

# HgCapital LLP

Consolidated financial statements  
for the year ended 31 March 2006



# HgCapital LLP

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REGISTERED NO. OC301825

## **MEMBERS**

I Armitage  
T Bayley  
M Block  
S Bough  
L Dibden  
C Donaldson  
R Goddard  
B Hewetson  
N Humphries  
F C Jacob  
L Licht  
N Martin  
R Mathews  
L Stone  
N Turner

## **DESIGNATED MEMBERS**

S Bough  
F C Jacob  
L Stone

## **BOARD**

I Armitage  
R Goddard (Non-Executive)  
F C Jacob  
L Licht (Non-Executive Chairman)  
F Scherer (Non-Executive)

## **AUDITORS**

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

## **REGISTERED OFFICE**

Third Floor  
Minerva House  
3-5 Montague Close  
London SE1 9BB

## **MEMBERS' REPORT**

The members present their report and group financial statements for the year ended 31 March 2006.

These financial statements for HgCapital LLP reflect the results for the year to 31 March 2006. The financial statements consolidate the accounts of HgCapital LLP and of all its subsidiary undertakings, drawn up to 31 March 2006. The group has taken advantage of the exemption under section 230 of the Companies Act not to present a profit and loss account for HgCapital LLP.

## **PRINCIPAL ACTIVITY**

HgCapital LLP through its subsidiaries provides investment management services to the European private equity market investing on behalf of collective investment schemes as well as segregated clients.

## **RESULTS AND DISTRIBUTIONS**

The results for the year are shown in the profit and loss account on page 5. Members remuneration and profit allocations of £15,277,000 were made during the year (2005: £7,930,000).

## **MEMBERS**

The members are detailed on page 1. JW Sharman ceased to be a member on 31 March 2006.

## **BOARD**

The Board members are detailed on page 1. JW Sharman resigned on 25 July 2005 and F Scherer was appointed on 20 May 2005.

## **TRANSACTIONS WITH MEMBERS**

The members participate fully in the firm's profit, share the risks and subscribe to the firm's capital. The firm's drawings policy allows each member to draw a proportion of their profit share in twelve monthly instalments with a further distribution of profits, net of a tax retention, paid in the subsequent year. All payments are made subject to the cash requirements of the business. Tax retentions are released to members to pay the Inland Revenue as required.

## **PARTNERSHIP FINANCIAL STATEMENTS**

Clause 8 of the LLP Deed specifies that the financial statements shall be drawn up to 31 March or such other date as the Board may decide, and proper accounting records shall be kept by the Partnership and that the accounting policies to be adopted shall be as laid down by the Board.

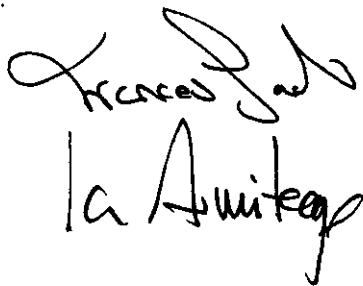
These responsibilities are exercised by the Board detailed on page 1.

## **AUDITORS**

A resolution to reappoint Ernst & Young LLP as the group's auditor will be put to the members at the Annual General Meeting. So far as the members are aware, there is no relevant audit information of which the group's auditor is unaware. The members have taken all steps that they ought to have taken as members in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of this information.

On behalf of the members:

Date: 18<sup>th</sup> July 2006



## STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Limited Liability Partnership (LLP) Regulations 2001 made under the Limited Liability Partnerships Act 2000 require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the LLP and of the group and of the profit or loss of the group for that year. In preparing the financial statements, the Board is 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 group will continue in business.

Under the LLP regulations, the Board is responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the group and which enable them to ensure that the financial statements will comply with those regulations. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of HgCapital LLP and to prevent and detect fraud and other irregularities.

