SVG Investment Managers Limited

Registered Number - 4493500

Annual Report and Financial Statements

For the year ended 31 December 2006

Contents

ƽVG Investment Managers Lımıted
Report of the Dırectors

he Dırectors submıt theır report together wıth the audıted fınancıal statements for the year ended 31 December 2006

rincipal activity
VG Investment Managers Lımıted (SVGIM) ıs an ınvestment management company and acts as a General Partner of a UK Lımıted Partnershıp, tragetıc Recovery Fund II SVGIM ıs a prıvate lımıted entıty and ıs ıncorporated ın the Unıted Kıngdom The regıstered office of the Company ıs cated at 111 Strand, London, WC2R 0AG

esults and dividends
urıng the year the Company made a profit after taxatıon of £956 (2005 profit £30,232)

he Dırectors do not recommend a dıvıdend payment (2005 £nıl)

reditor Payment Policy
he Company's normal practıce ıs to agree the terms of payment wıth supplıers at the tıme of contract and to make payment wıthın the agreed credıt rm subject to satısfactory performance

irectors and directors' interests
e Dırectors of the Company and theır benefıcıal, non-benefıcıal and famıly ınterests ın the share capıtal of SVG Capıtal plc (SVG), the company's mediate parent, durıng the year to 31 December 2006 are gıven below

Ordinary shares	31 December 2006	31 December 2005
Nıcholas Ferguson	594,407	490,241
Gerard Lloyd	38,391	23,932
Chrıs Morrıs	5,382	5,382
Andrew Wıllıams	13,091	13,091
Guy Eastman	8,000	8,000

ptions held by Directors over ordinary shares of SVG Capital plc

Dırector	At 31 December 2005	Optıons granted	Optıons exercısed durıng the year	Optıons lapsed	At 31 December 2006	Exercıse prıce	Exercıse dates Earlıest	Latest
Nıcholas Ferguson	715,446	-	-	-	715,446	410 0	21 June 2004	20 June 2011
	357,724	-	-	-	357,724	410 0	21 June 2005	20 June 2011
	404,484	-	-	-	404,484	334 5	5 Aprıl 2005	4 Aprıl 2012
	349,840	-	-	-	349,840	392 8	13 March 2006	12 March 2013
	363,256	-	-	-	363,256	479 0	12 March 2007	11 March 2014
	250,704	-	-	-	250,704	564 0	23 March 2008	22 March 2015
Andrew Wıllıams	373,983	-	-	-	373,983	410 0	21 June 2004	20 June 2011
	186,992	-	-	-	186,992	410 0	21 June 2005	20 June 2011
	272,645	-	-	-	272,645	334 5	5 Aprıl 2005	4 Aprıl 2012
	239,847	-	-	-	239,847	392 8	13 March 2006	12 March 2013
	248,851	-	-	-	248,851	479 0	12 March 2007	11 March 2014
	242,957	-		-	242,957	564 0	23 March 2008	22 March 2015
	-	178,313	-	-	178,313	831 4	24 March 2009	23 March 2016
Guy Eastman	101,845	-	-	-	101,845	392 8	13 March 2006	12 March 2013
	52,192	-	-	-	52,192	479 0	12 March 2007	11 March 2014
	45,774	-	-	-	45,774	564 0	23 March 2008	22 March 2015
	-	32,475	-	-	32,475	831 4	24 March 2009	23 March 2016
Gerard Lloyd	162,601	-	-	-	162,601	410 0	21 June 2004	20 June 2011
	81,301	-	-	- -	81,301	410 0	21 June 2005	20 June 2011
	138,116	-	-	-	138,116	334 5	5 Aprıl 2005	4 Aprıl 2012
	80,967	-	-	-	80,967	392 8	13 March 2006	12 March 2013
	116,283	-	-	-	116,283	479 0	12 March 2007	11 March 2014
	89,084	-	-	-	89,084	564 0	23 March 2008	22 March 2015
	-	73,899	-	-	73,899	831 4	24 March 2009	23 March 2016

