

BRIDGEPOINT CAPITAL GROUP LIMITED
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2005

Report of the directors

The directors present their annual report together with the audited consolidated financial statements of the Company and Group for the year ended 31 December 2005

Principal activity and review of business

The principal activity of the Company is that of an investment holding company. The directors expect the level of activity to continue in the forthcoming year.

Results and dividends

The results for the year and dividends are shown on page 4. No final dividend has been proposed.

Directors

The directors who held office during the financial period were as follows:

M J Harford (resigned 30 June 2005)

J R Hughes (appointed 9 June 2005)

W N Jackson

D R Shaw

Directors' interests

The interests, all beneficial, of those who were directors at 31 December 2005 in the Ordinary Shares of Bridgepoint Capital Group Limited were:

	Original ordinary shares shares of 1p each		Series II ordinary shares shares of 1p each	
	As at 1 January 2005*	As at 31 December 2005	As at 1 January 2005*	As at 31 December 2005
J R Hughes	49,500	49,500	15,500	15,500
W N Jackson	150,000	150,000	-	-
D R Shaw	150,000	150,000	-	-

The Directors, as subscribers to, or having an interest in subscribers to, the general partners of the Funds and Partnerships managed by the Group, have an indirect interest in the management agreements between the Group and those Funds and Partnerships.

* or date of appointment if later

Charitable donations

During the year the group made charitable donations of £48,000.

Report of the directors (continued)

Statement of directors' responsibilities

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 group and parent company financial statements in accordance with UK Accounting Standards.

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

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

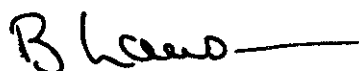
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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 parent 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 group and to prevent and detect fraud and other irregularities.

Auditor

The Company has passed an Elective Resolution to dispense with the annual appointment of its auditor; accordingly KPMG Audit Plc remains in office.

By Order of the Board



B Lawson
Secretary

24 April 2006

Independent auditors' report

TO THE MEMBERS OF BRIDGEPOINT CAPITAL GROUP LIMITED

We have audited the group and parent company financial statements of the company for the year ended 31 December 2005 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, the Group Cash Flow Statement 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

As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK 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 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 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

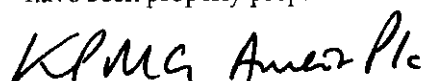
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 group's and the company's affairs as at 31 December 2005 and of the group's profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



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

24 April 2006

Consolidated profit and loss account

For the year ended 31 December 2005

	Notes	2005 £'000	2004 £'000
Fees and commissions receivable		42,748	35,261
Fees and commissions payable		<u>(1,427)</u>	<u>(3,435)</u>
Gross profit		41,321	31,826
Administrative expenses		(31,048)	(26,134)
Other income		19	-
Operating profit	2	<u>10,292</u>	<u>5,692</u>
Interest receivable		975	666
Profit on ordinary activities before taxation		<u>11,267</u>	<u>6,358</u>
Tax on profit on ordinary activities	5	<u>1,689</u>	<u>200</u>
Profit on ordinary activities after taxation		<u>12,956</u>	<u>6,558</u>

The results above relate to continuing operations

Statement of total recognised gains and losses

For the year ended 31 December 2005

	2005 £'000	2004 £'000
Profit for the financial year	12,956	6,558
Foreign currency translation	<u>(54)</u>	<u>(26)</u>
Total gains and losses recognised since the last annual report	<u>12,902</u>	<u>6,532</u>

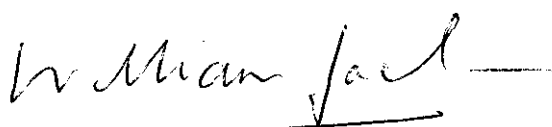
The notes on pages 8 to 18 form part of these financial statements