The responsibilities are exercised by the Board on behalf of the members as detailed on page 1.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HgCAPITAL LLP**

We have audited the financial statements of HgCapital LLP (the "LLP") for the period ended 31 March 2006 which comprise Consolidated Profit and Loss Account, Consolidated Statement of Total Recognised Gains and Losses, Consolidated Balance Sheet, Consolidated Statement of Cash Flows, LLP Balance Sheet and the related notes 1 to 20. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the partnership's members, as a body, in accordance with the Limited Liability Partnership Act 2000. Our audit work has been undertaken so that we might state to the partnership's 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 partnership and the partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the members and auditors**

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) as set out in the Statement of Members' Responsibilities.

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, are properly prepared in accordance with the Partnerships Regulations 2001 made under the Limited Liability Partnerships Act 2000 and that the information given in the Members' Report is consistent with the financial statements.

We also report to you if, in our opinion, the LLP 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 members' remuneration and other transactions is not disclosed.

### **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 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.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the LLP and of the group as at 31 March 2006 and of its profit for the period then ended and have been properly prepared in accordance with the Limited Liability Partnerships Regulations 2001 made under the Limited Liability Partnerships Act 2000.

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
London  
Date:

*18 July 2006*

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
for the year ended 31 March 2006

	<i>Notes</i>	<i>2006</i> <i>£'000</i>	<i>2005</i> <i>£'000</i>
<b>Fee Income</b>	2	31,684	18,545
<b>Operating Expenses</b>	3	<u>(12,663)</u>	<u>(9,788)</u>
<b>Operating Profit</b>	5	19,021	8,757
Interest receivable	7	<u>452</u>	<u>447</u>
Group profit before taxation		19,473	9,204
Group tax charge	8	<u>(536)</u>	<u>(458)</u>
<b>Profit for the year before members' remuneration and profit shares</b>		18,937	8,746
Members' remuneration charged as an expense	9	<u>(6,022)</u>	<u>(1,378)</u>
<b>Retained profit for the year available for discretionary division among members</b>		12,915	7,368
Division of profit	9	<u>(9,255)</u>	<u>(6,552)</u>
Retained profit		<u>3,660</u>	<u>816</u>

All amounts are in respect of continuing activities.

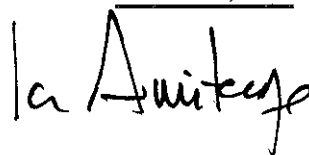
**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
for the year ended 31 March 2006

There were no recognised gains and losses in the year other than the profit for the year and the £5,000 currency conversion adjustment as disclosed in note 17.

CONSOLIDATED BALANCE SHEET  
at 31 March 2006

	Notes	2006 £'000	2005 £'000
<b>Fixed Assets</b>			
Tangible fixed assets	10	369	414
Investments	11	594	433
		<u>963</u>	<u>847</u>
<b>Current Assets</b>			
Debtors	12	15,973	5,311
Cash		<u>13,666</u>	<u>13,374</u>
		29,639	18,685
<b>Creditors: amounts falling due within one year</b>	13	<u>(15,889)</u>	<u>(7,746)</u>
<b>Net Current Assets</b>		13,750	10,939
<b>Creditors: amounts falling due after more than one year</b>	14	<u>(2,200)</u>	<u>-</u>
<b>Total Net Assets attributable to members</b>		<u>12,513</u>	<u>11,786</u>
<b>Members' Interests</b>			
Members' Capital	17	383	321
Other reserves	17	<u>12,130</u>	<u>8,465</u>
<b>Total Members' Interests</b>		12,513	8,786
Minority Interest	15	-	3,000
		<u>12,513</u>	<u>11,786</u>
<b>Represented by:</b>			
<b>Loans and other debts due to members within one year</b>			
Members' capital classified as a liability		383	321
Preference shares classified as a liability		-	3,000
<b>Equity</b>			
Members' other interests classified as equity		12,130	8,465
		<u>12,513</u>	<u>11,786</u>

The accounts on pages 5 to 20 were approved by the Board.  
For and on behalf of the Members:

Date: 18<sup>th</sup> July 2006

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CONSOLIDATED CASH FLOW STATEMENT  
for the year ended 31 March 2006

