

REGISTRATION NUMBER OC307336

**BANQUO CREDIT MANAGEMENT LLP**  
**GROUP REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**



# **BANQUO CREDIT MANAGEMENT LLP**

## **FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2007**

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<b>CONTENTS</b>	<b>PAGE</b>
Designated members and professional advisors	<b>3</b>
The members' report	<b>4</b>
Independent auditor's report to the members	<b>6</b>
Group profit and loss account	<b>8</b>
Group balance sheet	<b>9</b>
Limited Liability balance sheet	<b>10</b>
Statement of Cash flows	<b>11</b>
Notes to the financial statements	<b>12</b>

# **BANQUO CREDIT MANAGEMENT LLP**

## **DESIGNATED MEMBERS AND PROFESSIONAL ADVISORS**

**YEAR ENDED 31 DECEMBER 2007**

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<b>Designated members</b>	M Goodman J Jordan P Luthy K Regan
<b>Registration No. and registered office</b>	OC307336 5th Floor 70 Gracechurch Street London EC3V 0XL
<b>Auditors</b>	PricewaterhouseCoopers LLP Hay's Galleria 1 Hay's Lane London SE1 2RD
<b>Bankers</b>	Bank of Scotland 600 Gorgie Road Edinburgh EH11 3XP
<b>Solicitors</b>	Allen & Overy LLP One Bishops Square London E1 6AO

## **BANQUO CREDIT MANAGEMENT LLP**

### **MEMBERS' REPORT**

#### **YEAR ENDED 31 DECEMBER 2007**

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The members present their report and the financial statements for the year ended 31 December 2007

#### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of Banquo Credit Management LLP (the "Partnership") is to provide investment management services

The Partnership is a specialist credit manager of institutional funds that is focused on delivering competitive returns and principal preservation within a highly risked-controlled framework. The Partnership's approach differs from traditional credit managers, in that it focuses on migration risk rather than purely default risk.

The Partnership is the investment manager to Diversification Notes plc, a Dublin Incorporated public limited company, which issues diversification notes based upon a highly diversified portfolio (Portfolio) of Aaa to Baa2 corporate bonds, ABS and senior bank loans. The Portfolio as at the balance sheet date obtained bond fund credit quality ratings of A- from Fitch Rating Services Limited and Standard & Poors and an A-/S-3 volatility rating from Standard & Poors and a V-2 volatility rating from Fitch Rating Services Limited.

The Partnership's portfolio investors include major banks, insurance companies and pension funds across many jurisdictions in Europe, Asia and Americas. Banquo has developed relationships with over 300 institutions throughout Europe and Asia.

#### **RESULTS AND DISTRIBUTIONS**

The group results for the year are shown in the group profit and loss account on page 8. The Partnership's balance as detailed on page 9 shows a position with members' interests amounting to €2,187,516 (2006: €3,587,155).

#### **FUTURE DEVELOPMENTS**

The Partnership's principal business activity is credit management and it plans to develop its business by managing a series of long-term investment vehicles aimed at institutional investors throughout Europe, Asia and the Americas. The vehicles will be global in nature but with different credit mixes and denominated in a range of currencies.

#### **MEMBERS' LOSSES ALLOCATION**

Losses are allocated to members' capital accounts to the extent of the capital contributed. Any losses are carried forward to be covered by future profits as governed by the Partnership Agreement dated 1 June 2004 as amended by the Limited Liability Amendment Agreement dated 13 December 2004, Second Limited Liability Amendment Agreement dated 24 October 2005 and the Third Limited Liability Agreement dated 15 March 2006.

## **BANQUO CREDIT MANAGEMENT LLP**

### **MEMBERS' REPORT *(continued)***

#### **YEAR ENDED 31 DECEMBER 2007**

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##### **STATEMENT OF MEMBERS' RESPONSIBILITIES**

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, in accordance with UK GAAP, of the state of affairs of the LLP as at the end of the financial year and of the profit or loss of the limited liability partnership for that period and comply with UK GAAP and the LLP Regulations 2001. 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 accounts, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP 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 LLP and enable them to ensure that the financial statements comply with the LLP Regulations 2001. They are also responsible for the system of internal control, for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

##### **GOING CONCERN**

The financial statements are prepared on a going concern basis as the members are satisfied that the Partnership has sufficient resources to continue in business for the foreseeable future. In forming this view the members have reviewed the Partnership budget for 2008 and 2009 and take comfort in the commitments of members to provide sufficient funding to continue the development of the Partnership for at least twelve months from the date of this report.

