

# **Montrose Global Capital LLP**

## **Report and Financial Statements**

31 December 2006

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# Montrose Global Capital LLP

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Partnership No: OC310828

## **Designated members**

Peak Finance Partners V, L.P.  
Raymond Eyre

## **Auditors**

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

## **Bankers**

HSBC Bank plc  
94 Kensington High Street  
London  
W8 4SH

## **Solicitors**

Allen & Overy  
One New Change  
London  
EC4M 9QQ

## **Registered office**

43/44 Albemarle Street  
1<sup>st</sup> Floor  
London  
W1S 4JJ

## Designated members' report

The designated members present their report and the financial statements for the year ended 31 December 2006.

### Principal activities and business review

Montrose Global Capital LLP was incorporated on 30 December 2004. Its principal activity is the provision of portfolio management and leasing advisory services to institutional investors.

Following the restructuring of the Montrose Group on 30 June 2005, under which the partnership acquired Montrose & Company International Limited and Montrose Financing Services Limited, the consolidated financial statements have been prepared under the provisions of FRS 6 on a merger accounting basis. Accordingly, the consolidated financial statements have been prepared to show the group as if the combining entities had always been members of the group. However, as at 31 December 2006 both of these companies were in voluntary liquidation with final clearance to close on the liquidations for each company being 20 February 2007.

Montrose Global Capital LLP is still in negotiation with Bank of America regarding the new Partnership Agreement and have received a second draft of this agreement.

In the opinion of the members, the state of Montrose Global Capital LLP's affairs at 31 December 2006 is satisfactory.

### Designated members

The following were designated members during the year:

Peak Finance Partners V, L.P.  
Raymond Eyre

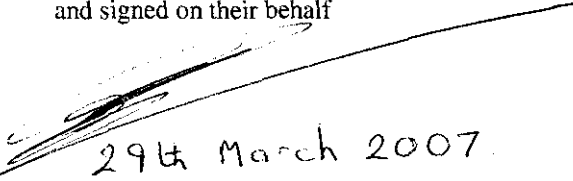
### Policy with respect to members' drawings and subscriptions and repayment of members' capital

Members are permitted to make drawings once the profit is determined. Drawings cannot exceed a member's profit share.

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

Approved by the designated members  
and signed on their behalf



29th March 2007

Designated Member

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

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

The Limited Liability Partnerships ("LLP") Regulations 2001 made under the Limited Liability Partnerships Act 2000 require the members to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the limited liability partnership and of the group and of the profit or loss of the group and LLP for that year.

In preparing those financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

Under LLP regulations, the members are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with those regulations. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members' responsibilities set out above are discharged by the designated members.

## **Independent auditors' report**

### **to the members of Montrose Global Capital LLP**

We have audited the group's financial statements for the year ended 31 December 2006 which comprise the Consolidated Profit and Loss Account, Partnership Profit and Loss Account, Consolidated Balance Sheet, Partnership Balance Sheet, Consolidated Statement of Total Recognised Gains and Losses, Partnership Statement of Total Recognised Gains and Losses, Reconciliation of Membership Interests – Group, Reconciliation of Membership Interests – Partnership, and the related notes 1 to 14. These financial statements 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 Partnerships Regulations 2001 made under the Limited Liability Partnerships Act 2000. Our audit work has been undertaken so that we might state to the 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As described in the Statement of Members' Responsibilities the members 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 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 Limited Liability 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 Designated 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 members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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 Montrose Global Capital LLP (continued)**

### **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 and of the group as at 31 December 2006 and of the group loss and limited liability partnership 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

*30 March 2007*

## Consolidated profit and loss account

for the year ended 31 December 2006

	Notes	2006 £	2005 £
<b>Turnover</b>	2	1,822,369	2,425,468
Administrative expenses		(1,552,891)	(1,737,145)
<b>Operating profit</b>	3	269,478	688,323
Other interest receivable and similar income		79,946	23,260
Interest payable and similar charges		(182)	-
<b>Profit before taxation</b>		349,242	711,583
Taxation	6	-	(5,768)
<b>Profit for the financial year before members' remuneration and profit share</b>		349,242	705,815
Members' remuneration charged as an expense		(436,279)	(494,892)
<b>Retained (loss)/profit for the year available for discretionary division amongst members</b>		(87,037)	210,923

All of the above results are derived from continuing operations.

