

MANCHES LLP
MEMBERS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005



MANCHES LLP

LIMITED LIABILITY PARTNERSHIP INFORMATION

Designated members

J J Simpson
L S Manches
P G Angel
M Pedro
C Blackburn
S A Maier
J I Craig (Appointed 24 April 2006)

Limited liability partnership number

OC305898

Registered office

Aldwych House
81 Aldwych
London
WC2B 4RP

Auditors

Lewis Golden & Co
40 Queen Anne Street
London
W1G 9EL

MANCHES LLP

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MEMBERS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

The members present their report and financial statements for the year ended 31 December 2005.

Principal activities and review of the business

The principal activity of the limited liability partnership continued to be the provision of legal services.

The results for the year and the financial position at the year end were considered satisfactory by the members. Results to date for 2006 indicate continued growth in the foreseeable future.

Designated members

The following designated members have held office since 1 January 2005:

| | |
|-------------|-----------------------------|
| J J Simpson | |
| L S Manches | |
| P G Angel | |
| M Pedro | |
| C Blackburn | |
| S A Maier | |
| R A B Oakes | (Resigned 3 September 2006) |
| C M Owen | (Resigned 24 April 2006) |
| J I Craig | (Appointed 24 April 2006) |

Policy on members' drawings

The members' drawing policy allows each member to draw a proportion of their profit share, subject to the cash requirements of the business.

A member's capital requirement is linked to their share of profit and the financing requirement of the limited liability partnership. There is no opportunity for appreciation of the capital subscribed. Just as incoming members introduce their capital at "par", so the retiring members are repaid their capital at "par". During the year members' capital was reclassified as a liability under FRS 25 'Financial Instruments: disclosure and presentation'. The prior year has been restated for comparability.

Statement of members' responsibilities

Company law (as applied to limited liability partnerships by regulation 3 of the Limited Liability Partnerships Regulations 2001) requires 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 profit or loss of the limited liability partnership 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the limited liability partnership will continue in business.

The members are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the limited liability partnership and enable them to ensure that the financial statements comply with the Companies Act 1985 (as applied to limited liability partnerships by regulation 3 of the Limited Liability Partnerships Regulations 2001). They are also responsible for safeguarding the assets of the limited liability partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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MEMBERS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

Statement of members' responsibilities (continued)

The members confirm that so far as they are aware, there is no relevant audit information of which the limited liability partnership's auditors are unaware. They have taken all the steps that they ought to have taken as members in order to make themselves aware of any relevant audit information and to establish that the limited liability partnership's auditors are aware of that information.

Auditors

In accordance with section 385 of the Companies Act 1985 (as applied to limited liability partnerships by regulation 3 of the Limited Liability Partnerships Regulations 2001), a resolution proposing that Lewis Golden & Co be reappointed as auditors of the limited liability partnership will be put to the Annual General Meeting.

On behalf of the members



L S Manches
Designated Member

Date: 24.10.2006

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MANCHES LLP

We have audited the financial statements of Manches LLP for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and Cash Flow Notes, and related Notes to the Financial Statements 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the limited liability 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 limited liability partnership'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 limited liability partnership and the limited liability 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 auditors

As described in the statement of members' responsibilities, the limited liability partnership's members are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 (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 financial statements, if the limited liability partnership has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding members' remuneration is not disclosed.

We read the other information contained in the members' report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistency with the financial statements. Our responsibility does 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 members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the limited liability 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 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.

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INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF MANCHES LLP

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 limited liability partnership's affairs as at 31 December 2005 and of its results for the year then ended;
- the financial statements 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).



Lewis Golden & Co

Chartered Accountants and Registered Auditors
40 Queen Anne Street
London
W1G 9EL

30 October 2006

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

| | | 2005 | 2004 |
|---|----------|-------------------|-------------------|
| | Notes | £ | as restated £ |
| Turnover | 3 | 25,864,927 | 23,541,595 |
| Cost of sales | | 29,049 | 1,757 |
| Gross profit | | 25,893,976 | 23,543,352 |
| Administrative expenses | | (20,086,743) | (18,231,811) |
| Other operating income | | 766,065 | 888,941 |
| Operating profit | 4 | 6,573,298 | 6,200,482 |
| Other interest receivable and similar income | 5 | 264,245 | 333,692 |
| Interest payable and similar charges | 6 | (473,411) | (256,877) |
| Profit before members' remuneration and profit shares | | 6,364,132 | 6,277,297 |
| Members' remuneration charged as an expense | 17 | (6,364,132) | (6,277,297) |
| Profit for the financial year available for discretionary division among members | | - | - |

The profit and loss account has been prepared on the basis that all operations are continuing operations.