Consolidated balance sheet

31 December 2005

	Notes	2005 £'000	2004 £'000
Fixed assets			
Intangible assets - goodwill	6	3,032	3,248
Tangible assets	7	511	425
Investments	8	<u>16,235</u>	<u>17,556</u>
		19,778	21,229
Current assets			
Debtors - due within one year	9	14,788	8,081
Cash at bank and in hand		<u>21,067</u>	<u>18,253</u>
		35,855	26,334
Creditors: Amounts falling due within one year	10	<u>(36,489)</u>	<u>(25,609)</u>
Net current (liabilities) assets		<u>(634)</u>	<u>725</u>
Total assets less current liabilities		19,144	21,954
Provisions for liabilities and charges	11	<u>(834)</u>	<u>(4,795)</u>
Net assets		<u>18,310</u>	<u>17,159</u>
Capital and reserves			
Called-up share capital	12	37	37
Own shares held by ESOT	13	(1,485)	(9,187)
Other reserves	13	787	841
Profit and loss account	13	<u>18,971</u>	<u>25,468</u>
Equity Shareholders' Funds	13	<u>18,310</u>	<u>17,159</u>

The financial statements on pages 4 to 18 were approved by the Board of Directors and signed on its behalf by:



W. N. Jackson
Director

24 April 2006

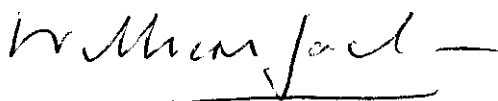
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Balance Sheet

31 December 2005

	Notes	2005 £'000	2004 £'000
Fixed assets			
Investments	8	<u>23,436</u>	<u>24,757</u>
Current assets			
Debtors - due within one year	9	411	5,679
Cash at bank and in hand		<u>2,357</u>	<u>248</u>
		2,768	5,927
Creditors: Amounts falling due within one year	10	<u>(26,817)</u>	<u>(19,349)</u>
Net current liabilities		<u>(24,049)</u>	<u>(13,422)</u>
Total assets less current liabilities		(613)	11,335
Net (liabilities) assets		<u>(613)</u>	<u>11,335</u>
Capital and reserves			
Called-up share capital	12	37	37
Own shares held by ESOT	13	(1,485)	(9,187)
Profit and loss account	13	<u>835</u>	<u>20,485</u>
Equity Shareholders' Funds	13	<u>(613)</u>	<u>11,335</u>

The financial statements on pages 4 to 18 were approved by the Board of Directors and signed on its behalf by:



W. N. Jackson
Director

24 April 2006

The notes on pages 8 to 18 form part of these financial statements

Consolidated cash flow statement

For the year ended 31 December 2005

	Notes	2005		2004	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	14a		<u>12,858</u>		<u>5,930</u>
Returns on investments and servicing of finance					
Interest received		<u>975</u>		<u>666</u>	
Net cash inflow from returns on investments and servicing of finance			975		666
Taxation					
UK Corporation tax paid		(128)		(920)	
Overseas tax paid		<u>(164)</u>		<u>(334)</u>	
Net cash outflow from taxation			(292)		(1,254)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(297)		(280)	
Purchase of own shares		7,756		(1,950)	
Fixed asset investments acquired		(14,073)		(5,046)	
Fixed asset investments disposed		<u>15,394</u>		<u>1</u>	
Net cash inflow (outflow) from capital expenditure and financial investment			8,780		(7,275)
Dividends paid			(19,507)		(1,147)
Net cash inflow (outflow) before financing			<u>2,814</u>		<u>(3,080)</u>
Financing					
Shares issued		<u>-</u>		<u>7</u>	
Net cash inflow from financing			-		7
Increase (decrease) in cash in the year	14b		<u>2,814</u>		<u>(3,073)</u>

The notes on pages 8 to 18 form part of these financial statements

Notes to financial statements

For the year ended 31 December 2005

1. Accounting policies

A summary of the principal accounting policies all of which have been applied consistently throughout the year and the preceding year is set out below.

a) *Accounting convention*

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b) *Basis of consolidation*

The group financial statements consolidate the financial statements of the Company and all its subsidiary undertakings.