	<i>Notes</i>	<i>2006 £'000</i>	<i>2005 £'000</i>
Net cash inflow from operating activities	<i>16a</i>	18,842	8,816
Return on investment and servicing of finance	<i>16b</i>	452	447
Taxation	<i>16b</i>	(393)	(318)
Capital Expenditure and Financial Investment	<i>16b</i>	(399)	(271)
Financing	<i>16b</i>	(3,000)	-
Transactions with members	<i>16b</i>	(15,215)	(7,930)
Increase in cash	<i>16c</i>	<u>287</u>	<u>744</u>

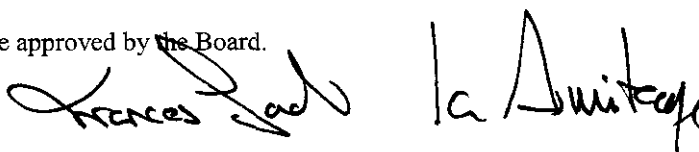


LIMITED LIABILITY PARTNERSHIP BALANCE SHEET  
at 31 March 2006

	Notes	2006 £'000	2005 £'000
<b>Fixed Assets</b>			
Tangible fixed assets	10	222	361
Investments in subsidiaries	11	361	329
Other investments	11	471	352
		1,054	1,042
<b>Current Assets</b>			
Debtors	12	1,192	581
Cash		6,411	1,688
		7,603	2,269
<b>Creditors: amounts falling due within one year</b>	13	(5,513)	(2,871)
<b>Net Current assets/(liabilities)</b>		2,090	(602)
<b>Total Net Assets attributable to members</b>		3,144	440
<b>Members' Interests</b>			
Members' Capital	17	383	321
Other reserves	17	2,761	119
<b>Total Members' Interests</b>		3,144	440
<b>Represented by:</b>			
<b>Loans and other debts due to members within one year</b>			
Members' capital classified as a liability		383	321
<b>Equity</b>			
Members' other interests classified as equity		2,761	119
		3,144	440

The accounts on pages 5 to 20 were approved by the Board.

For and on behalf of the Members:



Date: 18<sup>th</sup> July 2006

NOTES TO THE FINANCIAL STATEMENTS  
at 31 March 2006

**1. ACCOUNTING POLICIES**

***Basis of accounting***

The accounts consolidate the accounts of HgCapital LLP and all its subsidiary undertakings, drawn up to 31 March 2006. The group has taken advantage of the exemption under section 230 of the Companies Act not to present a profit and loss account for HgCapital LLP.

***Basis of consolidation***

FRS 21, 25 and 28 have been adopted for the first time this year. As permitted by FRS 25, the company has not restated the comparatives in respect of preference shares redeemed in the current year, the effect of which would have been to reclassify the preference shares and associated share premium of £3,000,000 from equity to creditors due within one year. There is no impact on the current year.

The consolidated financial statements are prepared on the going concern basis under the historical costs convention and in accordance with the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships' (SORP) issued in March 2006.

***Fixed assets***

All fixed assets are recorded at cost.

***Depreciation and amortisation***

Depreciation and amortisation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, being as follows:

Leasehold improvements	-	Life of lease (5 years)
Fixtures and fittings	-	Life of lease (5 years)
Computer equipment	-	2 years
Motor vehicle	-	3 years
Membership debenture	-	5 years

***Investments in subsidiaries***

The Group holds its investments stated at the lower of cost and net realisable value.

***Other investments***

Other investments are stated at the lower of cost and net realisable value.

***Deferred expenditure***

Deferred expenditure is initially stated at cost and charged to the profit and loss account over the economic life of five years.

***Foreign currencies***

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

***Leasing commitments***

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

## NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2006

**Pensions**

HgCapital LLP operates a pension scheme for staff and members, the HgCapital LLP stakeholders' scheme. The plan is a defined contribution plan and contributions on behalf of staff are charged to the profit and loss account when they become payable. In addition Hg Pooled Management Limited operates a self-administered defined contribution pension scheme for the three directors who receive remuneration. These amounts are charged to the profit and loss account when they become payable.

