Sanctum FI LLP

Report and Accounts
31 March 2004



Rees Pollock
Chartered Accountants

MEMBERS AND PROFESSIONAL ADVISERS

Members	J H Corn A J Mayhew Sanctum Fixed Income Ltd
Auditors	Rees Pollock 7 Pilgrim Street London EC4V 6DR
Bankers	HSBC 88 The Broadway Muswell Hill London N10 3RX
Solicitors	Iliad Consulting Limited 7 Albermarle Street London W1X 3HF
Registered Office	Charles House 18B Charles Street London W1J 5DU
Registered Number	OC 304321

MEMBERS' REPORT

The members present their report and accounts of the Limited Liability Partnership ('LLP') for the period to 31 March 2004.

Principal activities and business review

The LLP was incorporated on 31 March 2003 and became authorised by the Financial Services Authority to carry on investment business on 28 July 2003 when trading commenced.

The principal activity of the LLP during the period was that of fund management. The members intend to continue to develop the business.

Results

The trading results for the period and the LLP's financial position at the end of the period are shown in the attached accounts.

The designated members

The designated members who served the LLP during the period were as follows:

J H Corn
A J Mayhew
Sanctum Fixed Income Limited
C J Brumback (resigned 23 May 2003)

All members were appointed on incorporation.

Policy regarding members' drawings and the subscription and repayment of members' capital

Members' share profits and losses in accordance with agreed profit sharing agreements.

Members' capital is determined by the regulatory capital requirements of the FSA and any trading needs of the LLP.

Members' responsibilities

The Limited Liability Partnerships Regulations 2001 made under the Limited Liability Partnerships Act 2000 require the members to prepare accounts for each financial period which give a true and fair view of the state of affairs of the LLP at the end of the period and of the profit or loss for the period then ended.

In preparing those accounts, the members are required to select suitable accounting policies, as described on page 8, and then apply them on a consistent basis and make judgements and estimates that are prudent and reasonable. The members must also prepare the accounts on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

Under the Limited Liability Partnerships Regulations, the members are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of the limited liability partnership and which enable them to ensure that the accounts will comply with those regulations. The members have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the limited liability partnership and to prevent and detect fraud and other irregularities.

Auditors

Rees Pollock were appointed as the LLP's first auditors. A resolution to re-appoint Rees Pollock as auditors for the ensuing period will be proposed at the annual general meeting.

ON BEHALF OF THE MEMBERS

J H Corn

Designated Member

A J Mayhew

Designated Member

July 2004

REES POLLOCK
Chartered Accountants

7 Pilgrim Street
London EC4V 6DR
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SANCTUM FI LLP

We have audited the accounts on pages 5 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

This report is made solely to the partnership's members, as a body, in accordance with Section 235 of the Companies Act 1985 (as applied to limited liability partnerships by Regulation 3 of the Limited Liability Partnerships Regulations 2001). 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 auditor's 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 the members and the auditors
As described on page 2, the partnership's members are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

It is our responsibility 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 Companies Act 1985 (as applied to limited liability partnerships by Regulation 3 of the Limited Liability Partnerships Regulations 2001). We also report to you if, in our opinion, the members' report is not consistent with the accounts, if the partnership 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 members' remuneration and transactions with the partnership is not disclosed.

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 of 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 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 the partnership's affairs as at 31 March 2004 and of the loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985 (as applied to limited liability partnerships by Regulation 3 of the Limited Liability Partnerships Regulations 2001).

Rees Pollock
Chartered Accountants
Registered Auditors

23 July 2004

Partners: Andy Pollock FCA, Simon Rees FCA ATII, Johnny Moulsdale FCA, Catherine Kimberlin FCA, Jonathan Munday FCA ATII
Registered to carry on audit work and regulated for a range of investment business activities by The Institute of Chartered Accountants in England and Wales.

PROFIT AND LOSS ACCOUNT
for the period to 31 March 2004

	Note	Period to 31 March 2004 £
TURNOVER	2	186,814
Cost of sales		107,263
GROSS PROFIT		79,551
Administrative expenses		104,568
OPERATING LOSS	3	(25,017)
Interest receivable		-
LOSS FOR THE FINANCIAL PERIOD AVAILABLE FOR DIVISION AMONG MEMBERS		(25,017)

The LLP has no recognised gains or losses other than the results for the period as set out above.

All of the activities of the LLP are classed as continuing.

