

Registration number: LP012862

**Connaught Income Fund Series 1 Limited**  
**Partnership**  
**Report and audited financial statements**

For the 15 month period ended 31 August 2009

# Connaught Income Fund Series 1 Limited Partnership

## Contents

	Page
Partnership information	1
Report of the General Partner	2 - 3
Independent auditors' report	4 - 5
Profit and loss account	6
Allocation of net profit	6
Balance sheet	7
Cash flow statement	8
Notes to the financial statements	9 - 12

# Connaught Income Fund Series 1 Limited Partnership

## Partnership information

Registration number	LP012862
General partner	Connaught Administration Services Limited Hill Place House 55a High Street Wimbledon Village SW19 5BA
Specialist partner	Tiuta Plc 21 Ely Place London EC1N 6TD
Operator and administrator	Blue Gate Capital Limited 18-22 Lloyd Street Manchester M2 5WA
Asset manager	Connaught Asset Management Ltd Hill Place House 55a High Street Wimbledon Village SW19 5BA
Auditors	Mazars LLP The Pinnacle 160 Midsummer Boulevard Milton Keynes MK9 1FF
Bankers	Royal Bank of Scotland plc London City Office PO Box 412 62-63 Threadneedle Street London EC2R 8LA
Solicitors	Lupton Fawcett LLP Yorkshire House East Parade Leeds LS1 5BD

# Connaught Income Fund Series 1 Limited Partnership

## Report of the General Partner

For the 15 month period ended 31 August 2009

The General Partner presents, on behalf of Connaught Income Fund Series 1 Limited Partnership, the annual report together with the financial statements for the 15 trading months to 31 August 2009. The Partnership was incorporated on 10 April 2008.

### Background and principal activity

The entity was created on 10 April 2008 as a Limited Partnership in the name of The Guaranteed Low Risk Income Fund Series 1. The name has since been changed to The Connaught Income Fund, Series 1.

The principal activity of the Partnership is to finance loans, and with those loans, when secured by a subordinated loan charge, form investment assets.

The management of the business and the execution of the Partnership's strategy are straightforward, namely:

- 1) That the costs of managing and administering the Fund are met by the specialist partner or the asset manager.
- 2) That the quarterly distributions are paid (or reinvested depending on the election made by the investor and their agents) by the specialist partner when they are due.

Risk is managed by ensuring loans are made in accordance with the Information Memorandum. We confirm that no loans have been entered into that breach the terms of the Information Memorandum which include not lending on the following types of properties:

- Land
- Ex-Local Authority (except houses and flats in conversions or small blocks where it can be demonstrated that more than 70% of the building has been purchased privately)
- Concrete construction
- 100% timber construction
- Steel frame construction (except new build properties)
- Flats above food premises with A3 use or those adjacent
- Properties with restrictions regarding occupancy e.g. retirement flats etc.
- Properties deemed as unacceptable security by the appointed valuer
- Less than 10 years old without NHBC / Zurich Municipal guarantees or architect's certificate
- Land without full residential or commercial planning
- Not wholly owned by the borrower (shared ownership)
- Mobile homes / house boats / caravans
- Freehold flats or maisonettes
- Care homes / nursing homes
- Petrol stations without planning permission
- Nightclubs
- Golf clubs
- Churches
- Adult entertainment
- Equestrian centres with or without residential accommodation
- Kennels / catteries without residential accommodation
- Agricultural
- Deemed as unacceptable security by the appointed valuer

Blue Gate Capital Limited took over from Capita Financial Managers Limited as Operator of the Limited Partnership on 06 October 2009. It has taken some considerable time to reconcile the figures and records for the first year of the Fund's life but we are comfortable that now this has been completed it will be simpler and take far less time to create and issue future audited accounts.

**Statement of the General Partner's responsibilities in respect of the financial statements**

The General Partner is responsible for preparing the Report of the General Partner and the financial statements in accordance with applicable law and regulations.

The General Partner must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Limited Partnership and of the profit or loss of the Limited Partnership for that period. In preparing these financial statements, the General Partner is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 company will continue in business.

The General Partner is responsible for keeping adequate accounting records that are sufficient to show and explain the Limited Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Limited Partnership and enable them to ensure that the financial statements comply with applicable law and regulations.

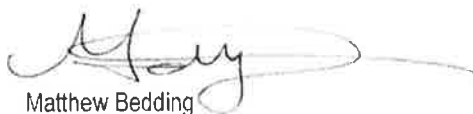
The financial statements of the Limited Partnership are prepared in accordance with the Partnerships and Unlimited Companies (Accounts) Regulations 1993.

**Statement of disclosure of information to auditors**

Each of the persons who are directors at the time when this Report of General Partners' is approved has confirmed that:

- a) so far as that director is aware, there is no relevant audit information of which the General Partnership's auditors are unaware, and
- b) that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the General Partnership's auditors in connection with preparing their report and to establish that the General Partnership's auditors are aware of that information.

