

**MUZINICH & CO. LIMITED**  
**DIRECTORS' REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2007**



Registered No 3852444

## **MUZINICH & CO. LIMITED**

### **DIRECTORS' REPORT**

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2007

### **PRINCIPAL ACTIVITY AND REVIEW**

The principal activity of the company is that of a fund manager and investment adviser, specialising in the European high yield and investment grade corporate bond markets

The markets performed well during the year and the company was able to deliver very good returns to investors. Growth of business has continued, with further clients being acquired in Europe

The directors are satisfied with the results of the company during the year and look forward to improved figures in the future

### **RESULTS AND DIVIDENDS**

The profit for the year after taxation amounted to £503,906 (2006 £272,914). The directors do not recommend the payment of a dividend

### **FIXED ASSETS**

Changes in tangible fixed assets during the year are set out in the notes to the financial statements

### **DIRECTORS AND THEIR INTERESTS**

The directors of the company at the end of the year, are G M Muzinich, T Greil Castro, M Clark and M Ludwig. During the year, K Tansley resigned on 2 March and P Morris served as a director between 2 March and 31 July. At that time T Greil Castro, M Clark and M Ludwig were appointed to the Board. No director had any direct interest in the Ordinary shares of the company. Muzinich & Co Inc, the company's parent undertaking, is wholly owned by G M Muzinich. During the year rights to subscribe for shares in the company or any other group undertaking have not been granted to, nor exercised by, any director or a member of his immediate family.

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business,

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the directors' report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom.

At the date of approval and signature of the financial statements, the directors confirm that

- so far as each director is aware, there is no information needed by the company's auditors in connection with their report ("relevant audit information") of which the auditors are unaware, and
- each director has taken all necessary steps to make himself aware of relevant audit information in order to establish that the company's auditors have also been made aware

**MUZINICH & CO. LIMITED**

**DIRECTORS' REPORT** (Continued)

**CHARITABLE DONATION**

During the year the company made no charitable donations (2006 £1,000)

**SMALL COMPANIES EXEMPTION**

In preparing the financial statements the directors have taken advantage of the special provisions of Part VII of the Companies Act 1985 relating to small companies, and the Financial Reporting Standard for Smaller Entities

**AUDITORS**

Hyman Capital Services Limited have expressed their willingness to continue in office as auditors and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting

By Order of the Board



Tatjana Greil Castro  
Director  
27, March 2008

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF MUZINICH & CO. LIMITED**

We have audited the financial statements of Muzinich & Co Ltd for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's member in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state in our 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 company and the company's member, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements.

In addition, we report to you if in our opinion the company 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 directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **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 directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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.

## 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 the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



**Hyman Capital Services Limited**  
**Chartered Accountants and Registered Auditors**  
**27 March 2008**

**25 Duke Street**  
**London**  
**W1U 1LD**

**MUZINICH & CO. LIMITED****PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2007**

	Notes	2007 £	2006 £
<b>TURNOVER</b>	2	2,688,095	2,862,401
Administrative expenses		(1,978,618)	(2,434,116)
<b>OPERATING PROFIT</b>	3	709,477	428,285
Interest receivable	4	18,895	14,203
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		728,372	442,488
Taxation on profit on ordinary activities	7	(224,466)	(169,574)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR</b>		503,906	272,914

All of the company's operations are continuing

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

The company has no recognised gains or losses other than the results for the above financial years

The notes on pages 7 to 12 form part of these financial statements

**MUZINICH & CO. LIMITED**

**BALANCE SHEET**


**AT 31 DECEMBER 2007**

		<b>2007</b>		<b>2006</b>	
<b>FIXED ASSETS</b>	<b>Notes</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Tangible assets	8		11,950		9,075
Investment in subsidiary	9		17,500		17,500
<b>CURRENT ASSETS</b>					
Debtors	10	735,107		1,119,252	
Cash at bank and in hand		1,630,265		710,897	
		<u>2,365,372</u>		<u>1,830,149</u>	
<b>CREDITORS: amounts falling due within one year</b>	11	<u>(315,961)</u>		<u>(281,769)</u>	
<b>NET CURRENT ASSETS</b>			<u>2,049,411</u>		<u>1,548,380</u>
<b>NET ASSETS</b>			<u>2,078,861</u>		<u>1,574,955</u>
<b>CAPITAL AND RESERVES</b>					
Equity					
- Called up share capital	12		200,000		200,000
- Share premium			102,117		102,117
- Profit and loss account			1,776,744		1,272,838
<b>EQUITY SHAREHOLDERS' FUNDS</b>	14		<u>£2,078,861</u>		<u>£1,574,955</u>