## Consolidated statement of total recognised gains and losses

There are no recognised gains or losses during the financial year other than as stated in the profit and loss account above.

## Partnership profit and loss account

for the year ended 31 December 2006

	Notes	2006 £	2005 £
<b>Turnover</b>	2	1,441,950	495,427
Administrative expenses		(1,568,123)	(566,122)
<b>Operating loss</b>	3	(126,173)	(70,695)
Exceptional item	9	805,711	-
<b>Profit/(loss) on ordinary activities before interest</b>		679,538	(70,695)
Other interest receivable and similar income		48,982	2,731
Interest payable and similar charges		(182)	-
<b>Profit/(loss) for the financial year before members' remuneration and profit share</b>		728,338	(67,964)
Members' remuneration charged as an expense		(436,279)	(78,294)
<b>Retained profit/(loss) for the year available for discretionary division amongst members</b>		292,059	(146,258)

All of the above results are derived from continuing operations.

## Partnership statement of total recognised gains and losses

There are no recognised gains or losses during the financial year other than as stated in the profit and loss account above.




# Consolidated balance sheet

at 31 December 2006

	Notes	2006 £	2005 £
<b>Fixed assets</b>			
Tangible assets	7	100,407	132,719
<b>Current assets</b>			
Debtors:			
Amounts due from members		5,787	2,517
Other	8	477,738	1,350,429
		483,525	1,352,946
Cash at bank		85,895	3,531,919
		569,420	4,884,865
<b>Creditors:</b> amounts falling due within one year	10	(516,459)	(4,777,179)
<b>Net current assets</b>		52,961	107,686
<b>Net assets attributable to members</b>		153,368	240,405
<b>Represented by:</b>			
Member's capital classified as a liability under FRS25		145,801	-
Members' other interests – Other reserves classified as equity under FRS 25		7,567	240,405
		153,368	240,405
<b>Total members' interests</b>			
Members' other interests		7,567	240,405
Amounts due from members		(5,787)	(2,517)
Loans and other debts due to member's within one year		145,801	-
		147,581	237,888

These financial statements were approved by the members on

and are signed on their behalf by:

 29th March 2007  
Designated Member

# Partnership balance sheet

at 31 December 2006

	Notes	2006 £	2005 £
<b>Fixed assets</b>			
Tangible assets		100,407	-
<b>Current assets</b>			
Debtors:			
Amounts due from members		5,787	2,517
Other	8	470,171	462,267
		475,958	464,784
Cash at bank		85,895	3,499,348
		561,853	3,964,132
<b>Creditors:</b> amounts falling due within one year	10	(516,459)	(4,110,390)
<b>Net current assets</b>		45,394	(146,258)
<b>Net assets</b>		145,801	(146,258)
<b>Represented by:</b>			
Members' capital classified as a liability under FRS25		145,801	-
Members' other interests – Other reserves classified as equity under FRS25		-	(146,258)
		145,801	(146,258)
<b>Total members' interests</b>			
Members' other interests		-	(146,258)
Amounts due from members		(5,787)	(2,517)
Loans and other debts due to members		145,801	-
		140,014	(148,775)

29th March 2007

Designated Member

# Reconciliation of members' interests - group

for the year ended 31 December 2006

	<i>Members'</i> <i>capital</i> £	<i>Profits/</i> <i>(losses)</i> <i>be divided</i> £	<i>Loans and other</i> <i>debts due to/</i> <i>(from)</i> <i>Total</i> <i>members</i> £	<i>Total</i> £	
Members' interests at 1 January 2005	-	29,482	29,482	(800)	28,682
Net profit for financial year divisible among members	-	210,923	210,923	-	210,923
Increase in amounts due from members	-	-	-	(1,717)	(1,717)
Members' interests at 1 January 2006	-	240,405	240,405	(2,517)	237,888
Loss for financial year available for discretionary division among members	-	(87,037)	(87,037)	-	(87,037)
Allocation of profits during the year	-	(292,059)	(292,059)	292,059	-
Allocation of losses during the year	-	146,258	146,258	(146,258)	-
Members' interests after profit/ loss for the year	-	7,567	7,567	143,284	150,851
Increase in amounts due from members	-	-	-	(3,270)	(3,270)
Members' interests at 31 December 2006	-	7,567	7,567	140,014	147,581

