

4470767

## **London Diversified Fund Management (UK) Limited**

### **Report and Financial Statements**

31 August 2004

 **ERNST & YOUNG**



Registered No: 04470767

**Directors**

R C Standing  
M B Corbett  
D M Gorton

**Secretary**

Throgmorton Secretaries Limited

**Auditors**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

**Bankers**

Barclays Bank plc  
155 Bishopsgate  
London  
EC2M 3XA

**Solicitors**

Simmons & Simmons  
CityPoint  
1 Ropemaker Street  
London  
EC2Y 9SS

**Registered Office**

42 Portman Road  
Reading  
RG30 1EA

## Directors' report

The directors present their report and the audited financial statements for the year ended 31 August 2004.

### Principal activity

The principal activity of the company is that of a service company.

### Results and dividends

The results for the year are shown in the profit and loss account on page 5. The directors do not propose payment of an ordinary dividend.

### Directors

The directors of the company during the year were:

R C Standing  
M B Corbett  
D M Gorton

No director held any interest in the share capital of the company.

### Charitable donations

During the year, the company made various charitable donations totalling £223,450.

### 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

20 December 2004

## **Statement of directors' responsibilities in respect of the financial statements**

Company law requires the directors to prepare financial statements for each financial period 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 financial statements, 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 financial statements 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 financial statements 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 London Diversified Fund Management (UK) Limited

We have audited the company's financial statements for the year ended 31 August 2004 which comprise Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, and the related notes 1 to 17. These financial statements 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 financial statements in accordance with applicable United Kingdom law and accounting standards.

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

We report to you our opinion as to whether the financial statements 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 financial statements, 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 director's 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.

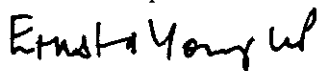
**Basis of audit opinion**

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 August 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
London

20 December 2004

## Profit and loss account

for the year ended 31 August 2004

		<i>Year ended 31 August 2004</i>	<i>From date of incorporation to 31 August 2003</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
<b>Turnover</b>			
Profit share from London Diversified Fund Management LLP		29,583,021	55,563,634
Consultancy fees		42,351	2,125,000
Expenses reimbursement from London Diversified Management LLP		2,821,913	1,404,412
		<u>32,447,285</u>	<u>59,093,046</u>
Administrative expenses		(32,202,045)	(55,369,247)
<b>Operating profit</b>	3	<u>245,240</u>	<u>3,723,799</u>
Bank interest receivable		102,690	38,195
<b>Profit on ordinary activities before taxation</b>		<u>347,930</u>	<u>3,761,994</u>
Taxation on profit on ordinary activities	6	(137,165)	(1,205,535)
<b>Profit for the financial year</b>	12	<u><u>210,765</u></u>	<u><u>2,556,459</u></u>

### Total statement of total recognised gains and losses

There were no other recognised gains or losses in the year.

## Balance sheet

at 31 August 2004

	Notes	2004 £	2003 £
<b>Fixed assets</b>			
Tangible assets	7	876,114	181,863
Investments	8	1,901,000	401,000
Corporate employee trust assets	15	51,500,000	51,500,000
		<u>54,277,114</u>	<u>52,082,863</u>
<b>Current assets</b>			
Debtors	9	12,297,789	1,655,981
Cash at bank and in hand		12,944,261	1,831,734
		<u>25,242,050</u>	<u>3,487,715</u>
<b>Creditors: amounts falling due within one year</b>	10	25,251,939	1,514,118
<b>Net current (liabilities)/assets</b>		<u>(9,889)</u>	<u>1,973,597</u>
<b>Total assets less current liabilities</b>		<u>54,267,225</u>	<u>54,056,460</u>
<b>Provisions for liabilities and charges</b>			
Corporate employee trust	15	51,500,000	51,500,000
		<u>2,767,225</u>	<u>2,556,460</u>
<b>Capital and reserves</b>			
Called up share capital	11	1	1
Profit and loss account	12	2,767,224	2,556,459
<b>Total shareholders' funds</b>	12	<u>2,767,225</u>	<u>2,556,460</u>

Signed on behalf of the Board



Director

20 December 2004

## Statement of cash flows

for the year ended 31 August 2004

		Year ended 31 August 2004	From date of incorporation to 31 August 2003
	Notes	£	£
<b>Net cash inflow from operating activities</b>	13 (a)	14,783,480	2,427,205
<b>Returns on investments and servicing of finance</b>	13 (b)	102,690	38,195
<b>Capital expenditure and investing activities</b>	13 (b)	(1,937,379)	(633,666)
<b>Taxation</b>		(1,836,264)	—
<b>Increase in cash</b>	13 (c)	11,112,527	1,831,734



## Notes to the financial statements

at 31 August 2004

### 1. Accounting policies

#### Basis of accounting

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

#### Tangible fixed assets

All fixed assets are recorded at cost.