##### **EVENTS SINCE THE BALANCE SHEET DATE**

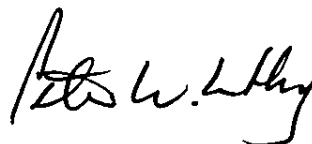
In April 2008 there was an additional capital commitment made to the partnership which increased the available capital committed by the members by a further €3million. The event does not require any adjustment to the financial statements.

##### **AUDITORS**

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors will be put to the members at the Annual General Meeting.

Registered office  
5th Floor  
70 Gracechurch Street  
London EC3V 0XL  
Date

Signed on behalf of the members



## **BANQUO CREDIT MANAGEMENT LLP**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BANQUO CREDIT MANAGEMENT LLP**

#### **YEAR ENDED 31 DECEMBER 2007**

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We have audited the group financial statements of Banquo Credit Management LLP for the year ended 31 December 2007 which comprise the Group Profit and Loss Account, the Group Balance Sheet, the Limited Liability Partnership Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### **RESPECTIVE RESPONSIBILITIES OF MEMBERS AND AUDITORS**

The members' responsibilities for preparing the Annual Report and the group 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 Members' Responsibilities.

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the members of the partnership in accordance with the Companies Act 1985 as applied to limited liability partnerships by the Limited Liability Partnerships Act 2000 and regulations made thereunder, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the group 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. We also report to you if, in our opinion, the limited liability partnership 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 other information contained in the Annual Report, and consider whether it is consistent with the audited group financial statements. This other information comprises only the Members' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group 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 group financial statements. It also includes an assessment of the significant estimates and judgments made by the members in the preparation of the group 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 group 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 group financial statements.

## **BANQUO CREDIT MANAGEMENT LLP**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BANQUO CREDIT MANAGEMENT LLP (*continued*)**

**YEAR ENDED 31 DECEMBER 2007**

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#### **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 partnership's affairs as at 31 December 2007 and of the loss of the group and group cash flows for the year then ended, and
- have been properly prepared in accordance with the provisions of the Limited Liability Partnerships Regulation 2001 made under the Limited Liability Partnerships Act 2000

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London  
Date 30 April 2008

**BANQUO CREDIT MANAGEMENT LLP****GROUP PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2007**

		2007	2006
	Note	€	€
<b>TURNOVER</b>	<b>2</b>	<b>5,058,605</b>	<b>2,254,608</b>
Administrative expenses		<b>(3,720,761)</b>	<b>(3,481,294)</b>
<b>OPERATING PROFIT/ (LOSS)</b>	<b>3</b>	<b>1,337,844</b>	<b>(1,226,686)</b>
Interest receivable		<b>103,489</b>	<b>77,642</b>
Interest payable and similar charges		<b>(2,615)</b>	<b>(116)</b>
Other income		<b>5,471</b>	<b>-</b>
<b>PROFIT/ (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>1,444,189</b>	<b>(1,149,160)</b>
Taxation on profit on ordinary activities	<b>4</b>	<b>(38,804)</b>	<b>(44,994)</b>
<b>PROFIT BEFORE MEMBERS' REMUNERATION AND PROFIT SHARE</b>		<b>1,405,385</b>	<b>(1,194,154)</b>
Members' remuneration	<b>5</b>	<b>(4,907,881)</b>	<b>(3,997,327)</b>
<b>LOSS AFTER DISTRIBUTIONS</b>		<b>(3,502,496)</b>	<b>(5,191,481)</b>

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

There were no other recognised gains or losses in the year other than those disclosed in the profit and loss account