Purchased goodwill arising on consolidation in respect of the acquisition of investments has been capitalised and is amortised on a straight line basis over its estimated useful life of twenty years.

In the company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off.

No profit or loss account is presented for the parent company as permitted by section 230 of the Companies Act 1985. The company's loss for the financial year ending 31 December 2005, determined in accordance with the Act was £140,000 (2004 - profit £5,318,000).

c) *Tangible fixed assets*

Depreciation is provided on a straight line basis as follows:

Motor vehicles	5 years
Computers and other IT equipment	3 to 5 years

d) *Foreign currencies*

Assets and liabilities denominated in foreign currencies are translated to sterling at rates current at the year end. The results of overseas subsidiary undertakings are translated at the average rate of exchange for the year. Exchange differences arising from translation of opening net assets of overseas subsidiary undertakings are taken to reserves. Transactions in foreign currencies are translated at the average rate. All differences are taken to the profit and loss account.

e) *Taxation*

Corporation tax is provided on taxable profits at the current rate.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the group anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying difference. Deferred tax balances are not discounted.

f) *Pensions*

Amounts payable in respect of employer's pension contributions to the company's defined contribution pensions scheme are recognised in Administrative Expenses as they become payable.

Notes to financial statements (continued)

1. Accounting policies (continued)

g) *Placement Agents Fees*

Placement agents fees incurred during the raising of a fund are charged to the profit and loss account on a straight line basis over 2 years from when the first investment is made. Amounts paid in advance of the profit and loss charge are included in prepayments.

h) *Employee Share Ownership Trust*

The company is deemed to have control of the assets, liabilities, income and costs of its Employee Share Ownership Trust (ESOT). In accordance with UITF 38 which was adopted during the year, own shares held have been deducted from shareholders' funds on the consolidated and company balance sheets.

Any borrowings of the ESOT, which have been guaranteed by the Company, are included in borrowings with the net financing costs of the ESOT being shown as finance charges in the profit and loss account.

(i) *Operating Lease Rentals*

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

j) *Investments*

Investments are held at cost less provision for any impairment in value.

2. Operating profit

Profit on ordinary activities before taxation is stated after charging:

	2005	2004
	£'000	£'000
Amortisation and amounts written off goodwill	216	216
Depreciation and amounts written off tangible fixed assets	206	162
Operating lease rentals		
plant and machinery	32	32
other	943	943
Auditors' remuneration		
- Group	102	150
- Company	15	15
Other fees paid to auditors	3	-
	<u> </u>	<u> </u>

3. Staff costs

The average number of persons, including directors, employed by the Group during the period was as follows:

	2005	2004
	Number	Number
Directors	3	3
Executives (including Directors of subsidiary undertakings)	60	54
Administrative staff	44	42
	<u>107</u>	<u>99</u>

Notes to financial statements (continued)

3. Staff costs (continued)

Employee costs (including directors) for the year amounted to:

	2005 £'000	2004 £'000
Wages and salaries	8,411	7,331
Staff bonuses	8,131	7,658
Social security costs	2,464	2,076
Pension costs	1,166	817
Other staff costs	554	404
	<u>20,726</u>	<u>18,286</u>

Directors' remuneration

Directors' remuneration was as follows:

	2005 £'000	2004 £'000
Directors' fees, salaries and other benefits	706	433
Performance related bonus	800	525
	<u>1,506</u>	<u>958</u>
Pension contributions	<u>41</u>	<u>30</u>
Total emoluments of highest paid director (including pension contributions)	<u>774</u>	<u>467</u>

The emoluments paid to the Directors relate to services provided both to this company and subsidiary companies.

4. Pension contributions

The group operates a defined contributions pension scheme for its Directors and Employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The scheme is a non-contributory scheme but does permit employee contributions to a maximum of 15% of relevant earnings. The pension cost charge for the period has been shown as part of the staff costs in note 3.

