


Millgate Capital (London) LLP

Report and Financial Statements

30 April 2003

 **ERNST & YOUNG**



Millgate Capital (London) LLP

Registered No: OC301967

Members

Millgate Capital Inc.
M Woodcock

Auditors

Ernst & Young LLP
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

Bankers

C Hoare & Co
37 Fleet Street
London EC4P 4DQ

Solicitors

Dechert
2 Serjeants' Inn
London EC4Y 1LT

Registered Office

Whitefriars House
6 Carmelite Street
London EC4Y OBS

Members' report

The members present their first report and accounts for the 13 month period ended 30 April 2003.

Incorporation and commencement

Millgate Capital (London) LLP ('LLP') was incorporated on 11 April 2002. The LLP was authorised to conduct investment business by the Financial Services Authority on 29 August 2002.

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 period are shown in the profit and loss account on page 5. The partnership's balance sheet as detailed on page 6 shows a satisfactory position with members' interests amounting to £464,749.

Members' profit allocation

Any profits are shared among the members as decided by the Managing 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 period 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 at the Annual General Meeting.

By order of the members



Member
29 August 2003

29/08/03

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 period ended 30 April 2003 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 14. These accounts have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the members, as a body, in accordance with the Limited Liability Partnership Regulations 2001. 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 LLP and the LLP'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 accounts in accordance with applicable United Kingdom law and 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 Partnerships Regulations 2001 made under the Limited Liability Partnerships Act 2000. We also report to you if, in our opinion, the LLP 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.

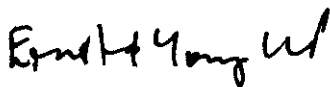
Basis of audit opinion

We conducted our audit in accordance with 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 members in the preparation of the accounts and whether the accounting policies are appropriate to the LLP'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 affairs of the LLP as at 30 April 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Limited Liability Partnerships Regulations 2001 made under the Limited Liability Partnerships Act 2000.



Ernst & Young LLP
Registered Auditor
London

29 August 2003

Statement of Designated Members' responsibilities in respect of the accounts

The Designated members are required to prepare accounts for each financial period. In preparing those accounts, 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 accounts 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 accounts 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.

Profit and loss account

for the period ended 30 April 2003

	<i>Note</i>	<i>Date of incorporation to 30 April 2003 £</i>
Turnover		
Management fees	2	2,073,501
Expenses		
Administration expenses		(433,309)
Operating profit	3	1,640,192
Interest receivable		3,219
Profit before distributions		1,643,411
Distributions to members	5	(1,300,000)
Result after distributions		343,411

Statement of total recognised gains and losses

There were no recognised gains or losses in the period other than the result for the period. All amounts are in respect of continuing activities.

Balance sheet

at 30 April 2003

	Notes	2003 £
Fixed assets		
Tangible assets	6	71,454
Current assets		
Debtors	7	275,943
Cash and bank balances		136,938
		<u>412,881</u>
Current liabilities		
Creditors: amounts falling due within one year	8	19,586
Net current assets		<u>393,295</u>
Total assets less current liabilities		<u>464,749</u>
Members' other interests		
Members' Capital	9	121,339
Other reserves	9	343,410
		<u>464,749</u>

Memorandum of members' total interests

		2003 £
Loans and other debts due to members	9	—
Members' other interests	9	464,749
Members' total interests	9	<u>464,749</u>

The accounts on pages 5 to 13 were approved by the Members on 29 August 2003

For and on behalf of the Members

Mull

29/08/03

Statement of cash flows

for the period from date of incorporation to 30 April 2003

		<i>Date of incorporation to 30 April 2003</i>
	<i>Notes</i>	<i>£</i>
<i>Net cash inflow from operating activities</i>	10 (a)	1,397,492
<i>Returns on investments and servicing of finance</i>	10 (b)	3,219
<i>Capital expenditure</i>		(85,111)
<i>Transactions with members</i>	10 (b)	(1,178,661)
<i>Increase in cash</i>	10 (c)	136,938

Notes to the accounts

at 30 April 2003

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 May 2002.

Fixed assets

All fixed assets are stated at cost.

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
Fixtures and fittings	-	3 years
Leasehold improvements	-	10 years

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.

Pensions

The LLP 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. The assets of the scheme are held separately from those of the LLP in an independently administered fund.

