

# EAC FUND II GP LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2004



## REPORT OF THE DIRECTORS

The directors present their Report and Financial Statements for the year ended 31 December 2004.

### Principal activity and review of business

The company's principal activity is to act as the General Partner of EAC Limited Partnership II ("EAC LP II"), a UK Limited Partnership established for the purposes of making private equity investments in the United Kingdom and Western Europe.

### Results for the year

The company made a profit before tax of £33,796 (2003: £31,355) for the year ended 31 December 2004. The directors do not propose to pay a dividend (2003: £Nil).

### Directors and their interests

The directors of the company during the year, none of which had any interest in the shares of the company, were as follows:

PWE Downes  
RS Mason  
CW Robinson

*JM Dean was appointed as a Director of the company on 7 February 2005.*

According to the Register of Directors' Interests, the directors who held office at 31 December 2004 and their families had the following interests in the shares of EAC Holdings Limited, the ultimate parent undertaking:

	No. held at 31 December 2004		No. held at 31 December 2003	
	Ords	Prefs	Ords	Prefs
P.W.E. Downes	251	1,027,427	251	1,027,427
C.W. Robinson	251	513,713	251	513,713
R.S. Mason	251	513,713	251	513,713

REPORT OF THE DIRECTORS continued

Statement of Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss for that year.

In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

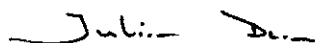
Going Concern

The Directors note that the Company has net liabilities. As a result, the Directors have sought comfort from the directors of the ultimate parent undertaking, EAC Holdings Limited, that the parent will continue to support the Company and provide financial assistance where necessary to allow the Company to meet its liabilities as and when they fall due. The Directors therefore consider that the Company is a going concern.

Auditors

In accordance with section 386 of the Companies Act 1985, the company has dispensed with the requirement to annually appoint auditors. Accordingly, KPMG Audit Plc are deemed to be reappointed as auditors.

By order of the Board



J.M. Dean  
Company Secretary

29 April 2005

Registered Office:  
26 Finsbury Square  
London EC2A 1DS

## REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF EAC FUND II GP LIMITED

We have audited the financial statements on pages 4 to 10.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditor, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc

Chartered Accountants and Registered Auditor  
8 Salisbury Square  
London EC4Y 8BB

29 April 2005

**PROFIT AND LOSS ACCOUNT**  
*For the year ended 31<sup>st</sup> December 2004*

	Notes	2004 £	2003 £
Turnover	2	1,918,516	1,961,282
Administrative expenses	4	(1,887,283)	(1,931,097)
Operating profit		31,233	30,185
Interest receivable	3	2,563	1,170
Profit on ordinary activities before taxation	4	33,796	31,355
Taxation	5	(86,954)	(325,056)
Retained loss for the year		(53,158)	(293,701)
Retained (loss) / profit brought forward		(211,489)	82,212
Retained loss carried forward		(264,647)	(211,489)

The results above were all derived from continuing activities.

The company has no recognised gains and losses other than those stated above and therefore no separate Statement of Total Recognised Gains and Losses has been presented.

The notes on pages 6 to 10 form part of these financial statements.

**BALANCE SHEET**  
*As at 31<sup>st</sup> December 2004*

	Notes	2004 £	2003 £
Fixed assets			
Investments	6	20,098	98
Current assets			
Debtors	7	-	656,808
Creditors: amounts falling due within one year	8	(283,745)	(2,070)
		<hr/>	<hr/>
Net current assets		(283,745)	654,738
		<hr/>	<hr/>
Provision for liabilities and charges			
Deferred taxation	5	-	(865,327)
		<hr/>	<hr/>
Total net liabilities		(263,647)	(210,489)
		<hr/> <hr/>	<hr/> <hr/>
Represented by:			
Called-up share capital	9	1,000	1,000
Profit and loss account		(264,647)	(211,489)
		<hr/>	<hr/>
Shareholders' funds	10	(263,647)	(210,489)
		<hr/> <hr/>	<hr/> <hr/>

These financial statements were approved by the Board of Directors on 29 April 2005 and signed on its behalf by:

C.W. Robinson



Director

The notes on pages 6 to 10 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
*For the year ended 31<sup>st</sup> December 2004*

**1. Accounting policies:**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

***Basis of Preparation:***

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and under the historical cost convention.