In preparing the financial statements the directors have taken advantage of

- (a) the special provisions of Part VII of the Companies Act 1985 relating to small companies, and
- (b) the Financial reporting Standard for Smaller Entities

The financial statements were authorised for issue by the Board of Directors on 27 March 2008 and signed on behalf of the Board on the same date



T Greil-Castro - Director

The notes on pages 7 to 12 form part of these financial statements

**MUZINICH & CO. LIMITED****CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2007**

	Notes	2007 £	2006 £
Net cash inflow from operating activities	18	1,132,876	70,930
Returns on investments and servicing of finance	19	18,895	14,203
Taxation		(223,266)	(144,545)
Investment in subsidiary	9	-	-
Capital expenditure	19	(9,137)	(14,771)
Increase/(decrease) in cash in period		<u>£919,368</u>	<u>£(74,083)</u>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	Notes	2007 £	2006 £
Increase/(decrease) in cash in the period		919,368	(74,083)
Net funds brought forward		<u>710,897</u>	<u>784,980</u>
Net funds at 31 December 2007	20	<u>£1,630,265</u>	<u>£710,897</u>

The notes on pages 7 to 12 form part of these financial statements



# **MUZINICH & CO. LIMITED**

## **NOTES TO THE ACCOUNTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2007**

#### **1. ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable Accounting Standards. The particular accounting policies adopted are described below.

##### **(a) ACCOUNTING CONVENTION**

The financial statements are prepared under the historical cost convention.

##### **(b) CONSOLIDATION**

The accounts contain information about Muzinich & Co. Limited as an individual company, and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 228A of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it is included in the accounts of a larger group which are prepared under Generally Accepted Accounting Principles equivalent to the EEA's Seventh Directive.

##### **(c) TURNOVER**

Turnover comprises commission and fees receivable, net of VAT.

##### **(d) TANGIBLE FIXED ASSETS**

Depreciation is provided on all tangible fixed assets to write off the cost of fixed assets over their expected useful lives at the following rates,

Office equipment	- Over 3 years
Fixtures and fittings	- Over 5 years
Computer software	- Over 3 years

##### **(e) INVESTMENTS**

Investments are stated at cost unless there is a permanent diminution in value.

##### **(f) OPERATING LEASE AGREEMENTS**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profit as incurred.

##### **(g) FOREIGN CURRENCIES**

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

The functional currency of the company is GBP.

##### **(h) DEFERRED TAXATION**

Deferred tax is provided using the full provision method set out in Financial Reporting Standard Number 19. Deferred tax is recognised in respect of all timing differences which have originated but not reversed at the balance sheet date. It is the company's policy not to discount deferred tax to reflect the time value of money. The company has immaterial timing differences, and accordingly no provision has been made.

# MUZINICH & CO. LIMITED

## NOTES TO THE ACCOUNTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2007

#### 1. ACCOUNTING POLICIES (cont)

##### (i) PENSION SCHEME

The company makes contributions for employees into a Group personal pension scheme, the assets of which are held separately from those of the company in an independently administered fund. The scheme is a defined contribution scheme. The company contributed £83,396 (2006 £126,271) to this fund. Contributions totalling £18,691 (2006 £13,163) were payable at the balance sheet date, and are included under Creditors.

#### 2. TURNOVER

The turnover for the year represents management and advisory fees of which £ NIL (2006 £468,000) relates to income from US markets and £2,688,095 (2006 £2,394,401) from European markets.

#### 3. OPERATING PROFIT

	2007 £	2006 £
The operating profit is stated after charging		
Auditors' remuneration	14,000	10,000
Depreciation	5,060	42,148
Operating lease rental - property	142,500	142,500
	<u>161,560</u>	<u>194,648</u>

#### 4. INTEREST RECEIVABLE

	2007 £	2006 £
Bank interest	£18,895	£ 14,203
	<u>18,895</u>	<u>14,203</u>

#### 5. DIRECTORS' REMUNERATION

	2007 £	2006 £
Directors' emoluments for the period, all of which related to the highest paid director, were		
Aggregate Emoluments	154,167	254,530
Pension costs	15,417	25,000
	<u>169,583</u>	<u>279,530</u>

#### 6. STAFF COSTS

	2007 £	2006 £
Wages and salaries	947,494	1,276,172
Social security costs	100,647	155,013
Pension costs	67,979	101,271
	<u>1,116,120</u>	<u>1,532,456</u>

