

# **Millgate Capital (London) LLP**

## **Report and Financial Statements**

For the year ended 30 April 2007

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# Millgate Capital (London) LLP

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Registered No OC301967

## **Members**

Millgate Capital Inc  
M Woodcock

## **Auditors**

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

## **Bankers**

C Hoare & Co  
37 Fleet Street  
London EC4P 4DQ

## **Solicitors**

Dechert LLP  
2 Serjeants' Inn  
London EC4Y 1LT

## **Registered Office**

Whitefriars House  
6 Carmelite Street  
London EC4Y OBS

## Members' Report

The members present their report and annual financial statements for the year ended 30 April 2007

### Principal activity and review of the business

The principal activity of the partnership is to provide investment management services

### Results and distributions

The results for the year are shown in the profit and loss account on page 6. The partnership's balance sheet as detailed on page 7 shows a satisfactory position with members' interests amounting to £1,147,662 (2006 - £1,310,182)

### Members' profit allocation

Any profits are shared among the members as decided by the members and governed by the Partnership Agreement dated 21 August 2002

### Policy for members' drawings, subscriptions and repayments of members' capital

Policies for members' drawings, subscriptions and repayment of members' capital are governed by the Partnership Agreement dated 21 August 2002

### Members

The members of the LLP during the year were as follows

Millgate Capital Inc  
M Woodcock

All members are Founding and Designated members

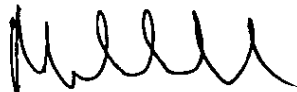
### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members

So far as the members are aware, there is no relevant audit information of which the auditors are unaware. The members have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of this information.

By order of the members

Member



Date

28/8/07

## **Statement of Designated Members' responsibilities in respect of the financial statements**

The Designated Members are responsible for preparing the annual report and financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

The Partnership Agreement requires the Designated Members to prepare financial statements for each financial year. In preparing those financial statements, the Designated Members have undertaken 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 partnership will continue in business

The Designated members are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the LLP and to ensure that the financial statements comply with the Partnerships Regulations 2001 made under the Limited Liability Partnerships Act 2000. The Managing member is responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

## **Independent auditors' report**

**to the members of Millgate Capital (London) LLP**

We have audited the financial statements of Millgate Capital (London) LLP (the "LLP") for the year ended 30 April 2007 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Statement of Cash Flows and the related notes 1 to 13. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the partnership's members, as a body, in accordance with the Limited Liability Partnership Act 2000. Our audit work has been undertaken so that we might state to the partnership'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 partnership and the partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of designated members and auditors**

As described in the Statement of Designated Members' Responsibilities the Designated Members are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements 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 financial statements give a true and fair view and are properly prepared in accordance with the Partnerships Regulations 2001 made under the Limited Liability Partnerships Act 2000. We also report to you if, in our opinion, the partnership has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Members' 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the Designated Members in the preparation of the financial statements and whether the accounting policies are appropriate to the partnership'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.

**Independent auditors' report**  
to the members of Millgate Capital (London) LLP

**Opinion**

In our opinion

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the LLP as at 30 April 2007 and of its profit for the year then ended, and
- the financial statements have been properly prepared in accordance with the Limited Liability Partnerships Regulations 2001

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
London

Date 28/8/07

## Profit and loss account

for the year ended 30 April 2007

	<i>Note</i>	<i>2007</i> £	<i>2006</i> £
<b>Turnover</b>			
Management fees	2	8,033,813	5,563,234
Other income		—	333,972
<b>Expenses</b>			
Administration expenses		(4,009,865)	(1,786,586)
<b>Operating profit</b>	3	4,023,948	4,110,620
Interest receivable		23,951	22,591
<b>Profit for the financial year available for discretionary division among members</b>		<u>4,047,899</u>	<u>4,133,211</u>

All amounts are in respect of continuing activities

## Statement of total recognised gains and losses

There were no recognised gains or losses in the year other than the profit for the year