Contributions on behalf of Members are included within the Members' Interests.

**Taxation**

The current year corporation tax charge attributed to the group's subsidiaries is included on consolidation. There is no tax charge shown for HgCapital LLP, the entity, as each member is responsible for providing income tax computations to the Inland Revenue and discharging his or her liability to income tax arising thereon.

**Deferred taxation**

Provision in the subsidiary companies is made for corporation tax at the current rates on the excess of 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.

**2. FEE INCOME**

Fee income represents the net amounts earned from clients during the year from continuing activities in the UK, which is stated net of value added tax.

**3. ANALYSIS OF OPERATING EXPENSES**

	2006 £'000	2005 £'000
Staff costs (note 4)	6,295	4,453
Legal and professional fees	2,304	2,213
Depreciation of tangible fixed assets	274	201
Amortisation of investments	9	10
Other operating expenses	3,781	2,911
	<u>12,663</u>	<u>9,788</u>

NOTES TO THE FINANCIAL STATEMENTS  
at 31 March 2006

**4. STAFF COSTS**

The aggregate employment costs of staff (excluding members) were:

	<i>2006</i> <i>£'000</i>	<i>2005</i> <i>£'000</i>
Salaries including training costs	5,662	3,945
Social security costs	396	295
Pension costs	237	213
	<u>6,295</u>	<u>4,453</u>

The average number of staff (excluding members) during the year was:

	<i>2006</i> <i>Number</i>	<i>2005</i> <i>Number</i>
Revenue staff	18	17
Support staff	26	25

**5. OPERATING PROFIT**

Operating profit is stated after charging/ (crediting):

	<i>2006</i> <i>£'000</i>	<i>2005</i> <i>£'000</i>
Auditors' remuneration:		
- Audit services	39	42
- Non-audit services	203	127
Depreciation of tangible fixed assets	274	201
Amortisation of investments	9	10
Revaluation of investments	-	(29)
Profit on disposal of tangible fixed assets	-	(6)
Operating lease payments	585	487
Foreign exchange (gains)/losses	<u>(53)</u>	<u>13</u>

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2006

**6. DIRECTORS' EMOLUMENTS**

The Group had five directors during the year (2005 – five), of which three received remuneration from the Group for the year (2005 – three) in respect of their directorships of subsidiary companies.

Executive directors' remuneration comprises base salary and other benefits. The amounts stated below reflect remuneration earned in the year and charged to the profit and loss account.

	2006 £'000	2005 £'000
Aggregate emoluments of directors:		
Salaries	542	550
Loss of office	30	-
Pension contributions	108	110
Total	680	660
Details of the highest paid director:		
Salaries	205	203
Pension contributions	41	41
Total	246	244
	Number	Number
Members of defined contribution schemes	3	3

**7. INTEREST RECEIVABLE**

Interest receivable is interest earned on cash balances held at the bank.

NOTES TO THE FINANCIAL STATEMENTS  
at 31 March 2006

**8. GROUP TAX CHARGE**

The group tax charge represents the tax liability generated in the underlying subsidiaries held by the Limited Liability Partnership.

The group tax charge is made up as follows:

	2006 £'000	2005 £'000
<i>Current tax</i>		
UK Corporation tax	407	304
Overseas tax	129	154
Total current tax	536	458
Deferred tax	-	-
Total tax charge	536	458

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

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

	2006 £'000	2005 £'000
Profit before tax	19,473	9,204
Corporation tax at 30% (2005:30%)	5,842	2,761

**Effects of:**

Income attributable to HgCapital LLP and taxable on members directly	(5,376)	(2,333)
Overseas tax items and rate differences	36	(14)
Expenditure not deductible for corporation tax purposes	33	44
Marginal relief	1	-
	(5,306)	(2,303)
Corporation tax charge for the year	536	458

Tax on partnership profits is assessed on the partner rather than the partnership and accordingly, no tax is included in these accounts in respect of that part of the profit attributed to the members of the partnership.

