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Altedge Capital (UK) Limited

Report and Accounts
31 December 2005



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 2005.

Principal activities and business review

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

The directors intend to continue to develop the business.

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

There were no directors' interests requiring disclosure under the Companies Act 1985.

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 and of the profit or loss of the company for that year.

In preparing those accounts, the directors are required to select suitable accounting policies, as described on pages 8 to 9, 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

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, consisting of a stylized 'X' followed by a series of loops and a long horizontal stroke.

X Himmer
Director
22 February 2006



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 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 9.

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 on page 2, 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 International Standards on Auditing (UK and Ireland).

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 International Standards on Auditing (UK and Ireland) 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 2005 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
27 February 2006

Partners: Andy Pollock FCA, Simon Rees FCA CTA, Johnny Mouldsdales 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

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2005

	Note	2005 £	2004 £
TURNOVER	2	886,856	450,694
Cost of sales		(62,858)	(18,911)
GROSS PROFIT		823,998	431,783
Administrative expenses		(768,690)	(533,292)
Other operating income		80,100	100,400
OPERATING PROFIT/(LOSS)	3	135,408	(1,109)
Interest receivable		12,747	3,913
Interest payable and similar charges	6	(799)	(256)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		147,356	2,548
Tax on profit on ordinary activities	7	—	—
RETAINED PROFIT FOR THE FINANCIAL YEAR		147,356	2,548
Balance brought forward		(618,371)	(620,919)
Balance carried forward		(471,015)	(618,371)

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.

BALANCE SHEET
at 31 December 2005

			2005	2004 (restated)
	Note	£	£	£
FIXED ASSETS				
Tangible assets	8		17,963	22,877
CURRENT ASSETS				
Debtors	9	642,606		391,061
Cash at bank		207,486		84,583
		850,092		475,644
CREDITORS: amounts falling due within one year	10	289,070		66,892
NET CURRENT ASSETS			561,022	408,752
TOTAL ASSETS LESS CURRENT LIABILITIES			578,985	431,629
CREDITORS: amounts falling due after more than one year				
Preference share capital	14		1,000,000	1,000,000
CAPITAL AND RESERVES				
Called-up equity share capital	14	50,000		50,000
Profit and loss account		(471,015)		(618,371)
SHAREHOLDERS' DEBT	15		(421,015)	(568,371)
			578,985	431,629

The financial statements on pages 8 to 14 were approved by the board of directors on 22 February 2006 and are signed on its behalf by:



X Himmer
Director

The notes on pages 8 to 14 form part of these accounts.

CASH FLOW STATEMENT

for the year ended 31 December 2005

	Note	£	2005 £	2004 £
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	16		71,975	(96,566)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received		12,747		3,913
Interest paid		(799)		(256)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			11,948	3,657
CAPITAL EXPENDITURE				
Payments to acquire tangible fixed assets		(21,019)		(145)
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE			(21,019)	(145)
CASH INFLOW/(OUTFLOW) BEFORE USE OF LIQUID RESOURCES AND FINANCING			62,904	(93,054)
MANAGEMENT OF LIQUID RESOURCES				
Cash placed in short term deposits		(151,638)		—
NET CASH OUTFLOW FROM MANAGEMENT OF LIQUID RESOURCES			(151,638)	—
FINANCING				
Issue of non-equity share capital		—		50,000
NET CASH INFLOW FROM FINANCING			—	50,000
DECREASE IN CASH	17		(88,734)	(43,054)

The notes on pages 8 to 14 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.

Prior year adjustment

The company has adopted FRS 25 Financial Instruments: Disclosure and Presentation which is effective for accounting periods commencing on or after 1 January 2005. As a result, £1,000,000 of preference share capital is now classified as a liability rather than capital and net assets were reduced by this amount. No other changes resulted from the adoption of this standard.

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	- 33% per annum straight line
Equipment	- 33% per annum straight line
Software	- 33% per annum straight line

During the year, the company changed the depreciation policy for software and fixtures & fittings from 25% per annum straight line to 33% per annum straight line. The effect of this was immaterial.