Approved by the General Partner on 8th June 2011 and signed on its behalf.



Matthew Bedding  
Director

# Connaught Income Fund Series 1 Limited Partnership

## Independent auditors' report to the partners of Connaught Income Fund Series 1 Limited Partnership For the 15 month period ended 31 August 2009

We have audited the financial statements of Connaught Income Fund Series 1 Limited Partnership for the 15 month period ended 31 August 2009 which comprise the profit and loss account, the allocation of net profit, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the partners of the above Limited Partnership, as a body, in accordance with applicable law. Our audit work has been undertaken so that we might state to the partners 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 Partnership and the partners, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the general partner and auditors**

As described in the Statement of General Partner's Responsibilities, the General Partner is responsible for the preparation of 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, whether the financial statements are properly prepared in accordance with the Partnership and Unlimited Companies (Accounts) Regulations 1993 and whether the information given in the Report of the General Partner is consistent with the financial statements. We also report to you if, in our opinion, the Limited 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 Report of the General Partner and consider the implications for our report if we become aware of any apparent misstatement.

### **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 General Partner in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Limited 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.

# Connaught Income Fund Series 1 Limited Partnership

Independent auditors' report to the partners of Connaught Income Fund Series 1  
Limited Partnership (continued)  
For the 15 month period ended 31 August 2009

## 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 Partnership's affairs as at 31 August 2009 and of its result for the period then ended;
- the financial statements have been properly prepared in accordance with the Partnerships and Unlimited Companies (Accounts) Regulations 1993; and
- the information given in the Report of the General Partner is consistent with the financial statements.



Mazars LLP  
Chartered Accountants and Registered Auditors  
The Pinnacle  
160 Midsummer Boulevard  
Milton Keynes  
MK9 1FF

Date 10 June 2011 .....

# Connaught Income Fund Series 1 Limited Partnership

## Profit and loss account

For the 15 month period ended 31 August 2009

	Notes	2009
		£
<b>Turnover</b>		
UK loan interest received	1	2,016,252
Other income		1,271,484
Total turnover		<u>3,287,736</u>
<b>Less expenses:</b>		
Agents' commissions	3	(233,575)
Bank charges and audit fees	3	(20,998)
Operators' fees	3	(485,396)
General Partner fees	3	(531,515)
Total expenses		<u>(1,271,484)</u>
<b>Net profit</b>		<u>2,016,252</u>
Finance costs: Distributions		(2,016,252)
<b>Net (decrease)/increase in unit holders' funds from investment activities</b>	9	<u><u>-</u></u>

All transactions represent revenue transactions.

All transactions are derived from continuing activities.



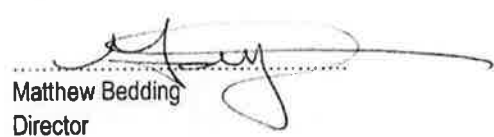
# Connaught Income Fund Series 1 Limited Partnership

Balance sheet  
As at 31 August 2009

	Notes	2009
		£
<b>Fixed assets</b>		
Portfolio of investments	4	39,576,414
<b>Current assets</b>		
Debtors	5	1,408,014
Cash at bank and in hand		5,483,616
		<u>6,891,630</u>
<b>Current liabilities</b>		
Creditors: amounts falling due within one year	6	(535,103)
<b>Net current assets</b>		<u>6,356,527</u>
<b>Total assets less current liabilities</b>		
<b>Net assets</b>		<u>45,932,941</u>
<b>Represented by partners' accounts:</b>		
Capital contribution fund	9	<u>45,932,941</u>

The financial statements were approved and authorised for issue by the General Partner on 8th June 2010

Signed on behalf of the General Partner

  
Matthew Bedding  
Director

# Connaught Income Fund Series 1 Limited Partnership

## Cash flow statement

For the 15 month period ended 31 August 2009

	Notes	2009
		£
<b>Net cash inflow from operating activities</b>	10	773,989
<b>Capital funding and expenditure</b>		
Investments made		(41,966,291)
Investments repaid		2,389,877
		<u>(39,576,414)</u>
<b>Financing</b>		
Issue of new units		47,002,486
Cancellation of units		(1,342,786)
		<u>45,659,700</u>
<b>Distributions</b>		
Distributions paid		(1,373,659)
<b>Increase / (Decrease) in cash</b>	11	<u>5,483,616</u>

# Connaught Income Fund Series 1 Limited Partnership

## Notes to the financial statements

For the 15 month period ended 31 August 2009

### 1. Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention, and in accordance with the Partnerships and Unlimited Companies (Accounts) Regulations (SI 1820) 1993.