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STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2005

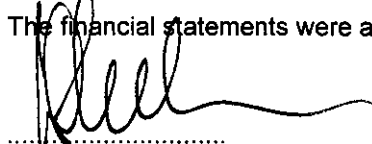
| | | 2005 | 2004 |
|---|-------|-------------|------------------|
| | Notes | £ | as restated £ |
| Total recognised gains and losses relating to the year | | - | - |
| Prior year adjustment | 2 | 878,122 | - |
| | | <hr/> | <hr/> |
| Total gains and losses recognised since last financial statements | | 878,122 | - |
| | | <hr/> <hr/> | <hr/> <hr/> |

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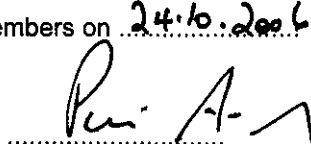
BALANCE SHEET AS AT 31 DECEMBER 2005

| | | 2005 | | 2004 as restated | |
|--|-------|--------------|-------------------------|---------------------|-------------------------|
| | Notes | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Intangible assets | 7 | | 50,000 | | - |
| Tangible assets | 8 | | 3,181,681 | | 1,604,831 |
| Investments | 9 | | 17,000 | | 17,000 |
| | | | <u>3,248,681</u> | | <u>1,621,831</u> |
| Current assets | | | | | |
| Stocks | 11 | 221,439 | | 192,390 | |
| Debtors | 12 | 15,790,450 | | 12,787,606 | |
| Cash at bank and in hand | | 62,665 | | 53,653 | |
| | | | <u>16,074,554</u> | | <u>13,033,649</u> |
| Creditors: amounts falling due within one year | 14 | (10,180,806) | | (7,357,614) | |
| Net current assets | | | <u>5,893,748</u> | | <u>5,676,035</u> |
| Total assets less current liabilities | | | <u>9,142,429</u> | | <u>7,297,866</u> |
| Creditors: amounts falling due after more than one year | 15 | | (2,949,457) | | (655,301) |
| Net assets attributable to members | | | <u><u>6,192,972</u></u> | | <u><u>6,642,565</u></u> |
| Represented by: | | | | | |
| Loans and other debts due to members | | | | | |
| Members' capital classified as a liability under FRS 25 | | | 2,786,300 | | 2,191,000 |
| Other amounts | | | 3,406,672 | | 4,451,565 |
| | | | <u>6,192,972</u> | | <u>6,642,565</u> |
| Total members' interests | | | | | |
| Amounts due from members | | | (523,500) | | - |
| Loans and other debts due to members | | | 6,192,972 | | 6,642,565 |
| Total members' interests | 17 | | <u><u>5,669,472</u></u> | | <u><u>6,642,565</u></u> |

The financial statements were approved by the Members on 24.10.2006



L S Manches
Designated Member



P G Angel
Designated Member

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

| | 2005 | | 2004 as restated |
|--|-------------|-------------|---------------------|
| | £ | £ | £ |
| Net cash inflow from operating activities | | 6,252,074 | 4,623,690 |
| Returns on investments and servicing of finance | | | |
| Interest received | 264,245 | | 333,692 |
| Interest paid | (462,708) | | (249,029) |
| Interest element of finance lease contracts | (8,363) | | (7,848) |
| Net cash (outflow)/inflow for returns on investments and servicing of finance | | (206,826) | 76,815 |
| Capital expenditure | | | |
| Payments to acquire tangible assets | (2,278,215) | | (920,843) |
| Receipts from sales of tangible assets | 29,618 | | - |
| Net cash outflow for capital expenditure | | (2,248,597) | (920,843) |
| Acquisitions and disposals | | | |
| Payments to acquire trades or businesses | (1,062,704) | | - |
| Net cash outflow for acquisitions and disposals | | (1,062,704) | - |
| Transactions with members and former members | | | |
| Payments to members | (7,625,025) | | (6,190,255) |
| Contributions by members | 811,300 | | 824,710 |
| | | (6,813,725) | (5,365,545) |
| Net cash inflow before management of liquid resources and financing | | (4,079,778) | (1,585,883) |
| Financing | | | |
| Other new long term loans | 6,209,157 | | 1,235,344 |
| Repayment of other short term loans | (1,827,726) | | (757,439) |
| Capital element of finance lease contracts | (74,353) | | (101,000) |
| Net cash inflow from financing | | 4,307,078 | 376,905 |
| Increase in cash in the year | | 227,300 | (1,208,978) |

