

EAC (SCOTLAND) GP LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2006

milestone
capital

Incorporated in Scotland
Company Number 0182331



REPORT OF THE DIRECTORS

The directors present their report and financial statements for the year ended 31 December 2006

Principal activity, business review and results

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

The company's overall performance is measured in profitability and profit before tax for the year was £33,777 (2005 £33,081) Details of the results for the year are set out on page 4 The Directors do not propose to pay a dividend for the year (2005 £nil)

The risks and uncertainties faced by the Company are those inherent within the private equity industry and are outlined further, along with the other risks and uncertainties faced by the Milestone group, in the Directors report prepared by EAC Holdings Limited, the Company's intermediate parent company Consolidated financial statements can be obtained from the address on page 9

There have been no significant developments or changes in activities during the year and the Directors intend that the Company will continue as a General Partner

No important events affecting the Company have occurred since the end of the financial year

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

CW Robinson	
ERM Rinner	(appointed 14 November 2006)
RS Mason	(resigned 14 November 2006)
PWE Downes	(resigned 14 November 2006)
JM Dean	(resigned 31 March 2007)

On 21st December 2006 Milestone Capital Holdings Limited acquired the entire share capital of EAC Holdings Limited, the group's previous ultimate parent undertaking

According to the Register of Directors' Interests, the directors who held office at 31 December 2006 and their families had the following interests in the shares of Milestone Capital Holdings Limited, the ultimate parent undertaking

	No held at 31 December 2006 Ordinary shares	No held at Date of acquisition Ordinary shares
CW Robinson	100	100
ERM Rinner	100	100

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year

REPORT OF THE DIRECTORS continued

Policy and practice on payment of creditors

The company's policies is to pay creditors as they fall due. For the year ended 31 December 2006, the average payment period for trade creditors was nil days.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

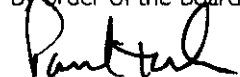
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps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

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.

Auditors

Pursuant to Section 386 of the Companies Act 1985, a resolution is to be put to the forthcoming Annual General Meeting which, if passed, would result in the company not being required to appoint its auditors annually. KPMG Audit Plc would then continue as the company's auditors.

By order of the Board



P.W. Dickson
Company Secretary

25 April 2007

Registered Office

16 Charlotte Square
Edinburgh EH2 4DF

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EAC (SCOTLAND) GP LIMITED

We have audited the financial statements of EAC (Scotland) GP Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account and Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In 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 explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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


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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



KPMG Audit Plc
Chartered Accountants and Registered Auditor
8 Salisbury Square
London
EC4Y 8BB

25 April 2007

PROFIT AND LOSS ACCOUNT
For the year ended 31st December 2006

	Notes	2006 £	2005 £
Turnover	2	108,699	173,795
Administrative expenses	4	(78,114)	(145,960)
		<hr/>	<hr/>
Gross profit		30,585	27,835
Interest receivable	3	3,192	5,246
		<hr/>	<hr/>
Profit on ordinary activities before taxation	4	33,777	33,081
Taxation	5	(7,309)	29,179
		<hr/>	<hr/>
Profit for the year		<u>26,468</u>	<u>62,260</u>

The results above were all derived from continuing activities

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

The notes on pages 6 to 9 form part of these financial statements

BALANCE SHEET
As at 31st December 2006

	Notes	2006 £	2005 £
Current assets			
Debtors	6	165,748	135,194
Cash in hand		2	2
		<hr/>	<hr/>
		165,750	135,196
Creditors amounts falling due within one year	7	(4,400)	(5,900)
		<hr/>	<hr/>
Net current assets		161,350	129,296
Provision for liabilities and charges			
Deferred taxation	5	(5,586)	
		<hr/>	<hr/>
Net assets		155,764	129,296
		<hr/>	<hr/>
Represented by			
Called up share capital	8	2	2
Profit and loss account		155,762	129,294
		<hr/>	<hr/>
Shareholders' funds	9	155,764	129,296
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors on 25 April 2007 and signed on its behalf by



CW Robinson
Director

The notes on pages 6 to 9 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st December 2006

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 charge has not been discounted.