	2007 No.	2006 No.
The average number of people employed during the year, including directors, was	10	11

# MUZINICH & CO. LIMITED

## NOTES TO THE ACCOUNTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2006

7. TAXATION	2007 £	2006 £
Analysis of tax charge in the year		
<b>Current taxation:</b>		
Corporation tax payable at current rates	238,258	152,942
(Over)/under accrual in previous year	(13,792)	16,632
Tax charge on ordinary activities	<u>£224,466</u>	<u>£169,574</u>

The tax for the year is based on the standard rate of corporation tax in the UK of 30% (2006 30%)

## 8. TANGIBLE FIXED ASSETS

	Office Equipment £	Fixtures and Fittings £	Computer Software £	Total £
<b>COST</b>				
At 1 January 2007	139,141	54,696	85,972	279,809
Additions	9,137	-	-	9,137
Disposals	(5,165)	-	-	(5,165)
At 31 December 2007	<u>143,113</u>	<u>54,696</u>	<u>85,972</u>	<u>285,781</u>
<b>DEPRECIATION</b>				
At 1 January 2007	133,933	54,696	82,105	270,734
Charge for the year	3,460	-	1,600	5,060
Disposals	(3,963)	-	-	(3,963)
At 31 December 2007	<u>133,430</u>	<u>54,696</u>	<u>83,705</u>	<u>271,831</u>
<b>NET BOOK VALUE</b>				
At 31 December 2007	<u>£9,683</u>	<u>£ -</u>	<u>£2,267</u>	<u>£11,950</u>
At 31 December 2006	<u>£5,208</u>	<u>£ -</u>	<u>£3,867</u>	<u>£9,075</u>

## 9. INVESTMENT IN SUBSIDIARY

During 2005 the company formed a subsidiary company, Muzinich (Deutschland) GmbH, which is incorporated in Germany. The company owns 100% of the issued shares, which comprise 25,000 ordinary shares of €1 each. The investment of €25,000 (translated as £17,500) is stated at cost. The subsidiary provides customer support and marketing services in Europe.

At 31<sup>st</sup> December 2007 shareholder's funds of Muzinich (Deutschland) GmbH amounted to € 57,576 (2006 € 44,096) and the profit for the year then ended amounted to € 13,480 (2006 € 14,007).

**MUZINICH & CO. LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2007**

<b>10. DEBTORS</b>	<b>2007 £</b>	<b>2006 £</b>
Debtors	460,758	206,335
Prepayments and accrued income	274,349	912,917
	<u>£ 735,107</u>	<u>£ 1,119,252</u>

<b>11. CREDITORS: amounts falling due within one year</b>	<b>2007 £</b>	<b>2006 £</b>
Corporation tax	238,256	152,942
Other creditors	42,918	63,367
Accruals	34,787	65,460
	<u>£ 315,961</u>	<u>£ 281,769</u>

Included in Other creditors are amounts due for taxation and social security amounting to £25,964 (2006 £47,981)

<b>12. SHARE CAPITAL</b>	<b>2007</b>	<b>2006</b>
Authorised 1,000,000 Ordinary shares of £1 each	<u>£1,000,000</u>	<u>£1,000,000</u>
	<b>2007</b>	<b>2006</b>
Allotted, called up and fully paid 200,000 Ordinary shares of £1 each	<u>£200,000</u>	<u>£200,000</u>

**13. RESERVES**

The movement on the reserves is as follows

	<b>Share Premium £</b>	<b>Profit and Loss £</b>
Opening balance at 1 <sup>st</sup> January 2007	102,117	1,272,838
Transfer of profit for the year on ordinary activities	-	503,906
Arising from issue of shares	-	-
Dividends	-	-
	<u>£102,117</u>	<u>£ 1,776,744</u>

**MUZINICH & CO LIMITED****NOTES TO THE ACCOUNTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2007****14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2007 £	2006 £
Profit for the financial year after tax	503,906	272,914
Opening equity Shareholder's funds	1,574,955	1,302,041
	<hr/>	<hr/>
Closing equity Shareholder's funds	£ 2,078,861	£ 1,574,955
	<hr/>	<hr/>

**15. OPERATING LEASE COMMITMENTS**

The company's obligation under an operating lease in respect of its office premises expires in May 2011, and amount to £ 142,500 p a (2006 £ 142,500)

**16. CONTROLLING PARTY & PARENT COMPANY**

The parent undertaking is Muzinich & Co Inc , a company incorporated in the USA The ultimate controlling party is considered to be G M Muzinich

**17. RELATED PARTY TRANSACTIONS**

The company is included in the consolidated financial statements of Muzinich & Co , Inc which are available to the public from the company at 450 Park Avenue, New York NY 10022, USA, and as a result details of transactions with the parent company and subsidiary are not disclosed