The notes on pages 8 to 10 form part of these accounts.

BALANCE SHEET
at 31 March 2004

	Note	£	As at 31 March 2004 £
CURRENT ASSETS			
Debtors	6	52,943	
Cash at bank		60,017	
		112,960	
CREDITORS: amounts falling due within one period	7	(29,524)	
NET CURRENT ASSETS			83,436
TOTAL ASSETS LESS CURRENT LIABILITIES			83,436
Loans and other debts due from members	9		11,547
NET ASSETS			94,983
MEMBERS' OTHER INTERESTS			
Members' capital	9		120,000
Other reserves	9		(25,017)
			94,983
MEMBERS' INTERESTS			
Loans and other debts due from members	9		(11,547)
Members' other interests	9		94,983
TOTAL MEMBERS' INTERESTS	9		83,436

A J Mayhew

J H Corn

26th July 2004

The notes on pages 8 to 10 form part of these accounts.

CASH FLOW STATEMENT
for the period to 31 March 2004

	Note	£	Period to 31 March 2004 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	**10**		5,017
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		-	
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			-
TRANSACTIONS WITH MEMBERS			
Partnership funds introduced		55,000	
NET CASH INFLOW FROM FINANCING			55,000
INCREASE IN CASH	**11**		60,017

The notes on pages 8 to 10 form part of these accounts.

NOTES TO THE ACCOUNTS
for the period to 31 March 2004

1. ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared under the historical cost convention, and in accordance with applicable accounting standards and the Statement of Recommended Practice (SORP), "Accounting by Limited Liability Partnerships" published on 29 May 2002.

Tax provisions

The taxation payable on profits is the personal liability of the members during the period.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

2. TURNOVER

The turnover shown in the profit and loss account represents the value of services provided during the period, stated net of value added tax.

3. OPERATING PROFIT

Operating profit is stated after charging:

	Period to 31 March 2004 £
Auditors' remuneration	
- audit fees	6,000

4. PARTICULARS OF EMPLOYEES

No staff were employed by the LLP during the financial period. Sanctum Fixed Income Limited provides staff support to the LLP and recharges the cost of this service to the LLP (note 13).

5. PARTICULARS OF MEMBERS

The average number of members for the period was 3. No salaries were paid to members during the period.

6. DEBTORS

	As at 31 March 2004 £
Prepayments and accrued income	37,959
Other debtors	14,984
	52,943

7. CREDITORS: Amounts falling due within one period

	As at 31 March 2004 £
Trade creditors	1,718
Accruals and deferred income	27,806
	29,524

8. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2004 the LLP had annual commitments under non-cancellable operating leases as set out below.

	Land & buildings £
Operating leases which expire:	
Within 1 year	10,942

9. TOTAL MEMBERS' INTERESTS

	Members' other interests			Loans and other debts due (from)/to members	Total members' interests
	Members' capital £	Other reserves £	Total £	£	£
Introduced by members	55,000	-	55,000	-	55,000
Amounts due from members	65,000	-	65,000	(65,000)	-
Loss for the financial period available for division among members	-	(25,017)	(25,017)	-	(25,017)
Amounts due to members	-	-	-	53,453	53,453
Members' interests at 31 March 2004	120,000	(25,017)	94,983	(11,547)	83,436

Members' other interests rank after unsecured creditors, and loans and other debts due to members rank pari passu with unsecured creditors in the event of a winding up.

10. RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Period to 31 March 2004 £
Operating loss	(25,017)
Increase in debtors	(52,943)
Increase in creditors	29,524
Increase in amounts due to members	53,453
Net cash inflow from operating activities	5,017

11. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Period to 31 March 2004 £
Increase in cash in the period	60,017
Change in net funds	60,017
Net funds at 31 March 2004	60,017

12. ANALYSIS OF CHANGES IN NET FUNDS

	Cash flows £	Period to 31 March 2003 £
Net cash:		
Cash in hand and at bank	60,017	60,017

13. RELATED PARTY TRANSACTIONS

During the period, the LLP was charged £98,466 in respect of expenses incurred on its behalf by Sanctum Fixed Income Limited. The LLP and Sanctum Fixed Income Limited are under common control from the members of the LLP. At the period end an amount of £11,547 was due from Sanctum Fixed Income Limited.

14. ULTIMATE CONTROL

The LLP is controlled by its designated members, A J Mayhew and J H Corn.