Director	At 31 December 2005	Options granted	Options exercised during the year	Options lapsed	At 31 December 2006	Exercise price	Exercise dates Earliest	Latest
Chris Morris	162,601	-	-	-	162,601	410 0	21 June 2004	20 June 2011
	81,301	-	-	-	81,301	410 0	21 June 2005	20 June 2011
	102,840	-	-	-	102,840	334 5	5 April 2005	4 April 2012
	74,347	-	-	-	74,347	392 8	13 March 2006	12 March 2013
	85,281	-	-	-	85,281	479 0	12 March 2007	11 March 2014
	75,404	-	-	-	75,404	564 0	23 March 2008	22 March 2015
	-	66,057	-	-	66,057	831 4	24 March 2009	23 March 2016
	5,456,666	350,744	-	-	5,807,410			

or options granted in 2006, the target is for growth in SVG Capital plc's net asset value per ordinary share to exceed the growth in the Retail Prices ndex plus 4% per annum over the three years from the date of grant If the performance target is not satisfied on the third anniversary of the date of rant it will lapse (i e there will be no retesting of this performance condition) This change was introduced from 2005 to reflect best practice For all ptions granted up to the end of March 2004, performance targets have been met

he mid-market price of shares at 31 December 2006 was 834 5p and the range during the year was 695 0p to 839 0p

ll of the above options were granted for nil consideration

he performance of the net asset value of the SVG Capital plc has been chosen as the target in order to align the interests of executive Directors and ther executives of the SVG Capital Group with shareholders' interest

xternal advisers to SVG Capital plc will confirm the performance criteria calculations, which will be measured on a consistent basis

o Director has any material interest in any other contract that is significant to the Company's business

irectors' and officers' liability insurance
uring the year SVG Capital plc maintained cover for the Company's Directors and Officers, under a directors' and officers' liability insurance policy as ermitted by Section 309A(5) of the Companies Act 1985 (as amended)

inancial instruments and risk profile
he Company's financial instruments are discussed in note 1 The main financial risk faced by the Company and the management of this risk is set out note 12

uditors
rnst & Young LLP have expressed their willingness to remain in office The remuneration and reappointment of Ernst & Young LLP will be approved y the Audit Committee of SVG Capital plc

rovision of information to auditors
s far as the Directors are aware there is no relevant audit information of which the auditors are unaware and the Directors have taken all steps they hould have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that formation

y order of the Board

erard Lloyd

ecretary
 April 2007
ondon

ꜱVG Investment Managers Limited
ꜱtatement of Directors' responsibilities

he Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those nternational Financial Reporting Standards as adopted by the European Union

he Directors are required to prepare financial statements for each financial year which present fairly the financial position of the Company and the nancial performance and the cash flows of the Company for that period In preparing those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- state that the Company has complied with International Financial Reporting Standards, subject to any material departures disclosed and explained in the financial statements

he Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the ompany and enable them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation They are lso responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other regularities

he Directors believe that they have complied with these responsibilities

Ernst & Young

ndependent auditors' report

þ the members of SVG Investment Managers Limited

/e have audited the Company's financial statements for the year ended 31 December 2006 which comprise the Income Statement, the Balance Sheet, ie Cash Flow Statement, the Statement of Change in Equity and the related notes 1 to 13 These financial statements have been prepared under the ccounting policies set out therein

his 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 ndertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other urpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's embers as a body, for our audit work, for this report, or for the opinions we have formed

espective responsibilities of directors and auditors

he Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and ternational Financial Reporting Standards (IFRS) as adopted by the European Union as set out in the Statement of Directors' Responsibilities

ur responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on uditing (UK and Ireland)

/e report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the ompanies Act 1985 and Article 4 of the IAS Regulation We also report to you whether in our opinion the information given in the directors' report is onsistent with the financial statements

addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and xplanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

/e read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

asis of audit opinion

/e conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit cludes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies e appropriate to the Company's circumstances, consistently applied and adequately disclosed

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

pinion

our opinion

- the financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union of the state of the Company's affairs as at 31 December 2006 and of the Company's profit for the year then ended, and

- the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation, and

- the information given in the Director's Report is consistent with the financial statements

Ernst & Young LLP

rnst & Young LLP
egistered auditor
ondon, United Kingdom
0 April 2007

SVG Investment Managers Limited
Income statement

	Notes	For the year ended 31 December 2006 £	For the year ended 31 December 2005 £
Operating income			
Fee income	2	**1,120,561**	726,318
Other operating income	2	**20,150**	18,497
Total revenue		**1,140,711**	744,815
Operating expenses			
Administrative expenses	3	**(1,139,531)**	(707,491)
Total expenses		**(1,139,531)**	(707,491)
Operating profit		**1,180**	37,324
Profit before tax		**1,180**	37,324
Tax	4	**(224)**	(7,092)
Profit for the year		**956**	30,232

The columns of the above statement represent the income statement of the Company, respectively, prepared in accordance with International Financial Reporting Standards All items in the above statement derive from continuing operations

