

Inflexion Managers Limited  
Report and accounts  
for the year ended 31 March 2006

Registered Number 04120282



Inflexion Managers Limited  
Report and accounts  
for the year ended 31 March 2006  
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# **Inflexion Managers Limited**

## **Directors' report for the year ended 31 March 2006**

The directors present their report and the audited financial statements of the company for the year ended 31 March 2006.

### **Principal activities, review of business and dividends**

The company was a wholly owned subsidiary of Inflexion plc up to 16 March 2006 when its entire share capital was sold to Inflexion Private Equity Partners LLP, a limited liability partnership registered in England and Wales.

The company's principal activity is private equity fund management. The company is authorised and regulated by the Financial Services Authority.

The results for the year are set out in the profit and loss account on page 5. Total dividends of £253,000 (2005: nil) were paid during the year.

Both the level of business and the year end financial position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

### **Directors**

Simon Turner and John Hartz each have a 50% beneficial interest in Inflexion Private Equity Partners LLP which, in turn owns 100% of Inflexion Managers Limited.

*The directors who held office during the year are given below:*

JF Hartz  
SEH Turner  
DJ Jordan

### **Statement of directors' responsibilities**

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

*The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:*

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

The directors confirm that they have complied with the above requirements in preparing the financial statements.

# Inflexion Managers Limited

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Under the provisions of Section 246 9 (4) and 247 A of the Companies Act 1985, the Company is exempt from disclosing certain information relating to business review and financial instruments disclosures.

## Statement of disclosure of information to auditors

As far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. The Directors have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## Auditors

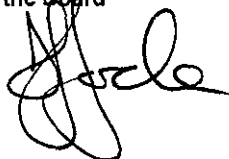
A resolution to confirm the appointment made by the directors of PricewaterhouseCoopers LLP as auditors and their re-appointment will be proposed at the Annual General Meeting.

By order of the Board

DJ Jordan

Secretary

31 July 2006



# **Inflexion Managers Limited**

## **Independent auditors' report to the members of Inflexion Managers Limited**

We have audited the Group and parent Company financial statements (the "financial statements") of Inflexion Managers Limited for the year ended 31 March 2006 which comprise the Group Profit and Loss Account, 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.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (*United Kingdom Generally Accepted Accounting Practice*) are set out in the Statement of Directors' 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). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also 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 or material inconsistencies with the financial statements.

### **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 Group's and 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.

# Inflexion Managers Limited

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent Company's affairs as at 31 March 2006 and of the Group's profit and cash flows 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

31 July 2006

# Inflexion Managers Limited

## Consolidated profit and loss account for the year ended 31 March 2006

	Note	2006 £'000	2005 £'000
<b>Continuing operations</b>			
Turnover	2	1,208	1,110
Cost of sales		-	-
<b>Gross profit</b>		<b>1,208</b>	<b>1,110</b>
Administrative expenses		(1,912)	(2,200)
Other operating income		1,311	1,230
<b>Operating profit</b>	3	<b>607</b>	<b>140</b>
Interest payable and similar charges	5	(27)	(30)
<b>Profit on ordinary activities before taxation</b>		<b>580</b>	<b>110</b>
Tax on profit on ordinary activities	6	(172)	(44)
<b>Profit on ordinary activities after taxation</b>		<b>408</b>	<b>66</b>
Dividends	7	(253)	-
<b>Profit for the financial period</b>		<b>155</b>	<b>66</b>

The notes on pages 8 to 16 form an integral part of these financial statements.

The Company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the profit for the year and their historical cost equivalents.