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NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

1 Reconciliation of operating profit to net cash inflow from operating activities

| | 2005 £ | 2004 as restated £ |
|--|------------------|--------------------------|
| Operating profit | 6,573,298 | 6,200,482 |
| Depreciation of tangible assets | 650,322 | 725,775 |
| Loss on disposal of tangible assets | 47,640 | - |
| (Increase)/decrease in stocks | (29,049) | 621,245 |
| Increase in debtors | (962,911) | (2,393,506) |
| Increase/(decrease) in creditors within one year | (27,226) | (530,306) |
| Net cash inflow from operating activities | 6,252,074 | 4,623,690 |

2 Analysis of net debt

| | 1 January 2005 £ | Cash flow £ | Other non- cash changes £ | 31 December 2005 £ |
|-----------------------------------|---------------------------|---------------------------|---------------------------------|---------------------------|
| Net cash: | | | | |
| Cash at bank and in hand | 53,653 | 9,012 | - | 62,665 |
| Bank overdrafts | (3,685,039) | 218,288 | - | (3,466,751) |
| | <u>(3,631,386)</u> | <u>227,300</u> | <u>-</u> | <u>(3,404,086)</u> |
| Debt: | | | | |
| Finance leases | (206,641) | 74,353 | (26,215) | (158,503) |
| Debts falling due within one year | (631,002) | (1,845,052) | (171,038) | (2,647,092) |
| Debts falling due after one year | (500,475) | (2,536,379) | 171,038 | (2,865,816) |
| | <u>(1,338,118)</u> | <u>(4,307,078)</u> | <u>(26,215)</u> | <u>(5,671,411)</u> |
| Net debt | <u>(4,969,504)</u> | <u>(4,079,778)</u> | <u>(26,215)</u> | <u>(9,075,497)</u> |

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NOTES TO THE CASH FLOW STATEMENT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

| 3 Reconciliation of net cash flow to movement in net debt | 2005 | 2004 as restated |
|---|-------------|---------------------|
| | £ | £ |
| Increase/(decrease) in cash in the year | 227,300 | (963,876) |
| Cash inflow from increase in debt and lease financing | (4,307,078) | (518,247) |
| Change in net debt resulting from cash flows | (4,079,778) | (1,482,123) |
| New finance lease | (26,215) | - |
| Movement in net debt in the year | (4,105,993) | (1,482,123) |
| Opening net debt | (4,969,504) | (3,487,381) |
| Closing net debt | (9,075,497) | (4,969,504) |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting policies

1.1 Accounting convention

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and, except for changes noted below, the preceding year, is set out below.

1.2 Compliance with accounting standards

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards including the Statement of Recommended Accounting Practice, Accounting by Limited Liability Partnerships (March 2006), and under the historical cost convention.

For the first time the Limited Liability Partnership has adopted Urgent Issues Task Force (UITF) Abstract 40 "Revenue recognition and service contracts" and FRS 25 "Financial instruments: disclosure and presentation". This gives rise to prior year adjustments and the restatement of the financial statements for the previous year. The effects of these changes are detailed in note 2.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

In accordance with UITF 40, profit is recognised on contracts if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. This amounts to a change in accounting policy. Please see note 2 for further details.

1.4 Goodwill

Acquired goodwill is written off in equal annual instalments over four years, being its estimated useful economic life.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

| | |
|--------------------------------|----------------------------------|
| Leasehold improvements | over 3 or 10 years straight line |
| Computers and office equipment | over 3 or 5 years straight line |
| Fixtures and fittings | over 3 or 10 years straight line |
| Motor vehicles | over the period of the lease |

1.6 Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.7 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.8 Work in progress

Work in progress is valued at the lower of cost and net realisable value.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting policies

(continued)

1.9 Pensions

The limited liability partnership operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.10 Members' remuneration

Members' remuneration is charged as an expense in the profit and loss account as each member has an entitlement to a share of future profit without the need for any further decision by the members on the division of those profits. This amounts to a change in accounting policy. Please see note 2 for further details.