***Taxation:***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences arising in the treatment of certain items for taxation and accounting purposes. In accordance with FRS19, deferred tax is provided for on a full provision basis.

The deferred tax balance has not been discounted.

***Investments:***

Investments are stated at cost less any provision for permanent impairment.

***Going concern:***

The financial statements have been prepared on a going concern basis as the Directors of EAC Holdings Limited, the ultimate parent undertaking, have confirmed that they will continue to support the company and provide financial assistance where necessary to allow the company to meet its liabilities as and when they fall due.

**2. Turnover:**

Turnover comprises fees receivable from European Acquisition Capital Limited Partnership II in accordance with the Limited Partnership Agreements.

**3. Interest receivable:**

Interest receivable comprises interest earned on inter-company accounts.

**4. Profit on ordinary activities before taxation:**

*Profit on ordinary activities before taxation is stated after charging:*

	2004	2003
	£	£
Auditor's remuneration – audit services	2,000	2,000
- other services	1,750	2,800

The company has appointed European Acquisition Capital Limited, a fellow group company, to act as investment manager on behalf of European Acquisition Capital Limited Partnership II. The company paid fees during the year of £1,883,516 (2003: £1,926,282), under the terms of the Investment Management Agreement.

NOTES TO THE FINANCIAL STATEMENTS continued

5. Taxation:

Analysis of the company tax credit in the year:

	2004 £	2003 £
UK Corporation tax charge:		
Current charge at tax rate of 30%	340,967	(578,645)
Under provision in respect of prior years	32,670	-
Deferred tax charge:		
(Reversal) / origination of timing differences during the year	(865,327)	910,132
Over / (under) provision in respect of prior years	578,644	(6,431)
	<hr/>	<hr/>
	86,954	325,056
	<hr/>	<hr/>

*Factors affecting the Company current tax charge for the current year:*

The current tax charge for the period is higher (2003: lower) than the standard rate of corporation tax in the UK of 30% (2003: 30%). The difference is explained below:

	2004 £	2003 £
Current tax reconciliation:		
Profit on ordinary activities before tax	33,796	31,355
	<hr/>	<hr/>
Current tax at 30% (2003: 30%)	10,139	9,407
<i>Effects of:</i>		
Partnership income subject to timing differences	2,817,726	-
Excess Management expenses subject to timing differences	(1,952,399)	(588,052)
Reversal of prior year group relief surrender	(578,644)	-
Effects of partnership income and expenses allocated To the company	44,145	-
	<hr/>	<hr/>
Total current tax charge (see below)	340,967	(578,645)
	<hr/>	<hr/>

The company has received £1,245,453 of group relief to set against its corporation tax liability for the year ended 31 December 2004. In the accounts for the previous year, excess management charges of £1,928,817 were surrendered to a fellow group company, leading to a corporation tax credit of £578,644 and an increased deferred tax creditor of the same amount as at 31 December 2003. The surrender was reversed during 2004. Group relief is paid for at an amount equivalent to the tax saved by the recipient company.

*Factors which may affect company future tax charges:*

The level of overall tax charges may be greater or less than 30% depending upon the amount of non-deduction qualifying expenditure and the type of income received from the underlying limited Partnerships.