# Inflexion Managers Limited

## Consolidated and company balance sheets as at 31 March 2006

	Note	2006 Group £'000	2006 Company £'000	2005 Group £'000	2005 Company £'000
<b>Fixed assets</b>					
Tangible assets	8	32	32	-	-
Investment in subsidiaries	9	-	-	-	-
<b>Current assets</b>					
Debtors	10	540	545	481	950
Cash		2,081	1,627	3,816	2,573
		2,621	2,172	4,297	3,523
Creditors – amounts falling due within one year	11	(1,554)	(1,107)	(3,281)	(2,521)
<b>Net current assets</b>		<b>1,067</b>	<b>1,065</b>	<b>1,016</b>	<b>1,002</b>
<b>Total assets less current liabilities</b>		<b>1,099</b>	<b>1,097</b>	<b>1,016</b>	<b>1,002</b>
<b>Creditors – amounts falling due after more than one year</b>					
	12	(560)	(560)	(632)	(632)
<b>Net assets</b>		<b>539</b>	<b>537</b>	<b>384</b>	<b>370</b>
<b>Capital and reserves</b>					
Called up share capital	13	240	240	240	240
Profit and loss account	14	299	297	144	130
<b>Total equity shareholders' funds</b>	15	<b>539</b>	<b>537</b>	<b>384</b>	<b>370</b>

The notes on pages 8 to 16 form an integral part of these financial statements.

The financial statements on pages 5 to 16 were approved by the board of directors on 3 July 2006 and were signed on its behalf by:

  
Director



# Inflexion Managers Limited

## Consolidated cash flow statement for the year ended 31 March 2006

	Note	2006 £'000	2005 £'000
Net cash (outflow)/inflow from operating activities	16	(1,341)	3,053
<b>Returns on investments and servicing of finance</b>			
Interest paid		(42)	(14)
Net cash outflow from returns on investments and servicing of finance		(42)	(14)
 <b>Taxation</b>		-	-
 <b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(34)	-
Net cash outflow from capital expenditure and financial investment		(34)	-
 <b>Equity dividends paid</b>		(253)	-
 Net cash (outflow)/inflow before financing and management of liquid resources		(1,670)	3,039
 <b>Financing</b>			
Loan notes settled	17/18	(65)	(60)
Net cash outflow from financing		(65)	(60)
 <b>(Decrease)/increase in net cash</b>	17/18	(1,735)	2,979

The notes on pages 8 to 16 form an integral part of these financial statements.

# **Inflexion Managers Limited**

## **Notes to the financial statements for the year ended 31 March 2006**

### **1 Accounting policies**

#### **Accounting convention**

The financial statements are prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below.

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of fixed assets on a straight-line basis over their estimated useful lives at the following rates:-

Motor vehicles – over three years

Office equipment – over three years

#### **Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Provision is made for deferred taxation, in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax assets are recognised to the extent that it is considered more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are not subject to discounting.

#### **Basis of consolidation**

The company was a wholly owned subsidiary of Inflexion plc up to 16 March 2006 when its entire share capital was sold to Inflexion Private Equity Partners LLP, a limited liability partnership registered in England and Wales. From this point the basis for consolidation has changed and the subsidiary Inflexion General Partner Limited is being consolidated for the first time. The Group financial statements consolidate the accounts of the Company and of its subsidiaries using acquisition accounting.

#### **Leases**

Operating lease rentals are charged against profit on a straight line basis over the period of the lease.

#### **Investment in subsidiaries**

Investments in subsidiaries are stated at cost less provision for impairment in value.

# Inflexion Managers Limited

## 2 Turnover

Turnover comprises management fees recognised on an earned basis, excluding value added tax.

## 3 Operating profit

### Operating profit is stated after charging:

	2006 £'000	2005 £'000
Wages and salaries	1,278	783
Social security costs	207	127
Staff costs	1,485	910
Depreciation	2	-
Auditors remuneration: audit services	17	6
Auditors remuneration: non-audit services	-	-

There is an amount within total administration expenses of £1,894,630 (2005: £2,014,792), which relates to the recharge of expenses from the Company's former parent, Inflexion plc.

## 4 Staff costs

The average number of persons (including executive directors) employed by the Company was:

	2006 £'000	2005 £'000
Investment	8	5
Administration	5	2

Prior to the sale of the business in March 2006, each of the directors were employed and remunerated by the then parent company Inflexion plc, and two of the directors (Messrs Hartz and Turner) were also directors of Inflexion plc. In the opinion of the directors, a significant majority of their remuneration was attributable to their services to the Company, however the exact amount is not quantifiable.

Directors emoluments borne by the then parent company, Inflexion plc, amounted to £601,043 (2005: £188,750), and are stated excluding employers National Insurance.

