

Fulcrum Asset Management LLP

Members' Report and Financial statements

For the year ended 31 March 2008



Registered No: OC306401

Administrative information

Members

G Davies
A D Stevens
S Shaikh
C Siva-Jothy
FAM Services Limited

Auditors

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

Bankers

Coutts & Co
188 Fleet Street
London
EC4A 2HY

Legal Advisors

Simmons and Simmons
CityPoint
One Ropemaker Street
London
EC2Y 9SS

Registered Office

6 Chesterfield Gardens
London
W1J 5BQ

Registered No: OC306401

Members' report

The members present their report and the audited financial statements of Fulcrum Asset Management LLP ('the LLP' or 'the Partnership') for the year ended 31 March 2008.

Principal activity and review of the business

The LLP was authorised to conduct investment business by the Financial Services Authority ("FSA") on 14 April 2004. The principal activity of the LLP in the year under review was that of investment fund management.

The Semper division has been spun off and is now running independently from the LLP. In accordance with the Semper Macro Fund investment management agreement, all Semper division employees and operations have been novated to a new FSA regulated entity. The LLP has no ongoing interest in this new regulated entity.

Results for the year and distribution

The profit for the year of £1,047,487 (2007 - £6,838,049) has been transferred to reserves.

Future Developments

There are no plans which will significantly change the activities and risks of the LLP.

Members' profit allocation

Any profits are shared among the Members as decided by the designated members and governed by the Partnership Agreement dated 9 March 2004.

Policy for members' drawings, subscriptions and repayment of members' capital

Policies for members' drawings, subscriptions and repayment of members' capital are governed by the Partnership Agreement dated 9 March 2004.

Members

G Davies	(Designated member)
C Siva-Jothy	(Designated Member)
A D Stevens	(Designated member)
S Bound	(resigned December 2007)
H Dhoda	(resigned August 2007)
A Karayiannis	(resigned January 2008)
S Pollman	(resigned August 2007)
S Shaikh	(Designated member)
FAM Services Limited	(Managing member)

Auditors

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

On behalf of the members



Member

23 July 2008



Statement of designated members' responsibilities in respect of the financial statements

The designated members are required to prepare financial statements for each financial year. The designated members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that year.

In preparing those financial statements, the designated members have undertaken 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 Partnership will continue in business; and
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements.

The designated members are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Partnership and to ensure that the financial statements comply with the Partnerships Regulations 2001 made under the Limited Liability Partnership Act 2000. The designated members are also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Fulcrum Asset Management LLP

We have audited the financial statements of Fulcrum Asset Management LLP (the "LLP") for the year ended 31 March 2008 which comprise the Profit and loss account, the Statement of total recognised gains and losses, the Balance sheet, the Cash flow statement and the related notes 1 to 11. 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 designated members and auditors

As described in the Statement of designated members responsibilities the designated members are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and 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 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 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 LLP's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the 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 Fulcrum Asset Management 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 affairs of the LLP as at 31 March 2008 and of its 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

24 July 2008

Profit and loss account

For the year ended 31 March 2008

	Notes	2008 £	2007 £
Turnover	2	4,141,061	13,720,832
Expenses			
Administrative expenses		(2,975,177)	(6,860,415)
Operating profit	3	1,165,884	6,674,916
Interest receivable		148,542	163,133
Profit for the financial year before members' remuneration and profit shares		1,314,426	6,838,049
Members' remuneration charged as an expense		(60,312)	(185,501)
Profit available for discretionary division among members	8	1,254,114	6,838,049

All amounts are in respect of continuing activities.

Statement of total recognised gains and losses

The LLP has no recognised gains or losses other than the profit for the current and previous year as shown above and therefore no separate statement of total recognised gains and losses has been presented.