The company operates a bonus sacrifice scheme. At 31 December 2005, pension contributions of £682,000 (2004 - £279,000) payable under this scheme, were included within other creditors in the balance sheet.

Notes to financial statements (continued)

5. Tax on profit on ordinary activities

	2005	2004
	£'000	£'000
The tax (credit)/charge for the year comprises:		
Corporation tax - UK	2,037	52
Over provision for corporation tax in previous year	(45)	-
	<u>1,992</u>	<u>-</u>
Corporation tax - Overseas	280	407
Total current tax	<u>2,272</u>	<u>459</u>
Deferred tax	(3,961)	(659)
	<u>(1,689)</u>	<u>(200)</u>
Profit on ordinary activities before taxation	<u>11,267</u>	<u>6,358</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2004 - 30%)	3,380	1,907
Effects of:		
Expenses not deductible for tax purposes	940	335
Over provision for corporation tax in previous year	(45)	-
Income not charged to UK Corporation tax	(10,634)	(1,923)
Capital allowances for period in excess of depreciation	(15)	(22)
Other timing differences	10,282	1,384
Partnership allocation	74	57
Tax losses utilised	(1,747)	(1,444)
Overseas tax in excess of standard UK corporation tax rate	37	165
Current tax charge for period	<u>2,272</u>	<u>459</u>

The Group has not recognised a deferred tax asset of £5,519,000 (2004 - £557,000) due to the inherent uncertainty regarding the timing of future taxable profits.

6. Goodwill

	Group
	£'000
Cost	
Beginning and end of year	<u>4,329</u>
Amounts written off	
Beginning of year	1,081
Amortisation	<u>216</u>
End of year	<u>1,297</u>
Net book value	
At beginning of year	<u>3,248</u>
At end of year	<u>3,032</u>

Notes to financial statements (continued)

7. Tangible fixed assets

The movement in the year was as follows:

Group	Motor Vehicles £'000	Computers and Other £'000	Total £'000
Cost or valuation			
Beginning of year	45	1,332	1,377
Foreign exchange movement	-	(17)	(17)
Additions	-	297	297
Disposals	(1)	(280)	(281)
End of year	<u>44</u>	<u>1,332</u>	<u>1,376</u>
Depreciation			
Beginning of year	(29)	(923)	(952)
Foreign exchange movement	-	23	23
Charge	(9)	(206)	(215)
Disposals	1	278	279
End of year	<u>(37)</u>	<u>(828)</u>	<u>(865)</u>
Net book value			
Beginning of year	<u>16</u>	<u>409</u>	<u>425</u>
End of year	<u>7</u>	<u>504</u>	<u>511</u>

8. Fixed assets investments

Group	Other Investments £'000	Total £'000
Beginning of year	17,556	17,556
Additions	14,073	14,073
Disposals	(15,394)	(15,394)
End of year	<u>16,235</u>	<u>16,235</u>

Company	Subsidiary Undertakings £'000	Other Investments £'000	Total £'000
Beginning of year	7,204	17,553	24,757
Additions	-	14,073	14,073
Disposals	-	(15,394)	(15,394)
End of year	<u>7,204</u>	<u>16,232</u>	<u>23,436</u>

Notes to financial statements (continued)

8. Fixed assets investments (continued)

a) Other investments

The other investments primarily represent loans and preference shares made to Emerald Investments (Guernsey) Limited ("Emerald") and Bridgepoint Capital Delaware General Partner LP as part of the requirement of Bridgepoint Europe II and to Sapphire Investments (Guernsey) Limited ("Sapphire") as part of the requirement of Bridgepoint Europe III.