1.11 Members' capital

Amounts subscribed or otherwise contributed by members are classified as capital by the limited liability partnership deed. Members capital is classified as a liability under FRS 25 "Financial Instruments: disclosure and presentation" as the capital is repayable to members on their retirement. This amounts to a change in accounting policy. Please see note 2 for further details.

2 Prior year adjustment

The limited liability partnership has adopted for the first time FRS 25 "Financial instruments: disclosure and presentation", and UITF 40 "Revenue recognition and service contracts". This gives rise to prior year adjustments and the restatement of the previous year's financial statements. The effect of these changes on the limited liability partnership's members' interests is shown below.

| | UITF 40 £ |
|---|--------------|
| Adjustment to opening members' interests at 1 January 2004 | 902,059 |
| Adjustment to the profit and loss account for the year ended 31 December 2004 | (23,937) |
| | <hr/> |
| Adjustment to opening members' interests at 1 January 2005 | 878,122 |
| | <hr/> |

The adoption of FRS 25 has resulted in the limited liability partnership reporting nil net assets as all members' interests have been reclassified as liabilities. Members' capital at 31 December 2004 of £2,191,000 has been transferred to Loans and other debts due to members. In addition, members' remuneration has been charged as an expense shown on the face of the profit and loss account to reflect the automatic allocation of profits.

3 Turnover

The total turnover of the limited liability partnership for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

| | | | |
|----------|---|-------------------|-------------------|
| 4 | Operating profit | 2005 | 2004 |
| | | £ | £ |
| | Operating profit is stated after charging: | | |
| | Depreciation of tangible assets | 650,322 | 725,775 |
| | Loss on disposal of tangible assets | 47,640 | - |
| | Operating lease rentals | | |
| | - other assets | 2,154,784 | 2,324,124 |
| | Auditors' remuneration | 15,000 | 12,500 |
| | Remuneration of auditors for non-audit work | 120,000 | 102,500 |
| | | <u> </u> | <u> </u> |
| 5 | Investment income | 2005 | 2004 |
| | | £ | £ |
| | Bank interest | 264,245 | 333,692 |
| | | <u> </u> | <u> </u> |
| 6 | Interest payable | 2005 | 2004 |
| | | £ | £ |
| | On bank loans and overdrafts | 442,159 | 244,842 |
| | Finance lease interest | 8,363 | 7,848 |
| | Other interest | 22,889 | 4,187 |
| | | <u> </u> | <u> </u> |
| | | 473,411 | 256,877 |
| | | <u> </u> | <u> </u> |
| 7 | Intangible fixed assets | | |
| | | | Goodwill |
| | | | £ |
| | Cost and net book value | | |
| | At 1 January 2005 | | - |
| | Additions | | 50,000 |
| | | | <u> </u> |
| | At 31 December 2005 | | 50,000 |
| | | | <u> </u> |

Please see note 10, Acquisitions, for further details.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

8 Tangible fixed assets

| | Leasehold improvements | Computers and office equipment | Fixtures and fittings | Motor vehicles | Total |
|-----------------------|---------------------------|--------------------------------------|--------------------------|-------------------|-----------|
| | £ | £ | £ | £ | £ |
| Cost | | | | | |
| At 1 January 2005 | 1,830,966 | 2,626,452 | 1,167,488 | 261,385 | 5,886,291 |
| Additions | 1,420,494 | 314,726 | 542,995 | 26,215 | 2,304,430 |
| Disposals | (549,731) | - | (55,000) | (28,235) | (632,966) |
| At 31 December 2005 | 2,701,729 | 2,941,178 | 1,655,483 | 259,365 | 7,557,755 |
| Depreciation | | | | | |
| At 1 January 2005 | 1,270,602 | 2,069,970 | 885,461 | 55,427 | 4,281,460 |
| On disposals | (549,731) | - | - | (5,977) | (555,708) |
| Charge for the year | 197,415 | 281,119 | 120,377 | 51,411 | 650,322 |
| At 31 December 2005 | 918,286 | 2,351,089 | 1,005,838 | 100,861 | 4,376,074 |
| Net book value | | | | | |
| At 31 December 2005 | 1,783,443 | 590,089 | 649,645 | 158,504 | 3,181,681 |
| At 1 January 2005 | 560,364 | 556,482 | 282,027 | 205,958 | 1,604,831 |

Included above are assets held under finance leases or hire purchase contracts as follows:

| | Motor vehicles £ |
|---|------------------------|
| Net book values | |
| At 31 December 2005 | 158,504 |
| At 1 January 2005 | 205,958 |
| Depreciation charge for the year | |
| 31 December 2005 | 51,411 |
| 31 December 2004 | 46,239 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