The notes on pages 12 to 19 form part of these Financial Statements



# BANQUO CREDIT MANAGEMENT LLP

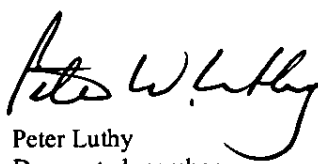
## GROUP BALANCE SHEET

AS AT 31 DECEMBER 2007

	Note	2007 €	2006 €
<b>FIXED ASSETS</b>			
Tangible fixed assets	7	255,095	146,968
Intangible fixed assets	8	19,715	3,307
		<u>274,810</u>	<u>150,275</u>
<b>CURRENT ASSETS</b>			
Debtors	10	770,165	715,194
Cash		<u>1,892,370</u>	<u>5,246,962</u>
		2,662,535	5,962,156
<b>CREDITORS: Amounts falling due within one year</b>	11	(749,829)	(2,525,276)
<b>NET CURRENT ASSETS</b>		<u>1,912,706</u>	<u>3,436,880</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,187,516</u>	<u>3,587,155</u>
<b>MEMBERS' OTHER INTERESTS</b>			
Members' capital	12	<u>2,187,516</u>	<u>3,587,155</u>
		<u>2,187,516</u>	<u>3,587,155</u>
<b>MEMORANDUM OF MEMBERS' TOTAL INTERESTS</b>			
Members' other interests	12	<u>2,187,516</u>	<u>3,587,155</u>
<b>TOTAL MEMBERS' INTERESTS</b>	12	<u>2,187,516</u>	<u>3,587,155</u>

These financial statements were approved by the members on the behalf by

and are signed on their

  
Peter Luthy  
Designated member

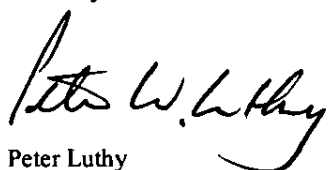
The notes on pages 12 to 19 form part of these Financial Statements

**BANQUO CREDIT MANAGEMENT LLP**  
**LIMITED LIABILITY PARTNERSHIP BALANCE SHEET**  
**AS AT 31 DECEMBER 2007**

	Note	2007 €	2006 €
<b>FIXED ASSETS</b>			
Investments	9	1	1
<b>CURRENT ASSETS</b>			
Debtors	10	519,148	539,280
Cash at bank		<u>1,842,600</u>	<u>5,223,546</u>
		2,361,748	5,762,826
<b>CREDITORS: Amounts falling due within one year</b>	11	<u>(555,243)</u>	<u>(2,588,808)</u>
<b>NET CURRENT ASSETS</b>		<u>1,806,505</u>	<u>3,174,018</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,806,505</u>	<u>3,174,019</u>
<b>MEMBERS' OTHER INTERESTS</b>			
Members' capital	12	5,276,876	8,351,675
Other reserves	12	<u>(3,470,371)</u>	<u>(5,177,656)</u>
		<u>1,806,505</u>	<u>3,174,019</u>
<b>MEMORANDUM OF MEMBERS' TOTAL INTERESTS</b>			
Members' other interests	12	1,806,505	3,174,019
Loans from and other amounts due to/(from) members	12	<u>(104,832)</u>	<u>210,445</u>
<b>TOTAL MEMBERS' INTERESTS</b>	12	<u>1,701,673</u>	<u>3,384,464</u>

These financial statements were approved by the members on the behalf by

and are signed on their



Peter Luthy  
Designated Member

The notes on pages 12 to 19 form part of these Financial Statements

## **BANQUO CREDIT MANAGEMENT LLP**

### **STATEMENT OF CASH FLOWS**

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

	Note	2007 €	2006 €
Net cash inflow / (outflow) from operating activities	13	(379,604)	1,442,652
Returns on investments and servicing of finance	13	100,874	77,526
Taxation	13	(46,169)	(43,805)
Transactions with members	13	(2,805,024)	2,952,673
Capital expenditure and financial investments	13	(224,669)	(29,610)
(Decrease) / increase in cash		<u>(3,354,592)</u>	<u>4,399,436</u>

The notes on pages 12 to 19 form part of these Financial Statements

# **BANQUO CREDIT MANAGEMENT LLP**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2007**

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### **1. ACCOUNTING POLICIES**

FRS 18 requires that the Group select accounting policies that are the most appropriate to its particular circumstances for the purpose of ensuring that the financial statements give a true and fair view. The following policies have been selected by the members against the objectives of relevance, reliability, comparability and understandability and have been applied consistently in the preparation of these financial statements.