The highest paid director received £224,965 (2005: £188,750) for the period prior to the change of control.

In the period since the change of ownership, the Company has paid directly aggregate director emoluments of £4,500 (2005: £nil), with the highest paid director receiving £4,500 (2005: £nil).

# Inflexion Managers Limited

## 5 Interest payable and similar charges

	2006 £'000	2005 £'000
Interest on 5% unsecured loan stock	27	30

## 6 Tax on profit on ordinary activities

### (a) Analysis of charge in the period

	2006 £'000	2005 £'000
<b>Current tax:</b>		
UK corporation tax on profits for the period	172	44
<b>Deferred tax:</b>	-	-
<b>Tax on profit on ordinary activities</b>	<b>172</b>	<b>44</b>

### (b) Analysis of charge in the period

The tax charge for the period is the same as / (lower than) the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2006 £'000	2005 £'000
<b>Profit on ordinary activities before tax</b>	<b>580</b>	<b>110</b>
Profit on ordinary activities multiplied by the standard rate of corporation tax	172	44
<b>Current tax charge for the period (note 6a)</b>	<b>172</b>	<b>44</b>

# Inflexion Managers Limited

## 7 Dividends

	2006	2005
	£'000	£'000
Equity – Ordinary		
Interim paid: £1.0542 (2005: nil) per £1 share	253	-

## 8 Group tangible assets

	Motor vehicles £'000	Office equipment £'000	Total £'000
<b>Cost or valuation</b>			
At 1 April 2005	-	-	-
Additions	17	17	34
Disposals	-	-	-
At 31 March 2006	17	17	34
<b>Accumulated depreciation</b>			
At 1 April 2005	-	-	-
Charge for the year	1	1	2
Disposals	-	-	-
At 31 March 2006	1	1	2
<b>Net book amount</b>			
At 31 March 2006	16	16	32
At 31 March 2005	-	-	-

# Inflexion Managers Limited

## 9 Subsidiaries

Name	Year end	Country of incorporation	Nature of business	Group interest in ordinary shares held	
				Group %	Company %
Inflexion General Partner Limited	30 September	Great Britain	General Partner	100%	100%
Inflexion 2006 General Partner Limited	31 December	Great Britain	General Partner	100%	100%

The Company owns 100% of the £1 issued share capital in each of these subsidiaries. In the opinion of the directors, the value of the subsidiary undertaking is not less than the amount at which they are stated in these accounts.

The subsidiaries have a different year end to the Company as a result of having been established at a later date.

## 10 Debtors

	2006 Group £'000	2006 Company £'000	2005 Group £'000	2005 Company £'000
Trade debtors	378	377	45	45
Amounts owed by group undertakings	-	6	-	470
Other debtors	21	21	436	435
Prepayments and accrued income	141	141	-	-
	540	545	481	950

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

## 11 Creditors – amounts falling due within one year

	2006 Group £'000	2006 Company £'000	2005 Group £'000	2005 Company £'000
Loan notes (note 12)	72	72	65	65
Trade creditors	49	49	-	-
Amounts due to parent company	-	-	2,110	2,110
Tax and social security	250	229	-	-
Other creditors	1,094	668	1,106	346
Accruals and deferred income	89	89	-	-
	1,554	1,107	3,281	2,521

# Inflexion Managers Limited

Amounts due to parent undertaking in 2005 represent amounts due by the Company to its then parent, Inflexion plc. Amounts due to group undertakings are unsecured, interest free and have no fixed date of repayment.

## 12 Creditors – amounts falling due after more than one year

	2006 Group £'000	2006 Company £'000	2005 Group £'000	2005 Company £'000
Loan stock due to parent undertaking	120	120	120	120
Other loan stock (Unsecured, 5%)	440	440	512	512
	560	560	632	632

On 18 May 2001, the company entered into a subordinated loan agreement with its then parent company, Inflexion plc. This loan agreement was assigned to Inflexion Private Equity Partners LLP, on 16 March 2006. The loan is non-interest bearing and is repayable on 18 May 2008, subject to the written consent of the Financial Services Authority.

The unsecured 5% loan stock totalled £512,000, redeemable at par per a redemption schedule between 2006 and 2010.