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.

Pension costs

The group operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

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.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2005

1. ACCOUNTING POLICIES *(continued)*

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 in the UK, with services made to the Cayman Islands, the Bahamas and Jersey.

3. OPERATING PROFIT

Operating profit is stated after charging:

	2005	2004
	£	£
Depreciation of owned fixed assets	25,933	36,967
Auditors' remuneration		
- as auditors	6,000	9,805
- for other services	9,600	2,400
Operating lease costs:		
- land and buildings	96,714	115,382
Net loss on foreign currency translation	606	5,180

4. PARTICULARS OF EMPLOYEES

The average number of persons employed by the company during the financial year, including the directors, amounted to 6 (2004 - 5).

The aggregate payroll costs of the above were:

	2005	2004
	£	£
Wages and salaries	412,878	189,431
Social security costs	50,044	21,913
Other pension costs	6,255	4,451
	469,177	215,795

NOTES TO THE ACCOUNTS

for the year ended 31 December 2005

5. DIRECTORS' EMOLUMENTS

	2005	2004
	£	£
Emoluments	<u>323,840</u>	<u>152,944</u>
Value of company pension contributions to money purchase schemes	<u>4,200</u>	<u>3,960</u>
Emoluments of highest paid director:		
	2005	2004
	£	£
Total emoluments (excluding pension contributions)	131,469	75,558
Value of company pension contributions to money purchase schemes	<u>2,100</u>	<u>1,980</u>
	<u>133,569</u>	<u>77,538</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	2005	2004
	No	No
Money purchase schemes	<u>2</u>	<u>2</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2005	2004
	£	£
Interest payable on bank borrowing	<u>799</u>	<u>256</u>

7. TAXATION ON ORDINARY ACTIVITIES

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 19% (2004 - 19%).

	2005	2004
	£	£
Profit on ordinary activities before taxation	<u>147,356</u>	<u>2,548</u>
Profit on ordinary activities multiplied by rate of tax	27,998	484
Effects of:		
Expenses not deductible for tax purposes	420	274
Timing differences relating to fixed assets	(1,394)	716
Timing differences relating to brought forward tax losses	<u>(27,024)</u>	<u>(1,474)</u>
Total current tax	<u>—</u>	<u>—</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2005

8. TANGIBLE FIXED ASSETS

	Fixtures & Fittings £	Equipment £	Software £	Total £
Cost				
At 1 January 2005	68,468	46,359	17,820	132,647
Additions	1,725	19,294	—	21,019
Disposals	—	(21,924)	(17,820)	(39,744)
At 31 December 2005	<u>70,193</u>	<u>43,729</u>	<u>—</u>	<u>113,922</u>
Depreciation				
At 1 January 2005	51,643	45,133	12,994	109,770
Charge for the year	16,526	4,581	4,826	25,933
On disposals	—	(21,924)	(17,820)	(39,744)
At 31 December 2005	<u>68,169</u>	<u>27,790</u>	<u>—</u>	<u>95,959</u>
Net book value				
At 31 December 2005	<u>2,024</u>	<u>15,939</u>	<u>—</u>	<u>17,963</u>
At 31 December 2004	<u>16,825</u>	<u>1,226</u>	<u>4,826</u>	<u>22,877</u>

9. DEBTORS

	2005 £	2004 £
Trade debtors	9,518	—
Amounts owed by group undertakings	51,785	—
Other debtors	84,171	116,720
Prepayments and accrued income	497,132	274,341
	<u>642,606</u>	<u>391,061</u>

Included within other debtors is £82,198 (2004 - £96,188) relating to rent deposits repayable in more than one year.