There is no material unprovided deferred tax.

## NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2006

**9. MEMBERS' REMUNERATION AND DIVISION OF PROFIT**

Profits are shared among the members after the end of the year in accordance with agreed profit sharing arrangements and include interest on members' funds. Members are required to make their own provision for pensions from their profit shares.

	<i>2006</i> <i>Number</i>	<i>2005</i> <i>Number</i>
Average number of members	<u>16</u>	<u>16</u>
	<i>2006</i> <i>£'000</i>	<i>2005</i> <i>£'000</i>
Average profit per member	<u>1,184</u>	<u>547</u>

Members remuneration and profit allocations of £15,277,000 (2005: £7,930,000) were paid during the year.

Payments made to the highest paid member were:

	<i>2006</i> <i>£'000</i>	<i>2005</i> <i>£'000</i>
Remuneration	906	-
Division of profit	<u>1,392</u>	<u>1,055</u>
	<u>2,298</u>	<u>1,055</u>

**10. TANGIBLE FIXED ASSETS**

<i>Group</i>	<i>Motor vehicle £'000</i>	<i>Fixtures &amp; fittings £'000</i>	<i>Leasehold improvements £'000</i>	<i>Computer equipment £'000</i>	<i>Total £'000</i>
Cost:					
At 1 April 2005	39	246	372	682	1,339
Additions	43	84	20	94	241
Disposals	<u>(39)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39)</u>
At 31 March 2006	<u>43</u>	<u>330</u>	<u>392</u>	<u>776</u>	<u>1,541</u>
Depreciation:					
At 1 April 2005	15	141	260	509	925
Provided during the year	13	47	75	139	274
Disposals	<u>(27)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27)</u>
At 31 March 2006	<u>1</u>	<u>188</u>	<u>335</u>	<u>648</u>	<u>1,172</u>
Net book value:					
At 31 March 2006	<u>42</u>	<u>142</u>	<u>57</u>	<u>128</u>	<u>369</u>
At 31 March 2005	<u>24</u>	<u>105</u>	<u>112</u>	<u>173</u>	<u>414</u>

NOTES TO THE FINANCIAL STATEMENTS  
at 31 March 2006

10. TANGIBLE FIXED ASSETS (continued)

*Limited liability partnership*

	<i>Motor vehicle £'000</i>	<i>Fixtures &amp; fittings £'000</i>	<i>Leasehold improvements £'000</i>	<i>Computer equipment £'000</i>	<i>Total £'000</i>
Cost:					
At 1 April 2005	39	165	372	643	1,219
Additions	43	2	-	87	132
Disposals	(39)	-	-	-	(39)
At 31 March 2006	43	167	372	730	1,312
Depreciation:					
At 1 April 2005	15	111	260	472	858
Provided during the year	13	35	74	137	259
Disposals	(27)	-	-	-	(27)
At 31 March 2006	1	146	334	609	1,090
Net book value:					
At 31 March 2006	42	21	38	121	222
At 31 March 2005	24	54	112	171	361

11. INVESTMENTS

<i>Group</i>	<i>Membership debenture £'000</i>	<i>Other Investments £'000</i>	<i>Total £'000</i>
Cost:			
At 1 April 2005	29	404	433
Investment in the year	-	170	170
Amortisation	(9)	-	(9)
At 31 March 2006	20	574	594

In the year, the group invested further in MUST 4 Carry LP, the founder partner of and an investor in the MUST 4 Fund. The group invested in HgCapital SPLP 1 Carry LP, HgCapital SPLP 2 Carry LP, GKN SPLP 1 LP, GKN SPLP 2 LP, RR SPLP 1 LP and RR SPLP 2 LP. These investments are stated at the lower of cost and the net realisable value.



## NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2006

## 11. INVESTMENTS (continued)

<i>Limited liability partnership</i>	<i>Investments in Subsidiaries £'000</i>	<i>Other Investments £'000</i>	<i>Total £'000</i>
Cost:			
At 1 April 2005	329	352	681
Investment in the year	32	119	151
At 31 March 2006	<u>361</u>	<u>471</u>	<u>832</u>

As at 31 March 2006, the LLP holds an interest in the share capital of the following subsidiary undertakings:

	<i>Incorporated and Registered</i>	<i>Nature of business</i>	<i>Ordinary Shares</i>
Hg Investment Managers Limited	England	Investment Management	100%
Hg Pooled Management Limited *	England	Investment Management	100%
HgCapital Beratungs GmbH & Co. Kg *	Germany	Investment Advisor	100%
HgCapital Verwaltungs GmbH	Germany	Investment Advisor	100%
HgCapital (Netherlands) BV	Netherlands	Investment Advisor	100%
MUST 4 Management GmbH	Germany	Investment Management	100%
MUST 4GP (Guernsey) Ltd	Guernsey	Investment Management	100%
HGT General Partner Limited	England	Investment Management	100%
MPE Investors Limited *	England	Non-trading	100%
Hg Incorporations Limited *	England	Non-trading	100%
HgCapital Segregated Client G.P. (UK) Limited	England	Non-trading	100%
HgCapital General Partner (Scotland) Limited	Scotland	Investment Management	100%
HgCapital Trustee Company Limited	England	Non-trading	100%
HgCapital 5 General Partner (Guernsey) Limited	Guernsey	Investment Management	100%
HgCapital 5 General Partner LP *	Scotland	Investment Management	100%
Hg Renewable Power GP (Guernsey) Limited	Guernsey	Investment Management	100%
Hg Renewable Power GP (Scotland) Limited	Scotland	Investment Management	100%
Hg Renewable Power Carry LP *	Scotland	Investment Management	100%
HGT Carry LP	England	Investment Management	100%

The members are of the opinion that the value of investments in subsidiaries is not less than the amount at which they are stated in the accounts.

\* Held through subsidiaries

Other investments relate to the Limited Liability Partnership's investment in MUST 4 Carry LP, the founder partner of and investor in the MUST 4 Fund, The group invested in HgCapital SPLP 1 Carry LP, HgCapital SPLP 2 Carry LP, GKN SPLP 1 LP, GKN SPLP 2 LP, RR SPLP 1 LP and RR SPLP 2 LP. These investments are stated at the lower of cost and the net realisable value.

NOTES TO THE FINANCIAL STATEMENTS  
at 31 March 2006

**12. DEBTORS**

	<i>2006</i> <i>Group</i> <i>£'000</i>	<i>2005</i> <i>Group</i> <i>£'000</i>	<i>2006</i> <i>LLP</i> <i>£'000</i>	<i>2005</i> <i>LLP</i> <i>£'000</i>
Amounts owed by group undertakings	-	-	500	-
Client debtors	5,517	3,682	5	3
Deferred expenditure	5,271	-	-	-
Prepayments and accrued income	4,749	1,086	250	140
VAT recoverable	-	-	71	70
Other debtors	436	543	366	368
	<u>15,973</u>	<u>5,311</u>	<u>1,192</u>	<u>581</u>

**13. CREDITORS: amounts falling due within one year**

	<i>2006</i> <i>Group</i> <i>£'000</i>	<i>2005</i> <i>Group</i> <i>£'000</i>	<i>2006</i> <i>LLP</i> <i>£'000</i>	<i>2005</i> <i>LLP</i> <i>£'000</i>
Amounts owed to group undertakings	-	-	-	23
Trade creditors	610	397	185	93
VAT payable	320	312	-	-
Other creditors	5,568	2,434	4,926	2,207
Payroll and social security	381	225	185	179
Taxation	1,960	1,817	-	-
Accruals	7,050	2,561	217	369
	<u>15,889</u>	<u>7,746</u>	<u>5,513</u>	<u>2,871</u>

**14. CREDITORS: amounts falling due after more than one year**

<i>Group</i>	<i>2006</i> <i>£'000</i>	<i>2005</i> <i>£'000</i>
Accruals	<u>2,200</u>	<u>-</u>
	<u>2,200</u>	<u>-</u>

**15. MINORITY INTEREST**

<i>Group</i>	<i>2006</i> <i>£'000</i>	<i>2005</i> <i>£'000</i>
Redeemable preference shares	<u>-</u>	<u>3,000</u>

The preference shares were redeemed on the 8th December 2005 for a consideration of £3,000,000.