Registered No: OC306401


Balance sheet

As at 31 March 2008

	Notes	2008 £	2007 £
Current assets			
Debtors	5	1,675,631	1,971,412
Cash at bank		314,710	4,120,269
		<u>1,990,341</u>	<u>6,091,681</u>
Creditors: amounts falling due within one year	6	(42,474)	(831,321)
Net current assets		<u>1,947,867</u>	<u>5,260,360</u>
Creditors: amounts falling due after one year	7	(100,000)	-
Net assets attributable to members		<u>1,847,867</u>	<u>5,260,360</u>
 Represented by:			
Loans and other debts due to members			
Members' capital classified as a liability under FRS 25		1,420,000	2,285,000
Equity			
Other reserves	8	427,867	2,975,360
		<u>1,847,867</u>	<u>5,260,360</u>
 Memorandum of members' total interests			
		2008 £	2007 £
Members' capital classified as a liability		1,420,000	2,285,000
Loans and other debts due from members		(1,130,082)	(422,781)
Members' other interests		427,867	2,975,360
	8	<u>717,785</u>	<u>4,837,579</u>

The financial statements were approved by the members on 23 July 2008 and authorised for issue on their behalf by:

Designated member



Registered No: OC306401

Cash flow statement

For the year ended 31 March 2008

	<i>Notes</i>	<i>2008</i> £	<i>2007</i> £
Net cash inflow from operating activities	9(a)	1,380,119	7,040,632
Returns on investments and servicing of finance			
Interest received		148,542	163,133
Transactions with members	9(b)	(5,434,220)	(7,764,171)
Net cash outflow before management of liquid resources and financing		(3,905,559)	(560,406)
Financing			
Subordinated loan		100,000	-
Decrease in cash		(3,805,559)	(560,406)

Reconciliation of net cash flow to movement in net funds

	<i>Notes</i>	<i>2008</i> £	<i>2007</i> £
Decrease in cash in the year		(3,805,559)	(560,406)
Change in net debt resulting from cash flows	9(c)	(3,805,559)	(560,406)
Net funds at 1 April		4,120,269	4,680,675
Net funds at 31 March		314,710	4,120,269

Notes to the financial statements

For the year ended 31 March 2008

1. Accounting policies

Basis of accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with applicable UK Accounting Standards under the requirements of the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships' (SORP) issued in March 2006.

Revenue recognition

Management and performance fees are recognised to the extent that the LLP obtains the right to consideration in exchange for its performance. Fees are measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales tax duty.

Expenses

Expenses incurred have been recognised on an accruals basis.

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences are taken to the profit and loss account.

Taxation

No provision has been made for taxation in the financial statements. Each member is exclusively liable for any tax liabilities arising out of their interest in the LLP which will be assessed on the individual members and not on the LLP.

Members' remuneration

Allocation of profits among the members, and the amount of a member's drawings, are determined at the discretion of the managing member.

Amounts due to members following a discretionary division of profits are credited to members' current accounts in the period when the allocation occurs. Unallocated profits and losses are included within 'other reserves' and any drawings paid in respect of these unallocated profits are included within debtors.

Members' capital

Each member shall upon admission to the LLP make a capital contribution of such amount as shall be determined by the managing member. No member shall have the right to withdraw or receive back any part of the capital contribution except upon the winding-up of the LLP.

Notes to the financial statements

For the year ended 31 March 2008

2. Turnover

Turnover, which is stated net of any value added tax, represents management fees and performance fees arising from continuing activities. All turnover during the year was generated from the investment management of funds domiciled in the Cayman Islands.

An analysis of turnover by geographical area is given below:

	2008	2007
	£	£
Europe	1,713,082	945,288
Cayman Islands	2,427,979	12,775,544
	<u>4,141,061</u>	<u>13,720,832</u>

3. Operating profit

This is stated after charging/(crediting):

	2008	2007
	£	£
Auditors' remuneration – audit services	8,000	7,500
Exchange rate (gain)	(19,258)	(20,246)
	<u></u>	<u></u>

4. Members' remuneration

	2008	2007
	£	£
Profit for the financial year before members' remuneration and profit share	1,314,426	6,838,049
Profit for the financial year available for division among members	<u>1,047,487</u>	<u>6,838,049</u>
Amount in respect of the member entitled to the largest share of profits	<u>1,340,345</u>	<u>1,866,652</u>

The average number of members during the year was 8 (2007 – 11).