2. Turnover

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

	2003 £
United States	2,073,501

Notes to the accounts

at 30 April 2003

3. Operating profit

This is stated after charging:

	<i>Date of incorporation to 30 April 2003 £</i>
Depreciation	13,657
Auditors' remuneration:	
Audit services	12,000
Non-audit services	6,700
Operating lease rentals – equipment	1,867
Operating lease rentals – land and buildings	70,059
	<hr/>

4. Staff costs

	<i>Date of incorporation to 30 April 2003 £</i>
Employee costs during the period:	
Wages and salaries	118,490
Social security costs	13,263
Pension costs	14,968
	<hr/>
	146,721
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The average monthly number of persons employed by the Partnership excluding members during the period by category was:

	<i>2003 No.</i>
Investment management	1
Administration	1
	<hr/>
	2
	<hr/>

Notes to the accounts

at 30 April 2003

5. Members' remuneration

*From date of
incorporation
to 30 April
2003
£*

Profit for the financial period before members' remuneration and profit share 1,643,411

Profit for the financial period available for division among members 1,643,411

Profit in respect of the highest paid member during the period 1,300,000

The average number of members during the period was 2.

6. Tangible fixed assets

	<i>Leasehold improvements</i>	<i>Office equipment</i>	<i>Fixtures and fittings</i>	<i>Total</i>
	£	£	£	£
Cost:				
At incorporation	—	—	—	—
Additions	63,055	7,559	14,497	85,111
At 30 April 2003	63,055	7,559	14,497	85,111
Depreciation:				
At incorporation	—	—	—	—
Provided during the year	6,305	2,520	4,832	13,657
At 30 April 2003	6,305	2,520	4,832	13,657
Net book value:				
At 30 April 2003	56,750	5,039	9,665	71,454
At incorporation	—	—	—	—

Notes to the accounts

at 30 April 2003

7. Debtors

	2003 £
Prepayments	11,838
Other debtors	34,104
Accrued management fees	230,000
	<u>275,943</u>

Included within other debtors is an rent deposit, of £27,627, which is recoverable after more than one year.

8. Creditors: amounts falling due within one year

	2003 £
Accruals	14,000
Trade creditors	733
Other taxes and social security	4,853
	<u>19,586</u>

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

	<i>Members' capital</i> £	<i>Other reserves</i> £	<i>Total members' other interests</i> £	<i>Loans and other debts due to/(from) members</i> £	<i>Members' total interests</i> £
At date of incorporation	-	-	-	-	-
Capital contribution	350,000	-	350,000	-	350,000
Profit for the period	-	1,643,411	1,643,411	-	1,643,411
Distributions	-	(1,300,000)	(1,300,000)	-	(1,300,000)
Capital repaid to members	(228,661)	-	(228,661)	-	(228,661)
At 30 April 2003	<u>121,339</u>	<u>343,411</u>	<u>464,750</u>	<u>-</u>	<u>464,750</u>

Amounts due to members are not subordinated.

Notes to the accounts

at 30 April 2003

10. Notes to the statement of cash flows

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

	<i>Date of incorporation to 30 April 2003 £</i>
Operating profit	1,640,192
Depreciation charge	13,657
Increase in debtors	(275,943)
Increase in creditors	19,586
	<u>1,397,492</u>

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

	<i>Date of incorporation to 30 April 2003 £</i>
Returns on investments and servicing of finance:	
Interest received	3,219
	<u></u>
Capital expenditure:	
Payments to acquire tangible fixed assets	85,111
	<u></u>
Transactions with members	
Members capital introduced	350,000
Distribution	(1,300,000)
Repayment of capital	(228,661)
	<u>(1,178,661)</u>

(c) Analysis of changes in net funds

	<i>At date of incorporation £</i>	<i>Cash flows £</i>	<i>At 30 April 2003 £</i>
Cash at bank	–	136,938	136,938
	<u></u>	<u></u>	<u></u>

Notes to the accounts

at 30 April 2003

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

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

	<i>Date of incorporation to 30 April 2003 £</i>
Increase in cash in the period	136,938
Change in net funds resulting from cash flows	136,938
Net funds at incorporation	—
Net funds at 30 April 2003	136,938

11. Related parties

Millgate Capital (London) LLP is sub-advisor to funds managed by Millgate Capital Inc. All fees earned during the period are from Millgate Capital Inc. (see note 2). At 30 April 2003, £230,000 was receivable from Millgate Capital Inc in respect of management fees.

On 30 April 2003, Millgate Capital (London) LLP repaid £228,661 of capital to Millgate Capital Inc.

12. Other financial commitments and contingencies

At 30 April 2003 the company had annual commitments under non-cancellable operating leases for land and buildings as set out below:

	<i>Equipment 2003 £</i>	<i>Land and buildings 2003 £</i>
Operating leases for land and buildings which expire:		
Within one year	—	25,800
In two to five years	1,995	—
In over five years	—	47,025

13. Pension commitments

The Millgate Capital (London) LLP operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the LLP in an independently administered fund. There were no unpaid contributions at 30 April 2003.

14. Ultimate controlling party

M Woodcock is the controlling party