There are no differences between the profit on ordinary activities after tax and the profit retained by the Company for the financial year stated above

The Company has no recognised gains and losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented

The notes on pages 9 to 11 form an integral part of these accounts

SVG Investment Managers Limited
Statement of changes in equity

	Share capital £	Profit and loss reserve £	Total £
For the year ended 31 December 2006			
Issue of share capital	-	-	-
Profit for the year	-	956	956
Changes in equity for the year ended 31 December 2006	-	956	956
Balance at 31 December 2005	250,000	124,619	374,619
Balance at 31 December 2006	250,000	125,575	375,575
For the year ended 31 December 2005			
Issue of share capital	150,000	-	150,000
Profit for the year	-	30,232	30,232
Changes in equity for the year ended 31 December 2005	150,000	30,232	180,232
Balance at 31 December 2004	100,000	94,387	194,387
Balance at 31 December 2005	250,000	124,619	374,619

The notes on pages 9 to 11 form an integral part of these accounts

SVG Investment Managers Limited
Balance sheet

	Notes	As at 31 December 2006 £	As at 31 December 2005 £
Non-current assets			
Investments	5	**100**	100
		100	100
Current assets			
Other receivables	6	**409,890**	219,680
Cash and cash equivalents	6	**532,783**	361,998
		942,673	581,678
Total assets		**942,773**	581,778
Current liabilities			
Other payables	7	**(566,974)**	(200,067)
Tax payables	7	**(224)**	(7,092)
		(567,198)	(207,159)
Total assets less current liabilities		**375,575**	374,619
Net assets		**375,575**	374,619
Equity			
Called up share capital	8	**250,000**	250,000
Profit and loss reserve	9	**125,575**	124,619
Total equity		**375,575**	374,619

The notes on pages 9 to 11 form an integral part of these accounts

The Company's financial statements were authorised for issue by the Board of Directors on 30 April 2007 and the balance sheet was signed on behalf of the Board by

Chris Morris
Director

SVG Investment Managers Limited
Cash flow statement

	Notes	For the year ended 31 December 2006 £	For the year ended 31 December 2005 £
Other operating income		**19,096**	18,497
Fee income		**908,921**	897,293
Administrative expenses		**(750,140)**	(939,376)
Tax paid		**(7,092)**	-
Net cash from/(used in) operating activities	10	**170,785**	(23,586)
Investing activities			
General Partner calls paid		**(100)**	-
General Partner return of capital		**100**	-
Net cash from investing activities		**-**	-
Financing			
Issue of ordinary share capital		**-**	150,000
Net cash from financing activities		**-**	150,000
Net increase in cash and cash equivalents		**170,785**	126,414
Cash and cash equivalents at beginning of period		**361,998**	235,584
Cash and cash equivalents at end of period		**532,783**	361,998

The notes on pages 9 to 11 form an integral part of these accounts

SVG Investment Managers Limited
Notes to the accounts

1 Accounting policies

Basis of accounting

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect, and to the extent that they have been adopted by the European Union

International Financial Reporting Standards as adopted by the EU differ in certain respects from International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") References to International Financial Reporting Standards hereafter should be construed as references to International Financial Reporting Standards as adopted by the EU

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments and are presented in sterling, the Company's functional currency The principal accounting policies adopted are set out below

Financial instruments

Financial assets and financial liabilities are made up of accounts receivable, accounts payable and cash and cash equivalents The Directors consider the fair values of accounts receivables and accounts payable approximate their carrying value The Directors do not believe that the Company is exposed to significant credit risk, liquidity risk, currency risk or interest risk and have not taken any specific actions to mitigate these financial risks There are no other financial instruments

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount Interest income is classified within operating activities in the cash flow statement

Foreign currencies

The functional currency of the Company is pounds sterling Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date Gains and losses arising on retranslation are included in net profit or loss for the period

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on taxable profit for the year Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes Assets are classified as cash equivalents if they are readily convertible to cash and are not subject to significant changes in value

2 Revenue

	For the year ended 31 December 2006 £	For the year ended 31 December 2005 £
Income from investment management services	918,988	615,037
Priority profit share income	201,573	111,281
Interest receivable and other income	20,150	18,497
	1,140,711	744,815

3 Administrative Expenses

	For the year ended 31 December 2006 £	For the year ended 31 December 2005 £
Fees payable to SVG Advisers Limited	1,100,000	700,000
Auditors' remuneration	11,500	-
General expenses	28,031	7,491
	1,139,531	707,491