Loan stock maturity	2006 £'000	2005 £'000
In one year or less	72	65
In more than one year but not more than two years	110	72
In more than two years, but not more than five years	450	450
In more than five years	-	110
	632	697

## 13 Called up share capital

	2006 £'000	2005 £'000
<b>Authorised</b>		
240,000 ordinary shares of £1 each	240	240
<b>Allotted and fully paid</b>		
240,000 ordinary shares of £1 each	240	240

# Inflexion Managers Limited

## 14 Profit and loss account

	2006 Group £'000	2006 Company £'000	2005 Group £'000	2005 Company £'000
Balance as at 1 April	144	130	78	78
Retained profit for the year	155	167	66	52
Balance as at 31 March	299	297	144	130

As permitted by Section 230 of the Companies Act 1985, a separate profit and loss account of Inflexion Managers Limited is not presented.

## 15 Reconciliation of movements in equity shareholders' funds

	2006 Group £'000	2006 Company £'000	2005 Group £'000	2005 Company £'000
Opening equity shareholders' funds	384	370	318	318
Retained profit for the financial year	155	167	66	52
Closing equity shareholders' funds	539	537	384	370

## 16 Reconciliation of operating profit to net cash flow from operating activities

	2006 £'000	2005 £'000
Operating profit	607	140
Depreciation	2	-
(Increase)/decrease in debtors	(59)	314
(Decrease)/increase in creditors	(1,891)	2,599
Net cash (outflow)/inflow from continuing operations	(1,341)	3,053



# Inflexion Managers Limited

## 17 Reconciliation of net cash flow to movement in net fund

	2006	2005
	£'000	£'000
(Decrease)/increase in net cash	(1,735)	2,979
Movement in borrowings	65	60
Net funds at start of year	3,119	80
Net funds at 31 March	1,449	3,119

## 18 Analysis of changes in net funds

	At 1 April 2005	Cash flow	Reclassification of debt	At 31 March 2006
	£'000	£'000	£'000	£'000
Cash at bank and in hand	3,816	(1,735)	-	2,081
Debt due within one year	(65)	65	(72)	(72)
Debt due after more than one year	(632)	-	72	(560)
Total	3,119	(1,670)	-	1,449

## 19 Operating lease commitments

At 31 March 2006 (2005: none) the Group had lease commitments in respect of property and office equipment, for which payments extend over a number of years:

	Property	Office Equipment	Total
	£'000	£'000	£'000
2006 annual commitments under non-cancellable operating leases expiring:			
Within 2 to 5 years	-	3	3
After 5 years	100	-	100
	100	3	103

# **Inflexion Managers Limited**

## **20 Related party transactions**

On 16 March 2006 the Company was sold by Inflexion plc to Inflexion Private Equity Partners LLP, a limited liability partnership of which each of Simon Turner and John Hartz (both directors of the Company) have a 50% beneficial interest. The terms for the sale of the Company were negotiated between the Non-executive Directors of Inflexion plc and Messrs Turner and Hartz. The sale of the Company was subsequently approved by shareholders at an extraordinary general meeting of Inflexion plc on 16 March 2006.

At 31 March 2006 £120,000 was due by the Company to Inflexion Private Equity Partners LLP, under a subordinated loan agreement, as disclosed in Note 12 of the financial statements.

During the course of the year the Company also entered into transactions with its former parent company, Inflexion plc. Inflexion plc provided certain executive and administrative services to the Company, for which the Company was charged £1.9 million. There were no balances due to or from this related party at the balance sheet date.

## **21 Ultimate parent undertaking**

As at 31 March 2006, the whole of the company's issued share capital is held by Inflexion Private Equity Partners LLP, a limited liability partnership registered in England and Wales.

At 31 March 2005, the whole of the company's issued share capital was held by Inflexion plc, a company incorporated in Great Britain. The smallest group in which the results of the company were consolidated was the group of which Inflexion plc was the holding company. The largest group in which the results of the company were consolidated was the group of which London Merchant Securities plc is the holding company. By virtue of London Merchant Securities plc's shareholding in Inflexion plc, London Merchant Securities plc was considered to be the Company's ultimate controlling party.