#### **Basis of accounting**

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost convention and in accordance with the Statement of Recommended Practice (SORP) 'Accounting by Limited Liability Partnerships' issued in May 2002.

#### **Basis of consolidation**

The consolidated financial statements include the accounts of the Partnership and its subsidiary undertaking drawn up to 31 December 2007. All intercompany transactions and balances have been eliminated in the group financial statements. The group financial statements have been prepared on the net investment closing rate method. This applies to the consolidation of the subsidiary company which is denominated in a foreign currency.

No solos profit and loss account is presented for Banquo Credit Management LLP as permitted by section 230 of the Companies Act 1985.

#### **Tangible and intangible fixed assets**

Tangible and intangible fixed assets are recorded at cost less depreciation and amortisation.

Depreciation and amortisation are provided at rates calculated to write off the cost less its estimated residual value of each asset over its expected useful economic life as follows:

Fixtures & fittings	-	4 years straight line
Computer and office equipment	-	3 years straight line
Trade marks	-	10 years straight line
Other intangible assets	-	5 years straight line

#### **Foreign currencies**

The only foreign currency is sterling. Under the net investment closing rate method of consolidation all assets and liabilities denominated in sterling are translated into Euros at the rate of exchange ruling at 31 December 2007 of 1.3618 (2006: €1.4863). Transactions in sterling are recorded at the rate ruling at the date of the transaction. All currency differences are taken into the profit and loss account.

#### **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 income as incurred.

# BANQUO CREDIT MANAGEMENT LLP

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31 DECEMBER 2007

#### Taxation and deferred taxation

Provision is made for corporation tax at the current rates on the excess taxable income over allowable expenses. Provision is made for deferred tax on all material timing differences arising from the different treatment of items for accounting and tax purposes. A deferred tax asset is recognised only to the extent that it is more likely than not that there will be taxable profits in the future against which the asset can be offset. Deferred tax assets and liabilities are not discounted.

#### 2. TURNOVER

Turnover, which is stated net of value added tax, represents fees receivable for investment advisory services and arises from continuing activities wholly undertaken in the UK. Management fees are recognised on an accruals basis. Performance fees are recognised as they are earned.

#### 3. OPERATING PROFIT

	2007 €	2006 €
Operating profit is stated after charging		
Depreciation of owned tangible fixed assets	103,702	218,216
Amortisation of owned intangible fixed assets	1,903	430
Auditor's remuneration		
Audit services	64,233	59,452
Non audit services	20,985	71,342
Operating lease rentals: Property	357,396	295,711

#### 4. TAXATION

##### (a) Taxation on profit on ordinary activities

	2007 €	2006 €
<b>UK current year taxation</b>		
UK corporation tax at the small companies marginal rate	38,804	44,994

##### (b) Factors affecting the tax charge for the year

Profit/(loss) on ordinary activities before taxation	1,444,189	(1,149,160)
Less: non qualifying Partnership profit	(1,402,912)	-
Add: non qualifying Partnership loss	-	1,170,410
Qualifying profit on ordinary activities before taxation	41,277	21,250

Corporation tax at 19% (2006: 20%)	8,155	4,037
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##### Effects of

Expenses not deductible for tax purposes	29,474	40,957
Under provision previous year	1,175	-
<b>Total current year taxation charge</b>	<b>38,804</b>	<b>44,994</b>

No deferred tax asset or liability has been recognised as at 31 December 2007 on the grounds that any such item will be distributed to the members.