NOTES TO THE FINANCIAL STATEMENTS  
at 31 March 2006

16. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2006 £'000	2005 £'000
Operating profit	19,021	8,757
Depreciation	274	201
Amortisation	9	10
Revaluation of investments	-	(29)
Profit on disposal of tangible fixed assets	-	(6)
Increase in debtors	(10,662)	(1,055)
Increase in creditors	10,200	938
Net cash inflow from operating activities	<u>18,842</u>	<u>8,816</u>

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

**Return on investment and servicing of finance**

Interest received	<u>452</u>	<u>447</u>
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**Taxation**

Corporation tax paid	<u>(393)</u>	<u>(318)</u>
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**Capital expenditure and financial investment**

Purchase of tangible fixed assets	(241)	(214)
Proceeds on disposal of tangible fixed assets	12	16
Purchase of investments	<u>(170)</u>	<u>(73)</u>
	<u>(399)</u>	<u>(271)</u>

**Financing**

Proceeds of preference shares redeemed	<u>(3,000)</u>	<u>-</u>
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**Transactions with members**

Members' remuneration paid	(6,022)	(1,378)
Division of profit paid	(9,255)	(6,552)
Members capital introduced	<u>62</u>	<u>-</u>
	<u>(15,215)</u>	<u>(7,930)</u>

NOTES TO THE FINANCIAL STATEMENTS  
at 31 March 2006

16. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

c) Analysis of changes in cash:

	2006 £'000	2005 £'000
Cash at bank:		
At 1 April	13,374	12,628
Currency conversion adjustments	5	2
Increase in cash	<u>287</u>	<u>744</u>
At 31 March	<u>13,666</u>	<u>13,374</u>

17. RECONCILIATION OF MOVEMENTS IN MEMBERS' INTERESTS

<i>Group</i>	<i>Members' Capital £'000</i>	<i>Other reserves £'000</i>	<i>Total Members' Interests £'000</i>
Members' interests:			
At 1 April 2005	321	8,465	8,786
Profit for the year available for discretionary division among members	<u>-</u>	<u>12,915</u>	<u>12,915</u>
Members' interests after profit for the year	321	21,380	21,701
Introduced by members	62	-	62
Division of profit to current members	-	(9,255)	(9,255)
Currency conversion adjustments	<u>-</u>	<u>5</u>	<u>5</u>
At 31 March 2006	<u>383</u>	<u>12,130</u>	<u>12,513</u>
<i>Limited liability partnership</i>			
Members' interests:			
At 1 April 2005	321	119	440
Profit for the year available for discretionary division among members	<u>-</u>	<u>11,897</u>	<u>11,897</u>
Members' interests after profit for the year	321	12,016	12,337
Introduced by members	62	-	62
Division of profit to current members	<u>-</u>	<u>(9,255)</u>	<u>(9,255)</u>
At 31 March 2006	<u>383</u>	<u>2,761</u>	<u>3,144</u>

NOTES TO THE FINANCIAL STATEMENTS  
at 31 March 2006

**18. RELATED PARTY DISCLOSURES**

For the purposes of FRS 8, related parties include the group's subsidiary undertakings.

The group has taken advantage of the exemption in FRS 8 Related Party Disclosure relating to transactions between 90% or more controlled subsidiaries.

**19. OTHER FINANCIAL COMMITMENTS AND CONTINGENCIES**

At 31 March 2005 the Group had an annual commitment of £445,000 (2005: £445,000) under non-cancellable operating leases relating to land and buildings which expires in between two and three years.

**20. ULTIMATE CONTROLLING PARTY**

The Members are the ultimate controlling party.