The Company has no employees (2005 nil) For the year ended 31 December 2005, the audit related costs attributable to the Company amounted to £3,500 and was settled by SVG Advisers Limited

4 Tax

Analysis of charge in year

Major components of the income tax expense for the years ended 31 December 2006 and 31 December 2005

	For the year ended 31 December 2006 £	For the year ended 31 December 2005 £
Current tax charge / (credit)		
Corporation tax charge – UK corporation tax	224	7,092
Total tax charge	224	7,092

The tax assessed for the period is lower (2005 lower) than the standard rate of corporation tax in the UK for a large company (30%) The differences are explained below

	For the year ended 31 December 2006 £	For the year ended 31 December 2005 £
Profit before tax	1,180	37,324
Tax calculated at a rate of 30% (2005 30%)	354	11,197
Effect of		
Marginal relief – UK smaller companies rate of tax	(130)	(4,105)
Current tax charge / (credit)	224	7,092

5 Investments

	31 December 2006 £	31 December 2005 £
General Partner funds committed and called	100	100
	100	100

On 1 Spetember 2006, the Company was appointed General Partner to the Strategic Recovery Fund II and paid a capital commitment of £100 During the year the Company's capital commitment of £100 was returned from The Strategic Recovery Fund ("SRF") and the Company ceased it's General Partner responsibilities on termination of the SRF

6 Current assets

Other receivables	31 December 2006 £	31 December 2005 £
Amounts falling due within one year		
Prepayments and other debtors	4,471	25,902
Accrued investment management fee income	257,161	183,282
Accrued priority profit share income	148,258	10,496
	409,890	219,680

Cash and cash equivalents	31 December 2006 £	31 December 2005 £
Cash at bank	532,783	361,998
	532,783	361,998

Cash at bank earns interest at floating rates

' Current liabilities

)ther payables	31 December 2006 £	31 December 2005 £
\mounts owed to group undertakings	**450,000**	200,000
)ther creditors and accruals	**116,974**	67
	566,974	200,067

'ax Payable	For the year ended 31 December 2006 £	For the year ended 31 December 2005 £
3alance brought forward	**7,092**	-
;orporation tax paid	**(7,092)**	
;orporation tax charged to income statement	**224**	7,092
3alance carried forward	**224**	7,092

| Share capital

	31 December 2006 £	31 December 2005 £
\uthorised		
;,500,000 shares of £1 00 each	**2,500,000**	2,500,000
\llotted, called up and fully paid share capital of £1		
)pening balance	**250,000**	100,000
ssue of ordinary shares	**-**	150,000
;losing balance	**250,000**	250,000

)hare capital included the total net proceeds (both nominal value and share premium) on issue of the Company's equity share capital, comprising £1 rdinary shares

Profit and loss reserve

	31 December 2006 £	31 December 2005 £
alance brought forward	**124,619**	94,387
'rofit for the year	**956**	30,232
alance carried forward	**125,575**	124,619

he profit and loss reserve represents the Company's cumulative profits available for distribution

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

	Year ended 31 December 2006 £	Year ended 31 December 2005 £
'rofit before tax	**1,180**	37,324
djustments	**-**	-
)perating cash flows before movements in working capital	**1,180**	37,324
ncrease) / decrease in receivables	**(190,210)**	145,073
ıcrease / (decrease) in payables	**366,907**	(205,983)
ash generated by operations	**177,877**	(23,586)
axes paid	**(7,092)**	-
let cash generated from / (used in) operating activities	**170,785**	(23,856)

1 Related party transactions

he only key management personnel of the Company are the Directors The Directors are remunerated by SVG Advisers Limited

he Company paid fees of £1,100,000 to SVG Advisers Limited during the year (2005 £700,000) for administrative services The balance outstanding t year end was £450,000 (2005 £200,000)

or the year ended 31 December 2005, the audit related costs attributable to the Company amounted to £3,500 and was settled by SVG Advisers imited

2 Risk profile

he main risk faced by the company is the potential loss of investment management fee contracts In certain circumstances, investors may be able to erminate these contracts This could arise because of poor investment advice, significant errors, negligence, fraud or other matters These risks are nitigated by implementing a rigorous investment process for approving investment decisions The potential for significant errors is also reduced by sing well established third party administrators to deal with the day-to-day operations of the funds

3 Ultimate parent undertaking

'he Company's ultimate parent undertaking and controlling party is SVG Capital plc, which is registered in England Copies of SVG Capital plc's onsolidated statements will be available on publication from its Company Secretary at Schroder Investment Management Limited 31 Gresham Street, ondon EC2V 7QA