2 Turnover

Turnover comprises fees receivable from the EAC (Scotland) Limited Partnership 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

	2006 £	2005 £
Auditor's remuneration		
– Audit of financial statements pursuant to legislation	2,400	1,900
– Other services relating to taxation		5,250
	<u>2,400</u>	<u>7,150</u>

The company has appointed Milestone Capital Partners Limited, a fellow group company, to act as investment manager on behalf of EAC (Scotland) Limited Partnership. The company paid fees during the year of £73,699 (2005 £138,795), under the terms of the Investment Management Agreement.

5 Taxation

Analysis of the company tax charge / (credit) in the year

	2006 £	2005 £
UK Corporation tax charge		
Current tax credit at tax rate of 30%		(1,743)
Under / (over) provision in respect of prior years	1,723	(27,436)
Deferred tax charge		
Origination of timing differences	5,586	
	<u>7,309</u>	<u>(29,179)</u>

NOTES TO THE FINANCIAL STATEMENTS continued

5. Taxation *continued*

Factors affecting the Company current tax charge for the current year

The current tax charge for the period is lower (2005 higher) than the standard rate of corporation tax in the UK of 30% (2005 30%) The difference is explained below

	2006 £	2005 £
Current tax reconciliation		
Profit on ordinary activities before tax	33,777	33,081
	<hr/>	<hr/>
Current tax at 30% (2005 30%)	10,133	9,924
<i>Effects of</i>		
Effects of partnership income and expenses allocated to the company	(4,547)	(11,667)
Transfer tax liability to deferred tax charge	(5,586)	
	<hr/>	<hr/>
Total current tax charge (see below)		(1,743)
	<hr/>	<hr/>

The company did not receive any group relief in 2006 In 2005, the company received excess management charges of £67 in group relief to set against their corporation tax liabilities 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

Deferred tax liability

	2006 £	2005 £
Profit and loss charge for the year	5,586	
	<hr/>	<hr/>
	5,586	
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS continued

5 Taxation *continued*

Analysis of deferred tax liability

	As at 1.1.2006 £	Movement £	As at 31.12.2006 £
Excess management expenses		(22,475)	(22,475)
Other short term timing differences		28,061	28,061
		<u>5,586</u>	<u>5,586</u>

6 Debtors

	2006 £	2005 £
Amounts owed by group companies	165,748	135,194
	<u>165,748</u>	<u>135,194</u>

7 Creditors amounts falling due within one year

	2006 £	2005 £
Accruals	4,400	5,900
	<u>4,400</u>	<u>5,900</u>

8 Called up share capital.

	2006 No	2006 £	2005 No	2005 £
Authorised				
Ordinary shares of £1 each	2	2	2	2
	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Allotted, called up and fully paid				
Ordinary shares of £1 each	2	2	2	2
	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

NOTES TO THE FINANCIAL STATEMENTS continued

9. Reconciliation of movement in equity shareholders' funds

	2006 £	2005 £
Profit for the financial year	26,468	62,260
Opening shareholders' funds	129,296	67,036
	<hr/>	<hr/>
Shareholders' funds at 31 December	155,764	129,296
	<hr/>	<hr/>

10 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

11. 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

12 Ultimate parent undertaking

The company is a wholly owned subsidiary of EAC Group Limited, a company incorporated in Guernsey. The ultimate parent undertaking is Milestone Capital 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

13 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 partnership is a subsidiary undertaking under the Companies Act 1985. The ultimate parent company Milestone Capital Holdings Limited has not prepared group accounts for the year by virtue that its date of incorporation was 10 October 2006 and within three months from the date the group's financial statements being prepared.

The largest company in which the financial statements of the company are consolidated are EAC Holdings Limited, a company incorporated in England and Wales.

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 Holdings Limited, an intermediate parent company. Consequently these financial statements present information about the Company as an individual undertaking and not about its group.