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Computer and office equipment	-	3 years straight line
Motor vehicles	-	5 years straight line

#### Investments

Investments are held at cost less provision for any permanent diminution in value.

#### Foreign currencies

Assets and liabilities denominated in foreign currency are translated into sterling at the rates of exchange ruling at 31 August. All currency differences are taken to the profit and loss account.

#### Leases and hire purchase contracts

Rentals paid under operating leases are charged to the profit and loss account as incurred. The value of any rent free periods are amortised over the life of the lease.

#### Deferred tax

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided using the liability method on all timing differences, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

#### Pensions

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

### 2. Turnover

Turnover represents fees received and receivable under a profit sharing agreement with London Diversified Fund Management LLP and a Consultancy Agreement with JP Morgan Europe Limited. All fees arise in the UK.

## Notes to the financial statements

at 31 August 2004

### 3. Operating profit

	<i>Year ended 31 August 2004</i>	<i>From date of incorporation to 31 August 2003</i>
	£	£
Profit on ordinary activities is stated after charging:		
Depreciation of tangible fixed assets (note 7)	243,128	51,187
Gain on disposal of tangible fixed assets	—	384
Auditors' remuneration - audit services	5,000	5,000
- non audit services	126,191	157,196
Operating lease rental - property	227,641	25,000
Foreign exchange losses	618,584	258,646
Contribution to corporate employee trust	—	51,500,000
Contribution to employee bonus pool	25,000,000	—

### 4. Staff costs

	<i>Year ended 31 August 2004</i>	<i>From date of incorporation to 31 August 2003</i>
	£	£
Wages and salaries	3,197,456	2,035,095
Social security costs	400,192	238,384
Pensions	232,620	—
	<u>3,830,268</u>	<u>2,273,479</u>

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

	<i>Year ended 31 August 2004</i>	<i>From date of incorporation to 31 August 2003</i>
	No.	No.
Administration	19	7

### 5. Directors' emoluments

	<i>Year ended 31 August 2004</i>	<i>From date of incorporation to 31 August 2003</i>
	£	£
Emoluments	317,800	1,174,151

#### Corporate employee trust

In accordance with the terms of the corporate employee trust (disclosed in note 15), amounts payable are at the discretion of the trustees. Until such time as an allocation is made, amounts payable to directors are uncertain, and have not been included in the above emoluments.

## Notes to the financial statements

at 31 August 2004

### 5. Directors' emoluments (continued)

#### Employee bonus pool

As disclosed in note 15, the company has provided for a payment of £25,000,000 into an employee bonus pool. The directors are committed to utilising this pool in full although specific payments from this pool are at the discretion of the directors and are to be communicated to employees by 30 May 2005. Until such time as an allocation is made, amounts payable to directors are uncertain, and have not been included within directors' emoluments above.

The amounts paid in respect of the highest paid director are as follows:

	<i>Year ended 31 August 2004 £</i>	<i>From date of incorporation to 31 August 2003 £</i>
Emoluments	79,115	572,943

### 6. Taxation

#### (a) Tax on profit on ordinary activities:

	<i>Year ended 31 August 2004 £</i>	<i>From date of incorporation to 31 August 2003 £</i>
The tax charge is made up as follows:		
UK corporation tax on profits of the year	132,415	1,205,535
Adjustments in respect of prior periods	4,750	—
Total current tax	137,165	1,205,535

#### (b) Factors affecting the tax charge for the year:

Profit on ordinary activities before taxation	347,930	3,761,994
Corporation tax at 30% (2003 – 30%)	104,379	1,128,598
Effect of:		
Disallowed expenses and non taxable income	—	89,087
Adjustment in respect of partnership interest	35,810	—
Capital allowances in excess of depreciation	—	(12,150)
Marginal relief	(7,774)	—
Adjustments to tax charge in respect of previous periods	4,750	—
	137,165	1,205,535

#### (c) Factors that may affect future tax charges:

There is no material unprovided deferred tax.

## Notes to the financial statements

at 31 August 2004

### 7. Tangible fixed assets

	<i>Leasehold improvements</i>	<i>Furniture and fittings</i>	<i>Office equipment</i>	<i>Computer and office equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£	£	£	£
Cost:						
At 31 August 2003	—	—	—	171,982	60,184	232,166
Additions	371,929	233,928	205,086	125,280	1,156	937,379
At 31 August 2004	371,929	233,928	205,086	297,262	61,340	1,169,545
Depreciation:						
At 31 August 2003	—	—	—	38,267	12,036	50,303
Charge for the year	65,481	34,367	49,510	81,734	12,036	243,128
At 31 August 2003	65,481	34,367	49,570	120,001	24,072	293,431
Net book value:						
At 31 August 2004	306,448	199,561	155,576	177,261	37,268	876,114
At 31 August 2003	—	—	—	133,715	48,148	181,863

### 8. Fixed asset investments

	<i>Unlisted investments</i>
	£
Cost	
At 31 August 2003	401,000
Additions	1,500,000
At 31 August 2004	1,901,000

The investment represents the capital contributions made to London Diversified Fund Management LLP.

