

06.05.05

Millgate Capital (London) LLP

Report and Financial Statements

30 April 2004

 ERNST & YOUNG



A06
COMPANIES HOUSE

AAYJ6Y49

0712
31/08/04

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
2 Serjeants' Inn
London EC4Y 1LT

Registered Office

Whitefriars House
6 Carmelite Street
London EC4Y OBS

Members' report

The members present their report and accounts for the year ended 30 April 2004.

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 5. The partnership's balance sheet as detailed on page 6 shows a satisfactory position with members' interests amounting to £978,892 (2003 - £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 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 at the Annual General Meeting.

By order of the members



23. Aug. 04

Member

Statement of Designated Members' responsibilities in respect of the accounts

The Designated members are required to prepare accounts for each financial year. 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.

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

We have audited the accounts of Millgate Capital (London) LLP (the "LLP") for the year ended 30 April 2004 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 LLP'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.

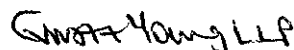
Basis of audit opinion

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 2004 and of its profit for the year 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

Date: 23 August 2004

Profit and loss account

for the year ended 30 April 2004

		<i>Year ended 30 April 2004</i>	<i>Date of incorporation to 30 April 2003</i>
	<i>Note</i>	<i>£</i>	<i>£</i>
Turnover			
Management fees	2	3,388,893	2,073,501
Expenses			
Administration expenses		(730,199)	(433,309)
Operating profit	3	2,658,694	1,640,192
Interest receivable		7,557	3,219
Profit before distributions		2,666,251	1,643,411
Distributions to members	5	(2,050,059)	(1,300,000)
Result after distributions		616,192	343,411

Statement of total recognised gains and losses

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

Balance sheet

at 30 April 2004

	Notes	2004 £	2003 £
Fixed assets			
Tangible assets	6	58,949	71,454
Current assets			
Debtors	7	351,685	275,943
Cash and bank balances		581,797	136,938
		<u>933,482</u>	<u>412,881</u>
Current liabilities			
Creditors: amounts falling due within one year	8	13,539	19,586
Net current assets		<u>919,943</u>	<u>393,295</u>
Total assets less current liabilities		<u>978,892</u>	<u>464,749</u>
Members' other interests			
Members' Capital	9	19,290	121,339
Other reserves	9	959,602	343,410
		<u>978,892</u>	<u>464,749</u>
Memorandum of members' total interests			
		2004 £	2003 £
Loans and other debts due to members	9	—	—
Members' other interests	9	978,892	464,749
Members' total interests	9	<u>978,892</u>	<u>464,749</u>

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

For and on behalf of the Members

[Signature] 23. Aug

Statement of cash flows

for the year ended 30 April 2004

	<i>Year ended</i> <i>30 April</i> <i>2004</i>	<i>Date of</i> <i>incorporation</i> <i>to 30 April</i> <i>2003</i>
<i>Notes</i>	<i>£</i>	<i>£</i>
Net cash inflow from operating activities	10 (a) 2,590,562	1,397,492
Returns on investments and servicing of finance	10 (b) 7,557	3,219
Capital expenditure	(1,152)	(85,111)
Transactions with members	10 (b) (2,152,108)	(1,178,661)
Increase in cash	10 (c) 444,859	136,938

Notes to the accounts

at 30 April 2004

1. Accounting policies

Basis of accounting

The accounts 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 2003.

Fixed assets

All fixed assets are stated at cost less 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
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 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 as follows:

	<i>Year ended</i>	<i>Date of</i>
	<i>30 April</i>	<i>incorporation</i>
	<i>2004</i>	<i>to 30 April</i>
	<i>£</i>	<i>2003</i>
		<i>£</i>
United States	3,388,893	2,073,501

Notes to the accounts

at 30 April 2004

3. Operating profit

This is stated after charging:

	<i>Year ended 30 April 2004 £</i>	<i>Date of incorporation to 30 April 2003 £</i>
Depreciation	13,657	13,657
Auditors' remuneration:		
Audit services	13,000	12,000
Non-audit services	—	6,700
Operating lease rentals – equipment	2,220	1,867
Operating lease rentals – land and buildings	59,378	70,059
	<u> </u>	<u> </u>

4. Staff costs

	<i>Year ended 30 April 2004 £</i>	<i>Date of incorporation to 30 April 2003 £</i>
Employee costs during the year:		
Wages and salaries	251,275	118,490
Social security costs	30,978	13,263
Pension costs	24,500	14,968
	<u> </u>	<u> </u>
	306,753	146,721
	<u> </u>	<u> </u>

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

	<i>Year ended 30 April 2004 No.</i>	<i>Date of incorporation to 30 April 2003 No.</i>
Investment management	1	1
Administration	1	1
	<u> </u>	<u> </u>
	2	2
	<u> </u>	<u> </u>

Notes to the accounts

at 30 April 2004

5. Members' remuneration

	<i>Year ended 30 April 2004 £</i>	<i>Date of incorporation to 30 April 2003 £</i>
Profit for the financial year before members' remuneration and profit share	2,666,251	1,643,411
Profit for the financial year available for division among members	2,666,251	1,643,411
Profit in respect of the highest paid member during the year	2,050,059	1,300,000

The average number of members during the year was 2.