NOTES TO THE FINANCIAL STATEMENTS continued

5. Taxation continued

*Analysis of deferred tax provision:*

	As at 1.1.2004 £	Movement £	As at 31.12.2004 £
Excess management expenses	1,952,399	(1,952,399)	-
Other short-term timing differences	(2,817,726)	2,817,726	-
	<u>(865,327)</u>	<u>865,327</u>	<u>-</u>

6. Investments:

Shares and partnership interests

	2004 £	2003 £
<i>Cost and Net Book Value</i>		
At 1 January	98	28
Additions	20,000	70
	<u>20,098</u>	<u>98</u>
At 31 December	<u>20,098</u>	<u>98</u>

7. Debtors:

	2004 £	2003 £
Amounts owed by group companies	-	656,808
	<u>-</u>	<u>656,808</u>

8. Creditors: amounts falling due within one year:

	2004 £	2003 £
Amounts owed to group companies	281,745	-
Accruals	2,000	2,000
Other creditors	-	70
	<u>283,745</u>	<u>2,070</u>

NOTES TO THE FINANCIAL STATEMENTS continued

9. Called-up share capital:

	2004 No.	2004 £	2003 No.	2003 £
Authorised:				
Ordinary shares of £1 each	1,000	1,000	1,000	1,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Allotted, called-up and fully paid:				
Ordinary shares of £1 each	1,000	1,000	1,000	1,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

10. Reconciliation of movement in equity shareholders' funds:

	2004 £	2003 £
Shareholders' funds at 1 January	(210,489)	83,212
Retained loss for the financial year	(53,158)	(293,701)
	<u>          </u>	<u>          </u>
Shareholders funds' at 31 December	<u>(263,647)</u>	<u>(210,489)</u>

11. Cash flow statement:

As permitted by FRS1 (revised) Cash Flow Statements, the company is exempt from the requirement to prepare a cash flow statement by virtue of the fact it is 100% owned by a group company which produces a consolidated cashflow statement.

12. Related party transactions:

Under FRS8 Related Party Transactions, the company is exempt from disclosing transactions within the group as it is wholly owned by that group whose consolidated annual financial statements, which include the company's results, are publicly available.

13. Ultimate parent undertaking:

The company is a wholly-owned subsidiary of EAC Group Limited, a company incorporated in Guernsey. The ultimate parent undertaking is EAC Holdings Limited a company incorporated in England and Wales.

Copies of these financial statements can be obtained from European Acquisition Capital Limited, 26 Finsbury Square, London EC2A 1DS.

NOTES TO THE FINANCIAL STATEMENTS continued

14. Contingent Liabilities:

EAC Bridge Finance GP Limited, a fellow subsidiary undertaking, acts as the General Partner of EAC Bridge Finance Limited Partnership ("the Partnership"). In December 2003, the Partnership entered into a revolving loan facility ("the Bank Loan"), secured against the assets of the Partnership. The loan is repayable as a prior charge against the receipt of proceeds from the sale of the Partnership's investments or from additional capital contributions made by the Limited Partners. The Bank Loan was reduced to £4.0 million in July 2004.

EAC Fund II GP Limited ("the Company") acts as the General Partner to EAC Fund II Limited Partnership. EAC Fund II Limited Partnership has provided a guarantee against the Bank Loan, securing all outstanding amounts under the Bank Loan against the assets of EAC Fund II Limited Partnership. Should the guarantee provided be unsatisfied by EAC Fund II Limited Partnership, the Company would be liable for any outstanding debt.

At 31 December 2004, £0.3 million (2003: £4.8 million) of Bank Loan was outstanding. EAC Bridge Finance Limited Partnership held assets of £12.0 million (2003: £12.6 million), EAC Fund II Limited Partnership held net assets of £89.2 million (2003: £91.5 million) both of which could be used to settle the outstanding Bank Loan before the company becomes liable for the guarantee.

15. Exemption from preparing group financial statements:

The Company acts as the General Partner of a venture capital limited partnership in which the Company has a small participating interest. The limited partnerships is a subsidiary undertaking under the Companies Act 1985.

The Company is exempt from the obligation, under section 228 of the Companies Act 1985, to prepare group financial statements and to deliver them to the Registrar of Companies on the grounds that the Company's results have been consolidated in the group financial statements of EAC Group Limited, an intermediate parent company. The ultimate parent company, EAC Holdings Limited, heads the largest higher group of undertakings for which group financial statements are prepared. Consequently these financial statements present information about the Company as an individual undertaking and not about its group.