# Reconciliation of members' interests - partnership

for the year ended 31 December 2006

	<i>Members'</i> <i>capital</i> £	<i>Other</i> <i>reserves</i> £	<i>Loans and other</i> <i>debts due to/</i> <i>(from)</i> <i>Total</i> £	<i>members</i> £	<i>Total</i> £
Members' interests at 30 June 2005	-	-	-	-	-
Net loss for financial year divisible among members	-	(146,258)	(146,258)	-	(146,258)
Increase in amounts due from members	-	-	-	(2,517)	(2,517)
Members' interests at 1 January 2006	-	(146,258)	(146,258)	(2,517)	(148,775)
Profit for the financial year available for discretionary division among members		292,059	292,059	-	292,059
Allocations of profit during the year	-	(292,059)	(292,059)	292,059	-
Allocation of losses during the year	-	146,258	146,258	(146,258)	-
Member's interest's after profit / (loss) for the year	-	-	-	143,284	143,284
Increase in amounts due from members	-	-	-	(3,270)	(3,270)
Members' interests at 31 December 2006	-	-	-	140,014	140,014

## Notes to the financial statements

at 31 December 2006

### 1. Accounting policies

#### ***Basis of accounting***

The financial statements have been prepared under the historical cost convention, and in accordance with the Statement of Recommended Practice "Accounting by Limited Liability Partnerships", issued in March 2006.

#### ***Basis of consolidation***

The group financial statements consolidate the financial statements of Montrose & Company International Limited, Montrose Financing Services Limited and Montrose Global Capital LLP.

Following the restructuring of the Montrose Group on 30 June 2005, under which the partnership acquired Montrose & Company International Limited and Montrose Financing Services Limited, the consolidated financial statements have been prepared under the provisions of FRS 6 on a merger accounting basis. Accordingly, the consolidated financial statements have been prepared to show the group as if the combining entities had always been members of the group

#### ***Presentation of cash flow statement***

Montrose Global Capital LLP has taken advantage of the exemption from the requirement to prepare a cash flow statement conferred by Financial Reporting Standard 1 (revised).

#### ***Depreciation***

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

Leasehold improvement	-	remaining lease term
Fixtures and fittings	-	5 years
Equipment	-	5 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### ***Revenue recognition policy***

Revenue is recognised when all work required by the terms of applicable agreements has been performed, the amount of the revenue is determinable, the partnership's claim for consideration has been fixed, and the partnership has no further obligation to provide significant work.

#### ***Taxation - partnership***

Taxation on all partnership profits is solely the personal liability of the individual members. Consequently neither taxation nor related deferred taxation arising in the partnership has been accounted for in the partnership financial statements.

#### ***Taxation - group***

Taxation arising in the consolidated financial statements reflects tax incurred by subsidiary companies of the partnership.

## Notes to the financial statements

at 31 December 2006

### 1. Accounting policies (continued)

#### *Deferred taxation - group*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at 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.

#### *Operating lease agreements*

Rentals payable under operating leases are charged in the Profit and Loss Account on a straight line basis over the lease term.

#### *Pension costs*

The company makes contributions to the personal pension schemes of employees. Contributions are charged to the profit and loss account as they become payable.

### 2. Turnover

Turnover consists of fee income for the provision of portfolio management and leasing advisory services from continuing activities, stated net of value added tax.

An analysis of turnover by geographical market is as follows:

	<i>Group</i>	<i>Group</i>	<i>Partnership</i>	<i>Partnership</i>
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	£	£	£	£
Europe	270,778	1,518,902	270,778	-
Asia	380,419	-	-	-
United States of America	1,171,172	906,566	1,171,172	495,427
	<u>1,822,369</u>	<u>2,425,468</u>	<u>1,441,950</u>	<u>495,427</u>

## Notes to the financial statements

at 31 December 2006

### 3. Operating profit/(loss)

This is stated after charging:

