majority shareholder of Altedge Capital Management Limited.