# BANQUO CREDIT MANAGEMENT LLP

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31 DECEMBER 2007

#### 5 MEMBERS' REMUNERATION

	2007 €	2006 €
Paid under employment contracts	-	-
Allocation under terms of partnership agreement	4,907,881	3,997,326
	<u>4,907,881</u>	<u>3,997,326</u>
Highest allocation to non corporate members in the year	<u>326,864</u>	<u>376,877</u>

The average number of members in the year was 26 (2006 25)

#### 6. STAFF COSTS

	2007 €	2006 €
Wages and salaries	355,574	230,382
Social security costs	31,879	9,186
Pension costs	11,331	2,960
Other benefits	7,089	-
	<u>405,873</u>	<u>242,528</u>

The average monthly number of employees during the year was as follows

	2007 No.	2006 No.
Administration	4	1
Investment support	<u>1</u>	<u>1</u>

#### 7. TANGIBLE FIXED ASSETS

	Furniture and fittings €	Computer and office equipment €	Total €
<b>COST</b>			
At 1 January 2007	4,230	644,774	649,004
Additions	196,035	15,794	211,829
Disposal of items fully depreciated and written off	-	(26,161)	(26,161)
<b>At 31 December 2007</b>	<u>200,265</u>	<u>634,407</u>	<u>834,672</u>
<b>DEPRECIATION</b>			
At 1 January 2007	2,293	499,743	502,036
Charge for the year	13,400	90,302	103,702
Disposal of items fully depreciated and written off	-	(26,161)	(26,161)
<b>At 31 December 2007</b>	<u>15,693</u>	<u>563,884</u>	<u>579,577</u>
<b>NET BOOK VALUE</b>			
<b>At 31 December 2007</b>	<u>184,572</u>	<u>70,523</u>	<u>255,095</u>
At 31 December 2006	<u>1,937</u>	<u>145,031</u>	<u>146,968</u>

# BANQUO CREDIT MANAGEMENT LLP

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

**YEAR ENDED 31 DECEMBER 2007**

### 8. INTANGIBLE FIXED ASSETS

	Trade marks €	Other Intangibles €	Total €
<b>COST</b>			
At 1 January 2007	4,422	–	4,422
Additions	–	18,311	18,311
<b>At 31 December 2007</b>	<b>4,422</b>	<b>18,311</b>	<b>22,733</b>
<b>AMORTISATION</b>			
At 1 January 2007	1,115	–	1,115
Charge for the year	408	1,495	1,903
<b>At 31 December 2007</b>	<b>1,523</b>	<b>1,495</b>	<b>3,018</b>
<b>NET BOOK VALUE</b>			
<b>At 31 December 2007</b>	<b>2,899</b>	<b>16,816</b>	<b>19,715</b>
At 31 December 2006	3,307	–	3,307

Other intangible assets include land registry costs which relate to the lease of a new office

### 9. INVESTMENTS

Limited Liability Partnership	2007 €	2006 €
Investment in subsidiary at cost	1	1

The investment represents the Partnership's 100% holding in Banquo Credit Management (2) Limited, a service company incorporated in England and Wales

### 10. DEBTORS

	Group 2007 €	LLP 2007 €	Group 2006 €	LLP 2006 €
Other debtors	37,089	–	119,071	72,003
VAT	78,984	2,779	38,707	10,394
Prepayments and accrued income	248,787	6,232	335,951	235,418
Receivable from related party	405,305	510,137	221,465	221,465
	<b>770,165</b>	<b>519,148</b>	<b>715,194</b>	<b>539,280</b>

# **BANQUO CREDIT MANAGEMENT LLP**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **YEAR ENDED 31 DECEMBER 2007**

#### **11. CREDITORS: Amounts falling due within one year**

	<b>Group</b>	<b>LLP</b>	<b>Group</b>	<b>LLP</b>
	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Trade creditors	-	-	38,800	25,936
Accruals and deferred income	<b>712,200</b>	<b>555,243</b>	441,482	352,427
Corporation tax	<b>37,629</b>	-	44,994	-
Payable to member	-	-	2,000,000	2,000,000
Inter-group payable from subsidiary	-	-	-	210,445
	<b>749,829</b>	<b>555,243</b>	<b>2,525,276</b>	<b>2,588,808</b>