# Balance sheet

at 30 April 2007

	Notes	2007 £	2006 £
<b>Fixed assets</b>			
Tangible assets	6	95,450	102,343
<b>Current assets</b>			
Debtors	7	550,994	915,010
Cash and bank balances		522,888	323,969
		<u>1,073,882</u>	<u>1,238,979</u>
<b>Current liabilities</b>			
Creditors amounts falling due within one year	8	(21,670)	31,140
<b>Net current assets</b>		<u>1,052,212</u>	<u>1,207,839</u>
<b>Total assets less current liabilities</b>		<u>1,147,662</u>	<u>1,310,182</u>
<b>Net assets attributable to members represented by</b>			
<b>Loans and other debts due to members within one year</b>			
Members' capital classified as a liability under FRS 25	9	19,290	19,290
<b>Equity</b>			
Members' other interests – other reserves classified as equity under FRS 25	9	1,128,372	1,290,892
		<u>1,147,662</u>	<u>1,310,182</u>
<b>Total members' interests</b>			
Loans and others debts due to members	9	19,290	19,290
Members' other interests	9	1,128,372	1,290,892
		<u>1,147,662</u>	<u>1,310,182</u>

The financial statements on pages 6 to 13 were approved by the Members on

28/8/07 2007

For and on behalf of the Members



## Statement of cash flows

for the year ended 30 April 2007

	<i>Notes</i>	<i>2007</i> £	<i>2006</i> £
<i>Net cash inflow from operating activities</i>	10 (a)	4,398,261	3,645,049
<i>Returns on investments and servicing of finance</i>	10 (b)	23,951	22,591
<i>Capital expenditure</i>	10 (b)	(12,874)	(52,165)
<i>Transactions with members</i>	10 (b)	(4,210,419)	(3,666,527)
<i>Increase/(decrease) in cash</i>	10 (c)	<u>198,919</u>	<u>(51,052)</u>

## Notes to the financial statements

at 30 April 2007

### 1 Accounting policies

#### Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost convention and in accordance with the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships' (SORP) issued in March 2006

#### Expenses

All expenses are accounted for on an accruals basis

#### Fixed assets

All fixed assets are stated at cost less depreciation

#### Depreciation

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

Office equipment - 3 years  
Leasehold improvements - 10 years

It is the policy of the LLP not to depreciate assets in the year of acquisition

#### Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account

#### Leasing commitments

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

#### Taxation

No provision has been made in the financial statements. Each partner is exclusively liable for any tax liability arising out of their interest in the Partnership, which will be assessed on the individual partners and not on the Partnership

### 2. Turnover

Turnover, which is stated net of value added tax, represents fees receivable for investment management services provided during the year and arising from continuing activities in the UK. All fees are recognised on a receivable basis. Turnover in the year arose from the supply of services to the United States of America

### 3. Operating profit

This is stated after charging

	2007	2006
	£	£
Depreciation	19,767	12,591
Auditors' remuneration		
Audit services	15,000	14,500
Operating lease rentals – equipment		499
Operating lease rentals – land and buildings	128,578	68,597
	<u>142,345</u>	<u>73,687</u>

## Notes to the financial statements

at 30 April 2007

### 4. Staff costs

	2007	2006
	£	£
Employee costs during the year		
Wages and salaries	2,489,396	727,368
Social security costs	283,565	86,676
Pension costs	28,000	26,833
	<u>2,800,961</u>	<u>840,877</u>

The average monthly number of persons employed by the Partnership excluding members during the year by category was

	2007	2006
	No	No
Investment management	4	3
Administration	1	1
	<u>5</u>	<u>4</u>

### 5. Members' remuneration

	2007	2006
	£	£
Profit for the financial year before members' remuneration and profit share	4,047,899	4,133,211
Profit for the financial year available for division among members	<u>4,047,899</u>	<u>4,133,211</u>
Profit in respect of the highest paid member during the year	<u>4,210,419</u>	<u>3,666,527</u>

The average number of members during the year was 2 (2006 – 2)