The Group includes subsidiaries, listed below, that manage venture capital partnerships in which they have participating interests, albeit small, and for which they act as General Partner. These partnerships are subsidiary undertakings under the Companies Act 1985. As allowed by Section 227(6) of the Act, the directors have departed from the requirement to consolidate these subsidiary partnerships since the economic interest of the Group in these partnerships is, except to the extent that they are proportionally consolidated, merely that of investment manager. The directors are of the opinion that were these partnerships consolidated, the Group accounts would not show a true and fair view. The effect of this departure is to reduce net assets by £1,260m (2004 - £1,131m), minority interests by £1,260m (2004 - £1,131m) and profit before tax by £304m (2004 - £192m).

The interests of the Group in qualifying partnerships have been incorporated in the accounts of the Group by the equity method of proportional consolidation, thereby exempting it from the requirements of the Partnerships and Unlimited Companies Accounts (Regulations) 1993.

b) Subsidiary undertakings

The parent company has investments in the following principal subsidiary undertakings:

Name	Country of Incorporation	Nature of business
Bridgepoint Capital (Holdings) *	England	Investment Holding Company
Bridgepoint Private Equity Growth Fund Limited *	England	General Partner to UK Limited Partnership
Bridgepoint Capital France SA	France	Venture Capital management company
Bridgepoint Capital SpA **	Italy	Venture Capital advisory company
Bridgepoint Capital (GP) Limited	England	General Partner to Delaware Limited Partnership
Bridgepoint Capital GmbH	Germany	Venture Capital advisory company
Bridgepoint Capital Limited	England	Venture Capital management company
Bridgepoint Capital SA	Spain	Venture Capital advisory company
Bridgepoint Capital Scottish GP Limited	Scotland	General Partner to UK Limited Partnership
Bridgepoint Capital Scottish GP II Limited	Scotland	General Partner to UK Limited Partnership
Bridgepoint Private Equity Limited	England	Venture Capital management company
Bridgepoint Capital AB	Sweden	Venture Capital advisory company
PEPCO Services LLP	UK	Collective Purchasing Negotiator
Bridgepoint Europe III (GP) Limited	Scotland	General Partner to UK Limited Partnerships

Except where noted, all the above companies are wholly owned and registered in the country of incorporation.

* These entities are owned directly.

** Bridgepoint Capital SpA is 10% owned by the Company and 90% by Bridgepoint Capital (Holdings)

Notes to financial statements (continued)

9. Debtors

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
<i>Amounts due within one year:</i>				
Amounts owed by subsidiary undertakings	-	-	38	5,500
UK Corporation tax receivable	-	868	-	-
Tax recoverable	1,354	1,438	-	-
Other debtors	4,873	3,568	373	179
Prepayments and accrued income	8,561	2,207	-	-
	<u>14,788</u>	<u>8,081</u>	<u>411</u>	<u>5,679</u>

10. Creditors: Amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Amounts owed to subsidiary undertakings	-	-	21,906	14,098
Trade creditors	139	90	-	-
Group relief	-	-	38	86
UK Corporation tax payable	996	-	-	-
Overseas Corporation tax payable	195	79	-	-
Other creditors	7,672	15,098	4,863	5,165
Accruals and deferred income	27,487	10,342	10	-
	<u>36,489</u>	<u>25,609</u>	<u>26,817</u>	<u>19,349</u>

Notes to financial statements (continued)

11. Provisions for liabilities and charges

	Deferred Taxation 2005 £'000
At beginning of year	4,795
Charged in the year	(3,961)
At end of year	<u>834</u>

12. Called-up share capital

Company	2005 Number	2004 Number	2005 £'000	2004 £'000
<i>Authorised</i>				
Original Ordinary shares of 1p each	3,900,000	3,900,000	39	39
Series II Ordinary shares of 1p each	1,100,000	1,100,000	11	11
ZZ Shares	804,750	-	8	-
YY Shares	1	-	-	-
	<u>5,804,751</u>	<u>5,000,000</u>	<u>58</u>	<u>50</u>
<i>Allotted, called-up and paid</i>				
Original Ordinary Shares of 1p each	2,153,000	2,957,750	22	30
Series II Ordinary shares of 1p each	724,750	709,750	7	7
ZZ Shares	804,750	-	8	-
YY Shares	1	-	-	-
	<u>3,682,501</u>	<u>3,667,500</u>	<u>37</u>	<u>37</u>

During the year the company issued 15,000 Series II ordinary shares and 1 YY share for cash consideration. In addition the Company converted 804,750 original ordinary shares into ZZ shares.