#### **12. RECONCILIATION OF MOVEMENTS IN MEMBERS' OTHER AND MEMBERS TOTAL INTEREST**

##### **Group**

	<b>Members' capital</b>	<b>Other reserves</b>	<b>Total members' other interests</b>	<b>Members' total interests</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
At 1 January 2007	3,587,155	-	3,587,155	3,587,155
Capital contributions in year	2,102,857	-	2,102,857	2,102,857
Loss for the year after drawings	-	(3,502,496)	(3,502,496)	(3,502,496)
Allocation of other reserves to members' capital accounts	(3,502,496)	3,502,496	-	-
<b>At 31 December 2007</b>	<b>2,187,516</b>	<b>-</b>	<b>2,187,516</b>	<b>2,187,516</b>



# BANQUO CREDIT MANAGEMENT LLP

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31 DECEMBER 2007

#### Limited Liability Partnership

	Members' capital €	Other reserves €	Total members' other interests €	Loans from and other amounts due to/ (from) members €	Members' total interests €
At 1 January 2007	3,174,019	-	3,174,019	210,445	3,384,464
Capital contributions in year	2,102,857	-	2,102,857	-	2,102,857
Loss for the year after drawings	-	(3,470,371)	(3,470,371)	-	(3,470,371)
Allocation of other reserves to members' capital accounts	(3,470,371)	3,470,371	-	-	-
Amount due to Banquo Credit Management Limited	-	-	-	(315,277)	(315,277)
At 31 December 2007	<u>1,806,505</u>	<u>-</u>	<u>1,806,505</u>	<u>(104,832)</u>	<u>1,701,673</u>

Amounts due to members are not subordinated

### 13. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2007 €	2006 €
Operating profit / (loss)	1,337,845	(1,226,686)
Depreciation and amortisation	105,605	218,646
Decrease / (increase) in debtors	(54,971)	175,663
Increase / (decrease) in creditors	(1,768,083)	2,275,029
Net cash inflow/ (outflow) from operating activities	<u>(379,604)</u>	<u>1,442,652</u>

# BANQUO CREDIT MANAGEMENT LLP

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31 DECEMBER 2007

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

	2007 €	2006 €
<b>Returns on investment and servicing of finance</b>		
Interest received	103,489	77,642
Interest paid	(2,615)	(116)
<b>Net cash inflow from operating activities</b>	<u>100,874</u>	<u>77,526</u>
<b>Taxation</b>		
Corporation tax paid	<u>(46,169)</u>	<u>(43,805)</u>
<b>Transactions with members</b>		
	2007 €	2006 €
Issue of members' capital and members' contributions	2,102,857	6,950,000
Distribution to members	(4,907,881)	(3,997,327)
	<u>(2,805,024)</u>	<u>2,952,673</u>
<b>Capital expenditure and financial investments</b>		
Payments to acquire tangible fixed assets	(211,829)	(29,541)
Payments to acquire intangible fixed assets	(18,311)	(69)
Proceeds from the sale of fixed assets	5,471	-
	<u>(224,669)</u>	<u>(29,610)</u>

(c) Analysis of changes in net funds

	At 1 January 2007 €	Cashflow €	At 31 December 2007 €
Cash at bank	<u>5,246,962</u>	<u>(3,354,592)</u>	<u>1,892,370</u>

## 14. FINANCIAL COMMITMENTS

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as follow

	2007 €	2006 €
Operating leases which expire Land & Buildings		
Within 1 year	-	322,340
Within 2-5 years	<u>250,231</u>	<u>-</u>

There are no other financial commitments or contingencies (2006 nil)

## **BANQUO CREDIT MANAGEMENT LLP**

### **NOTES TO THE FINANCIAL STATEMENTS *(continued)***

#### **YEAR ENDED 31 DECEMBER 2007**

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##### **15. RELATED PARTY TRANSACTIONS**

In the year to 31 December 2007 the Partnership was charged €2,850,634 (2006 €1,668,540) by Banquo Credit Management (2) Limited for support and administration services provided by that company

In the year to 31 December 2007 the Partnership invoiced €5,058,605 (2006 €2,254,608) to Diversification Notes PLC for management services provided to that company. At the end of the year €405,305 (2006 €221,465) was outstanding

##### **16. EVENTS SINCE THE BALANCE SHEET DATE**

In April 2008 there was an additional capital commitment made to the partnership which increased the available capital committed by the members by a further €3million. The event does not require any adjustment to the financial statements