### 9. Debtors: amounts falling due within one year

	<i>2004</i>	<i>2003</i>
	£	£
Amounts due from London Diversified Fund Management LLP	11,206,807	1,490,255
Other debtors	363,764	44,754
VAT recoverable	55,554	23,363
Prepayments	178,100	78,903
Payments received on account	—	18,706
Corporation tax debtor	493,564	—
	12,297,789	1,655,981

Included within other debtors is an amount of £262,554 relating to a rent deposit which is receivable in more than one year.

## Notes to the financial statements

at 31 August 2004

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

	2004	2003
	£	£
Trade creditor	94,867	—
Director's current account	—	280,000
Accruals	25,005,000	28,583
Corporation tax creditor	—	1,205,535
Other creditors	152,072	—
	<u>25,251,939</u>	<u>1,514,118</u>

### 11. Called up share capital

	2004	Authorised	2004	Issued and
	No.	2003	£	fully paid
		No.		2003
			£	£
Ordinary shares of £1 each	1,000,000	1,000,000	1	1

### 12. Reconciliation of Shareholders' funds and movements on reserves

	Share	Profit and	Total
	capital	loss account	shareholders'
	£	£	funds
			£
At 31 August 2003	1	2,556,459	2,556,460
Retained profit for the year	—	210,765	210,765
At 31 August 2004	<u>1</u>	<u>2,767,224</u>	<u>2,767,225</u>

### 13. Notes to statement of cash flows

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

	Year ended	Date of
	31 August	incorporation
	2004	to 31 August
	£	2003
		£
Operating profit	245,240	3,723,799
Depreciation	243,128	51,187
Gain on disposal of fixed assets	—	(384)
Increase in debtors	(10,148,244)	(1,655,980)
Increase in creditors	24,443,356	308,583
	<u>14,783,480</u>	<u>2,427,205</u>

## Notes to the financial statements

at 31 August 2004

### 13. Notes to statement of cash flows (continued)

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

	2004	2003
	£	£
<b>Returns on investments and servicing of finance:</b>		
Interest received	102,690	38,195
	<u>          </u>	<u>          </u>
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible fixed assets	(937,379)	(285,166)
Receipts from sales of tangible fixed assets	—	52,500
Payments to acquire fixed asset investments	(1,000,000)	(401,000)
	<u>(1,937,379)</u>	<u>(633,666)</u>

(c) Analysis of changes in cash

	<i>At</i> <i>31 August</i> <i>2003</i>	<i>Cash</i> <i>flows</i>	<i>At</i> <i>31 August</i> <i>2004</i>
	£	£	£
Cash at bank	1,831,734	11,112,527	12,944,261

### 14. Operating lease commitments

At 31 August 2003 the company was committed to making the following annual payments of operating leases:

	2004	2003
	£	£
Leases which expire:		
Less than one year	—	20,592
Greater than five years	223,450	27,931
	<u>223,450</u>	<u>48,523</u>

All of the above commitments relate to land and buildings.

### 15. Corporate Employee Trust and employee bonus pool

A Corporate Employee Trust was set up during the previous period for the principal benefit of existing and future employees.

In accordance with FRS 5 'Reporting the substance of the transaction', the company reflected both the rights, an asset of £51,500,000 and an equivalent obligation, in respect of the trust at the period end. The asset has been reflected within investments and the obligation as a provision for liabilities and charges.

During the year the company established a constructive obligation for the payment of £25,000,000 to an employee bonus pool, and included an accrual for that amount as at 31 August 2004.

## Notes to the financial statements

at 31 August 2004

### 16. Related party transactions

The company is a member of London Diversified Fund Management LLP, a limited liability partnership registered in England and Wales, whose registered office is 42 Portman Road, Reading, RG30 1EA.

Expense reimbursements and profit share income received from London Diversified Fund Management LLP are disclosed on the face of the profit and loss account. Amounts outstanding at the year end are disclosed in note 9.

A loan of £280,000 was repaid to the company by D M Gorton on 10 May 2004. Interest has been paid during the year on this loan amounting to £7,176 (2003 - £9,975).

### 17. Ultimate parent undertaking

The company is a wholly-owned subsidiary of London Diversified Fund Management International Limited, a company incorporated in the Cayman Islands.