**18. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2007 £	2006 £
Operating profit	709,477	428,285
Depreciation	5,060	42,148
Decrease/(increase) in debtors	384,145	(380,327)
Increase/(decrease) in creditors	34,174	(19,176)
	<hr/>	<hr/>
Net cash inflow from operating activities	£1,132,876	£70,930
	<hr/>	<hr/>

**19. GROSS CASH FLOWS**

	2007 £	2006 £
<b>Returns on Investments and Servicing of Finance</b>		
Interest received	18,895	14,203
	<hr/>	<hr/>
<b>Capital Expenditure</b>		
Purchase of fixed assets	9,137	14,771
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**MUZINICH & CO. LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2007**

**20. ANALYSIS OF CHANGES IN NET FUNDS**

	<b>At 31 December 2006</b>	<b>Net Cash outflow £</b>	<b>At 31 December 2007 £</b>
Cash at bank and in hand	£710,897	£919,368	£1,630,265
	<u>          </u>	<u>          </u>	<u>          </u>

**MUZINICH & CO. LIMITED****DETAILED PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007		2006	
	£	£	£	£
<b>Turnover</b>				
Fees		2,688,095		2,862,401
<b>Administration costs:</b>				
Rent and rates	218,398		187,849	
Heat, light and electricity	7,611		12,120	
Directors' remuneration	154,167		250,000	
Staff remuneration	793,327		1,026,172	
Employers NIC	100,647		155,013	
Pension costs	83,396		126,271	
Employee benefits	24,903		43,814	
Recruitment costs	115,000		8,000	
Travel and entertaining	153,971		71,526	
Printing and postage	3,370		4,212	
Telephone & internet services	25,250		20,600	
Bloomberg fees	47,578		70,905	
Legal fees	78,100		39,237	
Professional fees	37,689		55,487	
FSA fees	19,934		28,003	
Audit and accounts	14,000		10,000	
Bank charges	3,550		2,629	
Marketing	52,991		94,042	
Subscriptions	59,399		52,002	
Depreciation	5,060		42,148	
Computer costs	33,326		65,168	
Sundry	(53,050)		68,918	
		(1,978,618)		(2,434,116)
<b>Operating profit</b>		709,477		428,285
Bank interest received		18,895		14,203
<b>Profit for the year</b>		<u>£ 728,372</u>		<u>£ 442,488</u>

**INDEPENDENT AUDITORS' REPORT TO THE FINANCIAL SERVICES AUTHORITY ("THE FSA") IN  
RESPECT OF MUZINICH & CO LIMITED**

**FOR THE YEAR ENDED 31ST DECEMBER 2007**

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We report in respect of Muzinich & Co Limited ("the firm"), an investment management firm on the attached annual financial statements and on the further matters set out below

Our report is provided to the FSA in its capacity as a regulator under the Financial Services and Markets Act 2001. Our report should not be disclosed to any third party or otherwise quoted or referred to without our prior written consent.

We have audited the annual financial statements in accordance with United Kingdom Auditing Standards, and have carried out such other procedures, as we considered necessary for the purposes of this report having regard to Practice Note 21, "The audit of investment business in the United Kingdom". We have obtained all the information and explanations with, to the best of our knowledge and belief, are necessary for the purposes of our report to the FSA.

**FINANCIAL STATEMENTS**

In our opinion the annual financial statements give a true and fair view of the firm's state of affairs as at 31st December 2007 and of its profit for the year then ended.

**ACCOUNTING RECORDS**

In our opinion, the firm has kept proper accounting records in accordance with the FSA's rules for the period from 1st January 2007 to 31st December 2007.



**INDEPENDENT AUDITORS' REPORT TO THE FINANCIAL SERVICES AUTHORITY ("THE FSA") IN  
RESPECT OF MUZINICH & CO LIMITED (continued)**

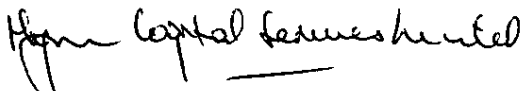
**FOR THE YEAR ENDED 31ST DECEMBER 2007**

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**CLIENT ASSETS**

The scope of the firm's permission does not allow it to hold client money or custody assets

The directors have stated that the firm did not hold client money or custody assets during the year. Based on review procedures performed, nothing has come to our attention that causes us to believe that the firm held client money or custody assets during the year.



**Hyma Capital Services Limited**  
Chartered Accountants and Registered Auditors

25 Duke Street  
London  
W1U 1LD

27 March 2008