

Altedge Capital (UK) Limited

Report and Accounts
31 December 2007

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COMPANIES HOUSE

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

Thames House
Portsmouth Road
Esher
Surrey
KT10 9AD

Auditor

Rees Pollock
35 New Bridge Street
London
EC4V 6BW

Bankers

Coutts & Company
440 Strand
London
WC2R 0QS

Registered Number

04288208

DIRECTORS' REPORT

The directors present their report and the accounts of the company for the year ended 31 December 2007

Principal activities and business review

Altedge Capital UK Limited ('the Company') is an alternative investment management firm specializing in Fund of Hedge Funds

The results for the company show a pre-tax profit of £12,236 (2006 £65,233) for the year

Future outlook

The directors intend to continue to develop and grow the business

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to financial market risk

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of 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

Directors' responsibilities

The directors are responsible for preparing the accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

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 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

Directors' responsibilities (continued)

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.

Auditor


Each of the persons who is a director at the date of approval of this annual report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

A resolution to re-appoint Rees Pollock as auditors for the ensuing year will be proposed at the annual general meeting.

ON BEHALF OF THE BOARD


X Himmer
Director

5 March 2008



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 of Altedge Capital (UK) Limited for the year ended 31 December 2007 on pages 5 to 15 which have been prepared on the basis of 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 auditor's 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 auditor

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 (United Kingdom Generally Accepted Accounting Practice).

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 whether in our opinion the information given in the Directors' Report is consistent with the accounts. In addition we report to you if, in our opinion, 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 the information specified by law regarding directors' remuneration and other transactions 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended, the accounts have been properly prepared in accordance with the Companies Act 1985, and the information given in the Directors' Report is consistent with the accounts.

Rees Pollock
Chartered Accountants & Registered Auditors

5 March 2008

Altedge Capital (UK) Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2007

	Note	2007 £	2006 £
TURNOVER	2	1,471,863	1,311,017
Cost of sales		(75,035)	(71,671)
GROSS PROFIT		<u>1,396,828</u>	<u>1,239,346</u>
Administrative expenses		(1,471,987)	(1,260,615)
Other operating income		76,650	78,000
OPERATING PROFIT	3	<u>1,491</u>	<u>56,731</u>
Interest receivable		10,756	9,687
Interest payable and similar charges	6	(11)	(1,185)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>12,236</u>	<u>65,233</u>
Tax on profit on ordinary activities	7	–	–
PROFIT FOR THE FINANCIAL YEAR		<u>12,236</u>	<u>65,233</u>

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 15 form part of these accounts

Altedge Capital (UK) Limited

BALANCE SHEET

at 31 December 2007

	Note	£	2007 £	2006 £
FIXED ASSETS				
Tangible assets	8		18,938	22,117
CURRENT ASSETS				
Debtors	9	790,780		837,547
Cash at bank		183,290		123,254
		<u>974,070</u>		<u>960,801</u>
CREDITORS: amounts falling due within one year	10	<u>536,554</u>		<u>538,700</u>
NET CURRENT ASSETS			<u>437,516</u>	<u>422,101</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>456,454</u>	<u>444,218</u>
CREDITORS: amounts falling due after more than one year				
Preference shares	11		—	450,000
CAPITAL AND RESERVES				
Called-up equity share capital	15	850,000		400,000
Profit and loss account	16	<u>(393,546)</u>		<u>(405,782)</u>
SHAREHOLDERS' FUNDS/(DEFICIT)	17		<u>456,454</u>	<u>(5,782)</u>
			<u>456,454</u>	<u>444,218</u>

The accounts on pages 5 to 15 were approved by the board of directors and authorised for issue on 5 March 2008 and signed on its behalf by



X Himmer
Director

The notes on pages 8 to 15 form part of these accounts

Altedge Capital (UK) Limited

CASH FLOW STATEMENT

for the year ended 31 December 2007

	Note	£	2007 £	2006 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	18		60,159	180,320
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received		10,756		9,687
Interest paid		(11)		(1,185)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			10,745	8,502
CAPITAL EXPENDITURE				
Payments to acquire tangible fixed assets		(9,986)		(13,937)
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE			(9,986)	(13,937)
CASH INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING			60,918	174,885
MANAGEMENT OF LIQUID RESOURCES				
Cash placed in short term deposits		100,000		51,638
NET CASH INFLOW FROM MANAGEMENT OF LIQUID RESOURCES			100,000	51,638
FINANCING				
Net outflow from other long-term creditors		—		(200,000)
NET CASH OUTFLOW FROM FINANCING			—	(200,000)
INCREASE IN CASH	19		160,918	26,523

The notes on pages 8 to 15 form part of these accounts

NOTES TO THE ACCOUNTS

for the year ended 31 December 2007

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 services provided during the year, stated net of value added tax. Management fees are recognised monthly on an accruals basis and performance fees are recognised when they crystallise.