Notes to the financial statements

For the year ended 31 March 2008

5. Debtors

	2008 £	2007 £
Trade debtors	-	149,749
Amounts due from members	1,130,082	1,224,420
Amounts due from Fulcrum Asset Management Limited	538,768	547,219
Prepayments and accrued income	2,398	1,212
VAT	4,383	4,139
Other debtors	-	44,673
	<u>1,675,631</u>	<u>1,971,412</u>

6. Creditors: amounts falling due within one year

	2008 £	2007 £
Trade creditors	22,671	19,104
Amounts due to members	-	801,639
Accruals	8,000	7,500
Other creditors	11,803	3,078
	<u>42,474</u>	<u>831,321</u>

7. Creditors: amounts falling due after one year

	2008 £	2007 £
Subordinated loan	100,000	-
	<u>100,000</u>	<u>-</u>

The subordinated loan of £100,000 from Prisma Capital Management International LLP was entered into on 20 February 2008. Interest due on the loan is limited to all interest earned on the £100,000 and is payable on the repayment of the loan. The loan is repayable after two years. The permission of the Financial Services Authority is required before any repayment can be made.

Notes to the financial statements

For the year ended 31 March 2008

8. Reconciliation of movements in members' interests

	<i>Members' capital</i>	<i>Other reserves</i>	<i>Members' other interests</i>	<i>Loans and other debts due to/(from) members</i>	<i>Members' total interests</i>
	£	£	£	£	£
Members capital	-	2,975,360	2,975,360	2,285,000	5,260,360
Amounts due to members	-	-	-	801,639	801,639
Amounts due from members	-	-	-	(1,224,420)	(1,224,420)
At 1 April 2007	-	2,975,360	2,975,360	1,862,219	4,837,579
Members' remuneration charged as an expense	-	-	-	60,312	60,312
Profit available for discretionary division among members	-	1,254,114	1,254,114	-	1,254,114
Members' interests after profit for the year	-	4,229,474	4,229,474	1,922,531	6,152,005
Profit allocation	-	(3,801,607)	(3,801,607)	3,801,607	-
Distribution to members	-	-	-	(2,844,126)	(2,844,126)
Capital contributions	-	-	-	5,000	5,000
Capital withdrawals	-	-	-	(870,000)	(870,000)
Other payments to Members	-	-	-	(1,725,094)	(1,725,094)
At 31 March 2008	-	427,867	427,867	289,918	717,785
Members capital	-	427,867	427,867	1,420,000	1,847,867
Amounts due to members	-	-	-	-	-
Amounts due from members	-	-	-	(1,130,082)	(1,130,082)
	-	427,867	427,867	289,918	717,785

Notes to the financial statements

For the year ended 31 March 2008

9. Notes to the cash flow statement

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

	2008	2007
	£	£
Operating profit	1,165,884	6,674,916
Decrease in debtors	201,443	849,860
Increase / (decrease) in creditors	12,792	(484,144)
Net cash inflow from operating activities	<u>1,380,119</u>	<u>7,040,632</u>

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

	2008	2007
	£	£
Transactions with Members:		
Capital contributions by members	5,000	5,000
Repayment of capital contribution to members	(870,000)	(20,000)
Distributions to members	(2,844,126)	(7,749,171)
Other payments to members	(1,725,094)	-
	<u>(5,434,220)</u>	<u>(7,764,171)</u>

(c) Analysis of changes in net debt

	At 31 March 2007	Cash flows	At 31 March 2008
	£	£	£
Cash at bank	<u>4,120,269</u>	<u>(3,805,559)</u>	<u>314,710</u>

10. Related parties

No disclosure has been made of transactions between the LLP and its parent undertaking, FAM Services Limited, in accordance with paragraph 3(c) of FRS 8 "Related Party Disclosures".

During the year, management and performance fees of £2,427,979 (2007 - £12,775,544) became due from Fulcrum Asset Management Limited of which £538,768 (2007 - £547,219) was due at 31 March 2008.

11. Parent undertaking and ultimate controlling party

The immediate parent undertaking of the LLP is FAM Services Limited which has included the LLP in its group financial statements, copies of which are available from its registered office at 6 Chesterfield Gardens, London W1J 5BQ. The ultimate controlling party is Fulcrum Asset Management Limited, a company registered in the Cayman Islands.