9 Fixed asset investments

| | Listed investments £ |
|---|----------------------------|
| Cost | |
| At 1 January 2005 & at 31 December 2005 | 17,000 |

10 Acquisitions

On 25 November 2005 the limited liability partnership purchased the trade and assets of the unincorporated business Marshall Ross and Prevezer for cash consideration, including net debt acquired, of £1,062,704 and deferred consideration of £78,230.

| | Book value at acquisition £ | Fair value adjustments £ | Fair value at acquisition £ |
|--|-----------------------------------|--------------------------------|-----------------------------------|
| Fixed assets | 67,796 | (67,796) | - |
| Current assets | | | |
| Work in progress | 1,088,805 | (157,167) | 931,638 |
| Debtors | 549,741 | (45,598) | 504,143 |
| Other debtors | 120,799 | (53,240) | 67,559 |
| Prepayments and accrued income | 13,093 | - | 13,093 |
| Current liabilities | | | |
| Trade creditors | (288,439) | (137,060) | (425,499) |
| Total assets acquired | 1,551,795 | (460,861) | 1,090,934 |
| Consideration: | | | |
| Cash | | | 380,000 |
| Deferred balance | | | 78,230 |
| Net bank loans and overdrafts acquired | | | 682,704 |
| | | | 1,140,934 |
| Goodwill on acquisition | | | 50,000 |

Fair value adjustments represent impairments to the carrying value of the assets of the acquired business to the members' best estimate of their recoverable amounts, and full recognition of the fair value of the liability at the acquisition date.

MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

| 11 | Work in progress | 2005 £ | 2004 as restated £ |
|----|------------------|----------------|--------------------------|
| | Work in progress | <u>221,439</u> | <u>192,390</u> |

| 12 | Debtors | 2005 £ | 2004 as restated £ |
|----|--------------------------------|-------------------|--------------------------|
| | Trade debtors | 10,055,744 | 8,753,393 |
| | Amounts due from members | 523,500 | - |
| | Other debtors | 678,267 | 481,179 |
| | Prepayments and accrued income | <u>4,532,939</u> | <u>3,553,034</u> |
| | | <u>15,790,450</u> | <u>12,787,606</u> |

13 Cash at bank and in hand

Amounts shown as cash at bank and in hand comprise amounts held on behalf of the limited liability partnership and exclude amounts held on behalf of clients.

Amounts held on behalf of clients and transactions undertaken on their behalf are maintained and operated using client bank accounts which are separate from the limited liability partnership's balances.

All liabilities at the balance sheet date whether to clients or third parties on their behalf, totalling £23,278,453 (2004: £31,685,832) are represented by amounts held in these client bank accounts at the year end.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

| 14 Creditors: amounts falling due within one year | 2005 £ | 2004 £ |
|---|-------------------|------------------|
| Bank loans and overdrafts | 4,389,597 | 3,749,125 |
| Net obligations under finance leases | 74,862 | 51,815 |
| Trade creditors | 2,025,534 | 1,868,660 |
| Taxes and social security costs | 853,157 | 617,353 |
| Other creditors | 2,104,147 | 767,606 |
| Accruals and deferred income | 733,509 | 303,055 |
| | <u>10,180,806</u> | <u>7,357,614</u> |

The bank overdraft is secured by way of a fixed and floating charge over the assets of the limited liability partnership.

MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

| 15 Creditors: amounts falling due after more than one year | 2005 £ | 2004 £ |
|---|------------------|------------------|
| Bank loans | 1,475,651 | 270,936 |
| Other loans | 1,390,165 | 229,539 |
| Net obligations under finance leases | 83,641 | 154,826 |
| | <u>2,949,457</u> | <u>655,301</u> |
| Analysis of loans | | |
| Wholly repayable within five years | 5,512,908 | 1,131,477 |
| | <u>5,512,908</u> | <u>1,131,477</u> |
| Included in current liabilities | (2,647,092) | (631,002) |
| | <u>2,865,816</u> | <u>500,475</u> |
| Loan maturity analysis | | |
| In more than one year but not more than two years | 784,006 | 171,038 |
| In more than two years but not more than five years | 2,004,662 | 283,246 |
| In more than five years | 77,148 | 46,191 |
| | <u>2,865,816</u> | <u>500,475</u> |
| Loans are secured on the assets to which they relate. | | |
| Net obligations under finance leases | | |
| Repayable within one year | 81,948 | 59,526 |
| Repayable between one and five years | 89,952 | 167,125 |
| | <u>171,900</u> | <u>226,651</u> |
| Finance charges and interest allocated to future accounting periods | (13,397) | (20,010) |
| | <u>158,503</u> | <u>206,641</u> |
| Included in liabilities falling due within one year | (74,862) | (51,815) |
| | <u>83,641</u> | <u>154,826</u> |

MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

16 Pension costs

Defined contribution

The LLP operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees and are held in funds independent from those of the partnership. There were no outstanding or prepaid contributions owed by Manches LLP at 31 December 2005.

| | 2005 £ | 2004 £ |
|---|----------------|----------------|
| Contributions payable by the limited liability partnership for the year | <u>282,097</u> | <u>278,652</u> |

MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

17 Members' interests

| | Members' capital (classified as equity) | Loans and other debts due to/(from) members | 2005 Total | 2004 |
|--|--|---|-------------|-------------|
| | £ | £ | £ | £ |
| Members' interests at 1 January 2005 | 2,191,000 | 3,573,443 | 5,764,443 | 6,387,773 |
| Prior year adjustment (UITF 40) | - | 878,122 | 878,122 | - |
| Prior year adjustment (FRS 25) | (2,191,000) | 2,191,000 | - | - |
| Members' interest at 1 January 2005 as restated | - | 6,642,565 | 6,642,565 | 6,387,773 |
| Members' remuneration charged as an expense | - | 6,364,132 | 6,364,132 | 6,277,297 |
| Members' interests after profit for the year | - | 13,006,697 | 13,006,697 | 12,665,070 |
| Introduced by members | - | 811,300 | 811,300 | 167,750 |
| Repayment of debt (including members' capital classified as a liability) | - | (216,000) | (216,000) | - |
| Drawings | - | (7,173,862) | (7,173,862) | (5,929,026) |
| Amounts due to former members | - | (235,163) | (235,163) | (261,229) |
| Amounts due to members | - | 6,192,972 | 6,192,972 | 6,642,565 |
| Amounts due from members, included in debtors | - | (523,500) | (523,500) | - |
| Members' interests at 31 December 2005 | - | 5,669,472 | 5,669,472 | 6,642,565 |

In January 2006, the Oxford equity partners committed to increase capital introduced by £297,000, all of which had been paid by March 2006.

In the event of a winding up the amounts included in "Loans and other debts due to members" will rank equally with unsecured creditors.

MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

18 Financial commitments

At 31 December 2005 the limited liability partnership was committed to making the following payments under non-cancellable operating leases in the year 31 December 2006:

| | Land and buildings | | | Other |
|--------------------------------|--------------------|------------------|---------------|---------------|
| | 2005 | 2004 | 2005 | 2004 |
| | £ | £ | £ | £ |
| Operating leases which expire: | | | | |
| Within one year | - | 184,806 | - | 5,508 |
| Between two and five years | - | - | 36,562 | 47,123 |
| In over five years | 1,697,439 | 2,123,053 | - | - |
| | <u>1,697,439</u> | <u>2,307,859</u> | <u>36,562</u> | <u>52,631</u> |

19 Information in relation to members

| | 2005 | 2004 |
|--|-----------|-----------|
| | Number | Number |
| The average number of members during the year was: | <u>52</u> | <u>48</u> |

| | 2005 | 2004 |
|---|----------------|----------------|
| | £ | £ |
| The share of profit to the member with the largest entitlement was: | <u>520,634</u> | <u>517,331</u> |

MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

20 Employees

Number of employees (including members)

The average monthly number of employees during the year was:

| | 2005 Number | 2004 Number |
|----------------------------------|----------------|----------------|
| Legal advisers | | |
| - Members | 52 | 48 |
| - Non-members | 86 | 88 |
| Administrative and support staff | 136 | 126 |
| | <u>274</u> | <u>262</u> |

Employment costs (excluding members' remuneration)

| | £ | £ |
|-----------------------|-------------------|------------------|
| Wages and salaries | 9,610,339 | 8,446,556 |
| Social security costs | 913,783 | 847,445 |
| Other pension costs | 282,097 | 278,652 |
| | <u>10,806,219</u> | <u>9,572,653</u> |

21 Control

There was no single ultimate controlling party in the current or prior years.