6. Tangible fixed assets

	<i>Leasehold improvements £</i>	<i>Office equipment £</i>	<i>Fixtures and fittings £</i>	<i>Total £</i>
Cost:				
At 1 May 2003	63,055	7,559	14,497	85,111
Additions	–	1,152	–	1,152
At 30 April 2004	63,055	8,711	14,497	86,263
Depreciation:				
At 1 May 2003	6,305	2,520	4,832	13,657
Provided during the year	6,305	2,520	4,832	13,657
At 30 April 2004	12,610	5,040	9,664	27,314
Net book value:				
At 30 April 2004	50,445	3,671	4,833	58,949
At 1 May 2003	56,750	5,039	9,665	71,454

Notes to the accounts

at 30 April 2004

7. Debtors

	2004	2003
	£	£
Prepayments	40,188	11,838
Other debtors	4,306	34,104
Accrued management fees	307,191	230,000
	<u>351,685</u>	<u>275,943</u>

Included within prepayments is a rent deposit, of £27,627, which is recoverable after more than one year.

8. Creditors: amounts falling due within one year

	2004	2003
	£	£
Accruals	13,000	14,000
Trade creditors	539	733
Other taxes and social security	–	4,853
	<u>13,539</u>	<u>19,586</u>

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

	Members' capital	Other reserves	Members' total interests
	£	£	£
At 1 May 2003	121,339	343,410	464,749
Profit for the year	–	2,666,251	2,666,251
Distributions	–	(2,050,059)	(2,050,059)
Repayment of capital	(102,049)	–	(102,049)
At 30 April 2004	<u>19,290</u>	<u>959,602</u>	<u>978,892</u>

Amounts due to members are not subordinated.

Notes to the accounts

at 30 April 2004

10. Notes to the statement of cash flows

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

	<i>Year ended 30 April 2004 £</i>	<i>Date of incorporation to 30 April 2003 £</i>
Operating profit	2,658,694	1,640,192
Depreciation charge	13,657	13,657
Increase in debtors	(75,742)	(275,943)
(Decrease)/increase in creditors	(6,047)	19,586
	<u>2,590,562</u>	<u>1,397,492</u>

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

	<i>Year ended 30 April 2004 £</i>	<i>Date of incorporation to 30 April 2003 £</i>
Returns on investments and servicing of finance:		
Interest received	7,557	3,219
	<u>7,557</u>	<u>3,219</u>
Capital expenditure:		
Payments to acquire tangible fixed assets	1,152	85,111
	<u>1,152</u>	<u>85,111</u>
Transactions with members		
Members capital introduced	—	350,000
Distributions	(2,050,059)	(1,300,000)
Repayment of capital	(102,049)	(228,661)
	<u>(2,152,108)</u>	<u>(1,178,661)</u>

(c) Analysis of changes in net funds

	<i>At 1 May 2003 £</i>	<i>Cash flows £</i>	<i>At 30 April 2004 £</i>
Cash at bank	136,938	444,859	581,797

Notes to the accounts

at 30 April 2004

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

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

	<i>Year ended 30 April 2004 £</i>	<i>Date of incorporation to 30 April 2003 £</i>
Increase in cash in the year	444,859	136,938
Change in net funds resulting from cash flows	444,859	136,938
Net funds at incorporation	136,938	—
Net funds at 30 April 2004	581,797	136,938

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 2004, £307,191 was receivable from Millgate Capital Inc in respect of management fees.

12. Other financial commitments and contingencies

At 30 April 2004 the company had annual commitments under non-cancellable operating leases for land and buildings as set out below:

	<i>Equipment 2004 £</i>	<i>Land and buildings 2004 £</i>	<i>Equipment 2003 £</i>	<i>Land and buildings 2003 £</i>
Operating leases for land and buildings which expire:				
Within one year	1,995	25,800	—	25,800
In two to five years	—	—	1,995	1,995
In over five years	—	47,027	—	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 2004.

14. Ultimate controlling party

M Woodcock is the controlling party.