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

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.

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.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Accordingly, the redeemable non-cumulative preference shares are disclosed as a financial liability.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2007

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 Bermuda, Malta and Jersey

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting)

	2007	2006
	£	£
Depreciation of owned fixed assets	13,165	9,783
Auditor's remuneration		
- as auditor	7,000	7,000
- for other services	9,251	15,950
Operating lease costs		
- land and buildings	114,143	98,949
Net profit on foreign currency translation	(844)	-

Other services paid to the company's auditors comprise £nil (2006 - £2,500) in connection with other services pursuant to legislation, £1,500 (2006 - £1,500) in relation to taxation and £7,751 (2006 - £11,950) in respect of all other services

4. PARTICULARS OF EMPLOYEES

The average number of persons employed by the company during the financial year, including the directors, amounted to 10 (2006 - 8)

The aggregate payroll costs of the above were

	2007	2006
	£	£
Wages and salaries	970,349	800,694
Social security costs	118,425	98,437
Other pension costs	12,937	11,871
	<u>1,101,711</u>	<u>911,002</u>

5. DIRECTORS' EMOLUMENTS

	2007	2006
	£	£
Emoluments	<u>555,731</u>	<u>603,824</u>
Value of company pension contributions to money purchase schemes	<u>5,400</u>	<u>4,800</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2007

5. DIRECTORS' EMOLUMENTS *(continued)*

Emoluments of highest paid director

	2007	2006
	£	£
Total emoluments (excluding pension contributions)	219,916	202,273
Value of company pension contributions to money purchase schemes	2,700	2,400
	<u>222,348</u>	<u>204,673</u>

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

	2007	2006
	No	No
Money purchase schemes	<u>2</u>	<u>2</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2007	2006
	£	£
Interest payable on bank borrowing	<u>11</u>	<u>1,185</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 19.75% (2006 - 19%)

	2007	2006
	£	£
Profit on ordinary activities before taxation	<u>12,236</u>	<u>65,233</u>
Profit on ordinary activities multiplied by rate of tax	2,417	12,394
Expenses not deductible for tax purposes	1,277	1,381
Timing differences relating to fixed assets	(1,827)	(3,584)
Timing differences relating to brought forward tax losses	<u>(1,867)</u>	<u>(10,191)</u>
Total current tax	<u>-</u>	<u>-</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2007

8. TANGIBLE FIXED ASSETS

	Fixtures & Fittings £	Equipment £	Total £
Cost			
At 1 January 2007	77,764	50,095	127,859
Additions	1,167	8,819	9,986
At 31 December 2007	<u>78,931</u>	<u>58,914</u>	<u>137,845</u>
Depreciation			
At 1 January 2007	70,136	35,606	105,742
Charge for the year	3,355	9,810	13,165
At 31 December 2007	<u>73,491</u>	<u>45,416</u>	<u>118,907</u>
Net book value			
At 31 December 2007	<u>5,440</u>	<u>13,498</u>	<u>18,938</u>
At 31 December 2006	<u>7,628</u>	<u>14,489</u>	<u>22,117</u>

9. DEBTORS

	2007 £	2006 £
Trade debtors	13,395	—
Amounts owed by group undertakings	—	58,657
Other debtors	88,665	97,547
Prepayments and accrued income	688,720	681,343
	<u>790,780</u>	<u>837,547</u>

Included within other debtors is £82,198 (2006 - £82,198) relating to rent deposits repayable in more than one year

10. CREDITORS amounts falling due within one year

	2007 £	2006 £
Bank loans and overdrafts	—	882
Trade creditors	6,602	4,743
Amounts owed to group undertakings	13,715	—
Other taxation and social security	23,278	14,240
Other creditors	2,997	8,510
Accruals and deferred income	489,962	510,325
	<u>536,554</u>	<u>538,700</u>

11. CREDITORS amounts falling due after more than one year

	2007 £	2006 £
Redeemable preference shares (see note 15)	<u>—</u>	<u>450,000</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2007

12. DEFERRED TAXATION

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

	2007	2006
	£	£
Excess of taxation allowances over depreciation on fixed assets	7,570	9,570
Tax losses available	63,848	63,749
	<u>71,418</u>	<u>73,319</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

13. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as set out below

	Land & Buildings	
	2007	2006
	£	£
Operating leases which expire		
Within 1 year	26,298	–
Within 2 to 5 years	–	105,190
	<u>26,298</u>	<u>105,190</u>

14. RELATED PARTY TRANSACTIONS

During the year the company earned management fees of £1,275,476 (2006 £1,175,823) from Altedge Capital Management Limited, which is registered in Malta and is the immediate and ultimate parent company. At 31 December 2007, £13,715 was due to (2006 £59,105 was due from) Altedge Capital Management Limited and £589,834 (2006 £592,396) is included in accrued income. The company incurred £16,654 (2006 £18,126) of introduction fees to Altedge Capital Management Limited during the year. An amount of £2,957 (2006 £5,989) was outstanding in relation to this at the balance sheet date and is included in accruals.

During the year the company received an amount of £45,600 (2006 £45,600) in respect of shared use of premises from Iliad Consulting Limited of which S Rumball is a director. An amount of £11,400 (2006 £nil) is included within accruals and deferred income in note 10 in respect of amounts invoiced in advance.

NOTES TO THE ACCOUNTS

for the year ended 31 December 2007

15. SHARE CAPITAL

Authorised share capital

	2007	2006
	£	£
2,000,000 Ordinary shares of £1 each	2,000,000	1,350,000
650,000 Preference shares of £1 each	–	650,000
	<u>2,000,000</u>	<u>2,000,000</u>

Allotted and called up

	2007		2006	
	No	£	No	£
Ordinary shares fully paid of £1 each	<u>850,000</u>	<u>850,000</u>	<u>400,000</u>	<u>400,000</u>

On 1 May 2007 the company amended its Articles of Association such that the authorised ordinary share capital was increased by £650,000 and the authorised preference share capital was decreased by the same amount. Concurrently, the company converted 450,000 redeemable non-cumulative preference shares into 450,000 ordinary shares.

16. PROFIT AND LOSS ACCOUNT

	2007	2006
	£	£
Balance brought forward	(405,782)	(471,015)
Profit for the financial year	12,236	65,233
Balance carried forward	<u>(393,546)</u>	<u>(405,782)</u>

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007	2006
	£	£
Profit for the financial year	12,236	65,233
New ordinary share capital subscribed	<u>450,000</u>	<u>350,000</u>
Net addition to shareholders' funds	462,236	415,233
Opening shareholders' deficit	<u>(5,782)</u>	<u>(421,015)</u>
Closing shareholders' funds/(deficit)	<u>456,454</u>	<u>(5,782)</u>

NOTES TO THE ACCOUNTS

for the year ended 31 December 2007

**18. RECONCILIATION OF OPERATING PROFIT TO
NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2007	2006
	£	£
Operating profit	1,491	56,731
Depreciation	13,165	9,783
Decrease/(increase) in debtors	46,767	(194,941)
(Decrease)/increase in creditors	(1,264)	308,747
Net cash inflow from operating activities	<u>60,159</u>	<u>180,320</u>

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

	2007	2006
	£	£
Increase in cash in the period	160,918	26,523
Share repurchase	—	200,000
Cash used to decrease liquid resources	<u>(100,000)</u>	<u>(51,638)</u>
	60,918	174,885
Non-cash share conversion	450,000	350,000
Change in net funds	510,918	524,885
Net debt at 1 January 2007	<u>(327,628)</u>	<u>(852,513)</u>
Net funds at 31 December 2007	<u>183,290</u>	<u>(327,628)</u>

20. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Jan 2007	Cash flows	Non-cash movement	At 31 Dec 2007
	£	£	£	£
Net cash				
Cash in hand and at bank	123,254	60,036	—	183,290
Overdrafts	(882)	882	—	—
Less deposits treated as liquid resources	<u>(100,000)</u>	<u>100,000</u>	<u>—</u>	<u>—</u>
	22,372	160,918	—	183,290
Liquid resources				
Deposits included in cash	<u>100,000</u>	<u>(100,000)</u>	<u>—</u>	<u>—</u>
Debt				
Debt due after 1 year	<u>(450,000)</u>	<u>—</u>	<u>450,000</u>	<u>—</u>
Net funds	<u>(327,628)</u>	<u>60,918</u>	<u>450,000</u>	<u>183,290</u>

Non-cash movements relate to the conversion of 450,000 redeemable non-cumulative preference shares of £1 each to 450,000 ordinary shares of £1 each

NOTES TO THE ACCOUNTS

for the year ended 31 December 2007

21. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate and ultimate parent undertaking is Altedge Capital Management Limited, a company registered in Malta

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