## Notes to the financial statements

at 30 April 2007

### 6. Tangible fixed assets

	<i>Leasehold improvements</i>	<i>Office equipment</i>	<i>Total</i>
	£	£	£
Cost			
At 1 May 2006	86,786	54,622	141,408
Additions	–	12,874	12,874
At 30 April 2007	86,786	67,496	154,282
Depreciation			
At 1 May 2006	25,297	13,768	39,065
Provided during the year	6,149	13,618	19,767
At 30 April 2007	31,446	27,386	58,832
Net book value			
At 30 April 2007	55,340	40,110	95,450
At 1 May 2006	61,489	40,854	102,343

### 7. Debtors

	<i>2007</i>	<i>2006</i>
	£	£
Accrued management fees	483,976	831,210
Prepayments	43,372	71,205
Other debtors	23,646	12,595
	550,994	915,010

Included within prepayments is a rent deposit, of £34,523 (2006 - £47,577), which is recoverable after more than one year

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

	<i>2007</i>	<i>2006</i>
	£	£
Trade creditors	13,392	3,240
Accruals	8,058	27,900
Other creditors	220	–
	21,670	31,140

## Notes to the financial statements

at 30 April 2007

### 9. Reconciliation of movements in members' other and members' total interests

	<i>Other reserves</i>	<i>Total Members' other interests</i>	<i>Loans and other debts due to members</i>	<i>Total</i>
	£	£	£	£
At 30 April 2005	824,208	824,208	19,290	843,498
Profit for the year	4,133,211	4,133,211	–	4,133,211
Allocations	(3,666,527)	(3,666,527)	3,666,527	–
Distributions	–	–	(3,666,527)	(3,666,527)
At 30 April 2006	1,290,892	1,290,892	19,290	1,310,182
Profit for the year	4,047,899	4,047,899	–	4,047,899
Allocation	(4,210,419)	(4,210,419)	4,210,419	–
Distribution	–	–	(4,210,419)	(4,210,419)
As of 30 April 2007	1,128,372	1,128,372	19,290	1,147,662

Amounts due to members are not subordinated

### 10. Notes to the statement of cash flows

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

	<i>2007</i>	<i>2006</i>
	£	£
Operating profit	4,023,948	4,110,620
Depreciation charge	19,767	12,591
Increase in debtors	364,016	(484,989)
Increase in creditors	(9,470)	6,827
	<u>4,398,261</u>	<u>3,645,049</u>

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

	<i>2007</i>	<i>2006</i>
	£	£
<b>Returns on investments and servicing of finance</b>		
Interest received	23,951	22,591
	<u>23,951</u>	<u>22,591</u>
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(12,874)	(52,165)
	<u>(12,874)</u>	<u>(52,165)</u>
<b>Transactions with members</b>		
Distributions	(4,210,419)	(3,666,527)
	<u>(4,210,419)</u>	<u>(3,666,527)</u>

## Notes to the financial statements

at 30 April 2007

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

(c) Analysis of changes in net funds

	<i>At 1 May 2006 £</i>	<i>Cash flows £</i>	<i>At 30 April 2007 £</i>
Cash at bank	323,969	198,919	522,888

(d) Reconciliation of net cash flow to movement in net funds

	<i>2007 £</i>	<i>2006 £</i>
Decrease in cash in the year	198,918	(51,052)
Change in net funds resulting from cash flows	198,918	(51,052)
Net funds at 30 April 2006	323,969	375,021
Net funds at 30 April 2007	522,888	323,969

### 11. Related parties

Millgate Capital (London) LLP is sub-advisor to funds managed by Millgate Capital Inc. All fees earned during the year are from Millgate Capital Inc (see note 2). At 30 April 2007 £483,976 (2006 - £831,210) was receivable from Millgate Capital Inc in respect of management fees.

### 12. Other financial commitments and contingencies

At 30 April 2007 the LLP had annual commitments under non-cancellable operating leases for land and buildings as set out below:

	<i>Land and buildings 2007 £</i>	<i>Land and buildings 2006 £</i>
Operating leases for land and buildings which expire		
Within one year	30,058	3,400
In over five years	100,000	44,177

### 13. Ultimate controlling party

M Woodcock is the controlling party.