10. CREDITORS: amounts falling due within one year

	2005 £	2004 £
Bank loans and overdrafts	59,999	—
Trade creditors	5,559	19,477
Amounts owed to group undertakings	1,928	268
Other taxation and social security	—	7,041
Other creditors	1,595	297
Accruals and deferred income	219,989	39,809
	<u>289,070</u>	<u>66,892</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2005

11. DEFERRED TAXATION

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

	2005	2004
	£	£
Excess of taxation allowances over depreciation on fixed assets	13,154	14,548
Tax losses available	73,941	100,965
	<u>87,095</u>	<u>115,513</u>

This deferred tax asset has not been recognised due to uncertainties over the nature and timing of future profits, in accordance with FRS 19.

12. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings	
	2005	2004
	£	£
Operating leases which expire:		
Within 2 to 5 years	<u>82,198</u>	<u>96,188</u>

13. RELATED PARTY TRANSACTIONS

During the year the company earned management fees of £730,735 (2004 – £363,849) from Altedge Capital Management Limited, which is registered in the Bahamas and is the immediate and ultimate parent company. At 31 December 2005, £51,785 (2004 – £nil) was still due to the company and £415,851 (2004 – £191,843) is included in accrued income. The company incurred £16,403 (2004 – £4,162) of introduction fees to Altedge Capital Management Limited during the year. An amount of £3,740 (2004 – £4,162) was outstanding in relation to this at the year end and is included in accruals. In addition, Altedge Capital Management Limited incurred various expenses on behalf of the company during the year. These totalled £1,661 and an amount of £1,928 was outstanding at the year end.

The company received advisory fees of £29,326 (2004 – £47,632) 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. An amount of £6,297 (2004 – £9,191) of this remained outstanding at year end and is included in accrued income.

During the year the company received an amount of £46,800 (2004 – £50,400) in respect of shared use of premises from Iliad Consulting Limited of which S Rumball is a director.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2005

14. SHARE CAPITAL

Authorised share capital:

	2005	2004
	£	£
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 and called up:

	2005		2004	
	No	£	No	£
Ordinary shares fully paid of £1 each	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>

Redeemable non-cumulative preference shares do not carry any right to vote except at a separate class meeting of the preference shareholders and, in accordance with FRS 25, are carried as long term liabilities in the balance sheet. 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 on condition that the redemption does not place the company in breach of their financial requirements.

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005	2004
	£	(restated) £
Profit for the financial year	147,356	2,548
Opening equity shareholders' deficit	(568,371)	(570,919)
Closing equity shareholders' deficit	<u>(421,015)</u>	<u>(568,371)</u>

16. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2005	2004
	£	£
Operating profit/(loss)	135,408	(1,109)
Depreciation	25,933	36,967
Increase in debtors	(251,545)	(170,483)
Increase in creditors	162,179	38,059
Net cash inflow/(outflow) from operating activities	<u>71,975</u>	<u>(96,566)</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2005

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

		2005	2004 <i>(restated)</i>
	£	£	£
Decrease in cash in the period	(88,734)		(43,054)
Cash used to increase liquid resources	<u>151,638</u>		<u>—</u>
		<u>62,904</u>	<u>(43,054)</u>
Change in net debt		62,904	(43,054)
Net debt at 1 January 2005		<u>(915,417)</u>	<u>(872,363)</u>
Net debt at 31 December 2005		<u>(852,513)</u>	<u>(915,417)</u>

18. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2005 <i>(restated)</i>	Cash flows	At 31 Dec 2005
	£	£	£
Net cash:			
Cash in hand and at bank	84,583	122,903	207,486
Overdrafts	—	(59,999)	(59,999)
Less: deposits treated as liquid resources	<u>—</u>	<u>(151,638)</u>	<u>(151,638)</u>
	<u>84,583</u>	<u>(88,734)</u>	<u>(4,151)</u>
Liquid resources:			
Deposits included in cash	<u>—</u>	<u>151,638</u>	<u>151,638</u>
Debt:			
Debt due after 1 year	<u>(1,000,000)</u>	<u>—</u>	<u>(1,000,000)</u>
Net debt	<u>(915,417)</u>	<u>62,904</u>	<u>(852,513)</u>

19. PARENT UNDERTAKING AND CONTROLLING PARTY

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

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