Notes to financial statements (continued)

13. Movement on shareholders' funds

Group	Share Capital £'000	Other Reserves £'000	Own shares held by ESOT £'000	Profit and Loss Account £'000	Total Shareholders' Funds £'000
At 1 January 2005	37	841	(9,187)	25,468	17,159
Retained profit for the year	-	-	-	12,956	12,956
Movement in own shares	-	-	7,702	54	7,756
Issue of Shares	-	-	-	-	-
Dividends paid	-	-	-	(19,507)	(19,507)
Revaluation of overseas subsidiary undertakings	-	(54)	-	-	(54)
At 31 December 2005	<u>37</u>	<u>787</u>	<u>(1,485)</u>	<u>18,971</u>	<u>18,310</u>
Company					
At 1 January 2005	37	-	(9,187)	20,485	11,335
Retained profit for the year	-	-	-	(197)	(197)
Movement in own shares	-	-	7,702	54	7,756
Issue of Shares	-	-	-	-	-
Dividends paid	-	-	-	(19,507)	(19,507)
At 31 December 2005	<u>37</u>	<u>-</u>	<u>(1,485)</u>	<u>835</u>	<u>(613)</u>

The Employee Share Ownership Trust ("ESOT") was established in 2002 in order to provide for the future obligations of the Company in respect of shares awarded under the scheme. At the year-end there were no allocations to any employees under the scheme. All dividends in respect of these shareholdings have been waived.

Notes to financial statements (continued)

14. Cash flow information

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

	2005 £'000	2004 £'000
Operating profit	10,292	5,692
Depreciation charges	215	162
Amortisation charges	216	216
Revaluation of overseas subsidiary undertakings	(60)	(45)
(Increase) decrease in debtors	(7,575)	(1,493)
Increase in creditors	9,768	1,361
Loss on sale of fixed assets	2	37
Net cash inflow from operating activities	12,858	5,930

b) Analysis and reconciliation of net funds

	1 January 2005 £'000	Cashflow 2005 £'000	31 December 2005 £'000
Cash at bank	18,253	2,814	21,067
		2005 £'000	2004 £'000
Increase (decrease) in cash in the year		2,814	(3,073)
Net funds at 1 January		18,253	21,326
Net funds at 31 December		21,067	18,253

15 Operating Lease Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2005 Land and Buildings £'000	2005 Other £'000	2004 Land and Buildings £'000	2004 Other £'000
Expiry date				
between two and five years	-	30	-	23
after five years	-	-	940	-
	<u>-</u>	<u>30</u>	<u>940</u>	<u>23</u>

Notes to financial statements (continued)

16 Related Party Transactions

a) The investments in Emerald referred to in Note 8 are made up of loans of £5,970,000 and preference shares of £7,546,000 at the year end. The Company and Group received interest of £327,000 (2004 - £172,000) and preference dividends of £nil (2004 - £nil). £327,000 was included in debtors at the year end (2004 - £172,000). Emerald has common shareholders with the Company.

b) The investments in Sapphire referred to in Note 8 are made up of loans of £2,406,000 and preference shares of £206,000 at the year end. The Company and Group received interest of £8,000. Sapphire has common shareholders with the Company.

c) Some directors and employees in the company and group are, in their personal capacity, partners in Limited Partnerships that are managed by other fellow subsidiary undertakings and that have certain subsidiary undertakings acting as the General partner of the Limited Partnerships. The distributions which were made in this regard during the year amounted to £4,058,000 (2004 - £5,539,000) .