	<i>Group</i> 2006 £	<i>Group</i> 2005 £	<i>Partnership</i> 2006 £	<i>Partnership</i> 2005 £
Auditors' remuneration - audit services	21,000	31,500	21,000	15,750
- non-audit services	30,025	6,000	30,025	-
Depreciation of fixed assets	35,329	29,237	21,196	-
Operating lease rentals - land and buildings	74,178	98,846	74,178	53,310
Loss on foreign exchange transactions	68,451	38,417	229,867	18,658
Loss on disposal of fixed assets	-	4,574	-	-

### 4. Staff costs

	<i>Group</i> 2006 £	<i>Group</i> 2005 £	<i>Partnership</i> 2006 £	<i>Partnership</i> 2005 £
Wages and salaries	698,056	1,008,212	614,096	113,407
Social security costs	85,452	125,357	73,781	14,166
Other pension costs	46,149	30,821	46,149	5,301
	829,657	1,164,390	734,026	132,874

The monthly average number of employees (excluding members) during the year was as follows:

	<i>Group</i> 2006 No.	<i>Group</i> 2005 No.	<i>Partnership</i> 2006 No.	<i>Partnership</i> 2005 No.
Corporate finance advisory	4	4	4	4
Administration	1	1	1	1
	5	5	5	5

### 5. Member's remuneration

	<i>Group</i> 2006 £	<i>Group</i> 2005 £	<i>Partnership</i> 2006 £	<i>Partnership</i> 2005 £
Remuneration	436,279	494,892	436,279	78,294
Value of pension contributions to money purchase schemes	16,524	33,782	16,524	8,262
Members of money purchase pension schemes	1	1	1	1

Member's remuneration has been charged to the profit and loss account as 'Members' remuneration charged as an expense'.

## Notes to the financial statements

at 31 December 2006

### 6. Taxation - group

All tax relates to companies owned by the partnership.

#### (a) Tax included in the consolidated profit and loss account

	2006	2005
	£	£
<i>Current tax:</i>		
UK corporation tax	-	5,768

#### (b) Factors affecting current tax charge in the profit and loss account:

The tax assessed on the profit/(loss) on ordinary activities for the year differs from the standard rate of corporation tax in the UK. The differences are reconciled below:

	2006	2005
	£	£
Profit/(loss) on ordinary activities before taxation	-	216,691
Add: non taxable losses in the partnership	-	146,258
Taxable profits/(losses)	-	362,949
Taxable profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 - 30%)	-	108,885
Expenses not deductible for tax purposes	-	15,537
Depreciation in (short fall)/excess of capital allowances	-	(2,816)
Other timing differences	-	(2,239)
Utilisation of brought forward tax losses	-	(113,599)
Unrelieved tax losses carried forward	-	-
Current tax for the year (note 5(a))	-	5,768

#### (c) Deferred tax in the financial statements of Montrose & Company International Limited

The deferred taxation asset not recognised in the financial statements is as follows:

	2006	2005
	£	£
Depreciation in advance of capital allowances	-	3,480
Tax losses available	-	-
Other timing differences	-	216,056
Unrecognised deferred tax asset	-	219,536

The deferred tax assets have not been recognised as the recognition criteria in FRS 19 have not been met.



# Notes to the financial statements

at 31 December 2006

## 7. Tangible fixed assets - group

	<i>Leasehold improvement</i>	<i>Fixtures and fittings</i>	<i>Equipment</i>	<i>Total</i>
	£	£	£	£
Cost:				
At 1 January 2006	94,961	21,692	61,623	178,276
Additions	-	-	3,017	3,017
At 31 December 2006	94,961	21,692	64,640	181,293
Depreciation:				
At 1 January 2006	16,191	7,971	21,395	45,557
Provided during the year	18,224	4,335	12,770	35,329
At 31 December 2006	34,415	12,306	34,165	80,886
Net book value:				
At 31 December 2006	60,546	9,386	30,475	100,407
At 1 January 2006	78,770	13,721	40,228	132,719