#### 1.2 Turnover

Turnover represents the interest received on investments and money reclaimed from the specialist partner, recognised on an accruals basis.

#### 1.3 Tax

No provisions are included in the financial statements for tax other than tax deducted at source from investment income. Each partner will be assessed individually for tax due on its income share.

#### 1.4 Portfolio of investments

The investment in the loans is reported at cost less provision for impairment.

### 2. Directors and employees

There were no employees of the Limited Partnership during the period.

### 3. Operating profit

Operating profit is stated after charging audit fees of £13,250.

#### Agents' commission

Where trail commission is payable, 1% of total participations is paid to introducers and financial intermediaries by way of an annual trail commission paid quarterly in arrears. The total fee payable in respect of the period ended 31 August 2009 was £233,575.

#### Operators' fees

An annual fee is payable to the operator of the fund. The annual fee is paid to the operator and is calculated based on an amount equal to 1.5% of total participations, payable monthly in arrears. The total fee payable in respect of the period ended 31 August 2009 was £485,396.

#### General Partners' fees

Connaught receive 2% of total participations committed to the Limited Partnership. Part of this is used to pay the Agents' Commission; the remaining amount will be applied in payment of the establishment costs of the Limited Partnership and the balance will be divided, although not equally, between the operator and the asset manager. The total fee payable in respect of the period ended 31 August 2009 was £531,515.

# Connaught Income Fund Series 1 Limited Partnership

## Notes to the financial statements

For the 15 month period ended 31 August 2009

### 4. Portfolio of investments

<b>Portfolio of investments</b>	<b>2009</b>
	<b>£</b>
At commencement	-
Additions	41,966,291
Repayments	(2,389,877)
At 31 August 2009	<u>39,576,414</u>

### 5. Debtors

	<b>2009</b>
	<b>£</b>
Other debtors	1,408,014
	<u>1,408,014</u>

Other debtors includes £1,394,764 owed by Tiuta Plc, which consists of recharges of expenses incurred by the LP and distributions payable on the investments made, and £13,250 from Connaught Administration Services Limited.

### 6. Creditors – amounts falling due within one year

	<b>2009</b>
	<b>£</b>
Accrued distributions	315,871
Accrued tax on distributions payable in the unit trust	53,481
Other creditors	69,759
Accruals	95,992
	<u>535,103</u>

# Connaught Income Fund Series 1 Limited Partnership

## Notes to the financial statements

For the 15 month period ended 31 August 2009

### 7. Limited Partners' capital contribution accounts

The capital contribution represents the initial acquisition cost of the loan less any repayments.

### 8. Limited Partners' accumulated income accounts

Deficits are borne by the relevant Partner except in the case of the General Partner; any deficit of the General Partner remaining on termination of the Partnership will be borne by the Limited Partners.

The Limited Partnership is not assessed for tax on its profits as each partner is assessed for tax purposes on their share of net income receivable from the partnership.

### 9. Reconciliation of reserves

	Profit and loss account	Capital account	Total
	£	£	£
At commencement	-	-	-
Units issued	-	47,275,727	47,275,727
Cancelled units	-	(1,342,786)	(1,342,786)
Net profit for the period	2,016,252	-	2,016,252
Distributions made	(2,016,252)	-	(2,016,252)
At 31 August 2009	-	45,932,941	45,932,941

### 10. Reconciliation of operating profit to net cash inflow from operating activities

	2009
	£
<b>Net profit</b>	2,016,252
Interest receivable	-
(Increase) / Decrease in debtors	(1,408,014)
Increase / (Decrease) in creditors	165,751
<b>Net cash inflow from operating activities</b>	<u>773,989</u>

# Connaught Income Fund Series 1 Limited Partnership

## Notes to the financial statements

For the 15 month period ended 31 August 2009

### 11. Reconciliation in cash movement

Analysis of changes in net funds	At commencement	Cash flow	31 August 2009
	£	£	£
Net funds:			
Cash at bank and in hand	-	5,483,616	5,483,616

### Reconciliation of net cash flow to movement in net funds

	£
Increase in cash in the period	5,483,616
Net funds at commencement	-
<b>Net funds at 31 August 2009</b>	<b>5,483,616</b>

### 12. Related party transactions

During the period, Connaught Administration Services Limited reimbursed the audit fees and bank charges totalling £20,998. A debtor of £13,250 was due at the period end. Connaught Administration Services Limited received payment for services rendered in the period from the Connaught Income Funds Series 1 LP, amounting to £531,515. A creditor of £84,616 remained at the period end.

### 13. General partner and ultimate controlling party

Connaught Income Fund Series 1 Limited Partnership acts through its General Partner, Connaught Administration Services Limited, a company incorporated in England and Wales. Its registered number is 06081018. The ultimate holding company and ultimate controlling party of the General Partner is Connaught Asset Management Limited, a company incorporated in England and Wales.