## Tangible fixed assets - partnership

	<i>Leasehold improvement</i>	<i>Fixtures and fittings</i>	<i>Equipment</i>	<i>Total</i>
	£	£	£	£
Cost:				
At 1 January 2006	-	-	-	-
Transferred from other group company	94,961	21,692	61,623	178,276
Additions	-	-	3,017	3,017
At 31 December 2006	94,961	21,692	64,640	181,293
Depreciation:				
At 1 January 2006	-	-	-	-
Transferred from other group company	23,337	9,775	26,578	59,690
Provided during the year	11,078	2,531	7,587	21,196
At 31 December 2006	34,415	12,306	34,165	80,886
Net book value:				
At 31 December 2006	60,546	9,386	30,475	100,407
At 1 January 2006	-	-	-	-

## Notes to the financial statements

at 31 December 2006

### 8. Debtors

	<i>Group</i> 2006 £	<i>Group</i> 2005 £	<i>Partnership</i> 2006 £	<i>Partnership</i> 2005 £
Amounts owed by other group undertakings	46,867	89,792	46,867	416,068
Other debtors	370,738	1,223,188	363,171	8,750
Prepayments and accrued income	60,133	37,449	60,133	37,449
	<u>477,738</u>	<u>1,350,429</u>	<u>470,171</u>	<u>462,267</u>

### 9. Investments

On 30 June 2005, under the terms of the group reorganisation, Montrose Global Capital LLP became the parent undertaking of Montrose & Company International Limited and Montrose Financing Services Limited. As part of the organisation, the investments in Montrose & Company International Limited and Montrose Financing Services Limited were transferred to Montrose Global Capital LLP from Montrose LLC at nil value.

Details of the subsidiary undertakings of Montrose Global Capital LLP are as follows:

<i>Name of Company</i>	<i>Holding</i>	<i>Nature of Business</i>
Montrose & Company International Limited	Ordinary shares 100%	Broker
Montrose Financing Services Limited	Ordinary shares 100%	Dormant

The result for the year and capital and reserves of each holding:

	<i>Retained</i> <i>(loss)/profit</i> 2006 £	<i>Capital and</i> <i>reserves</i> 2006 £	<i>Retained</i> <i>profit</i> 2005 £	<i>Capital and</i> <i>reserves</i> 2005 £
Montrose & Company International Limited	(379,096)	6,562	357,181	385,648
Montrose Financing Services Limited	1,015	1,115	1,015	1,115

On 16 January 2007, notices publicising the final meetings of Montrose & Company International Limited and Montrose Financing Services were published in the London Gazette in order to complete the liquidation of the two subsidiary companies. These meetings were held on 20 February 2007 and the companies are now awaiting final confirmation that they have been struck off the Register of Companies.

As part of the liquidation process, Montrose & Company International Limited agreed to write off the balance due from Montrose Global Capital LLP of £805,711. This write-off has been shown as an exceptional item on the face of the partnership profit and loss account.

## Notes to the financial statements

at 31 December 2006

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

	<i>Group</i>	<i>Group</i>	<i>Partnership</i>	<i>Partnership</i>
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Trade creditors	69,971	-	69,971	-
Amounts owed to other group undertakings	-	1,013,028	-	3,991,792
Client deposits	-	3,005,679	-	-
Other taxation and social security	-	66,659	-	4,452
Accruals and deferred income	441,108	691,813	441,108	114,146
Other creditors	5,380	-	5,380	-
	<u>516,459</u>	<u>4,777,179</u>	<u>516,459</u>	<u>4,110,390</u>

### 11. Pensions

The group makes contributions to the personal pension schemes for its employees. The unpaid contributions outstanding at the year end, included in accruals and deferred income (note 10) are £nil (2005 - £nil).

### 12. Commitments under operating leases

At 31 December 2006 the group had annual commitments under non-cancellable operating leases as set out below:

	<i>Group</i>	<i>Group</i>	<i>Partnership</i>	<i>Partnership</i>
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Operating leases which expire:				
In two to five years	81,173	81,173	81,173	81,173

### 13. Related party transactions

The partnership has taken advantage of the exemptions under FRS 8 from disclosing transactions with entities which are part of the Bank of America N.A. group, as the consolidated financial statements of that group are publicly available.

### 14. Ultimate parent undertaking

In the members' opinion, the partnership's ultimate parent undertaking is Bank of America N.A. which is incorporated in the United States of America. Copies of its group financial statements, which include the limited liability partnership, are available from its website.