

Palamon Capital Partners, Ltd.

Report and Financial Statements

For the year ended 31 December 2007

FC 21404

004524/170 ~~07A~~

TUESDAY



A1539AY9

A16

20/03/2012

#39

COMPANIES HOUSE

Palamon Capital Partners, Ltd.

Year ended 31 December 2007

Contents	Page
Directors' Report	3
Statement of Directors' Responsibilities	4
Independent Auditors' Report	5
Profit and Loss Account	6
Balance Sheet	7
Cashflow Statement	8
Notes to the Financial Statements	9

Palamon Capital Partners, Ltd

Year ended 31 December 2007

Directors' Report

The Directors present their ninth annual report and the audited financial statements for the year ended 31 December 2007

Activities

The Company is a Delaware corporation and was incorporated in the United States of America on 28 September 1998. The Company's principal activity is to participate as Limited Partner in the Limited Partnership known as Palamon Capital Partners, LP. The Company has a 2% investment in the Limited Partnership. As a Limited Partner the Company provides services, facilities and staff to support the business of the Limited Partnership, as requested by the General Partner, Palamon Capital Partners, LLP. The Company receives a share of the profit of the Limited Partnership, in an amount determined from time to time between the General Partner and the Limited Partner.

Results and dividend

The pre-tax profit amounts to £52,949 for the year to 31 December 2007, compared to a pre-tax profit of £50,703 for 2006. The Directors do not recommend the payment of a dividend for the year (2006: nil).

Directors

The Directors of the Company at 31 December 2007 and those who served during the year were

P J J Le Vesconte (Chairman)
D A Brookland
A D Perree

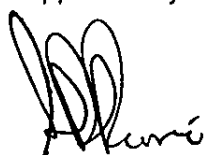
Directors' Interests

No Directors had any interest at any time in the share capital of the Company. The Directors also had no interest in any contracts or arrangements with the Company during the year, other than those disclosed in note 5.

Auditors

A resolution to reappoint PricewaterhouseCoopers CI LLP as auditors to the Company will be proposed at the annual general meeting.

Approved by the Board of Directors and signed on behalf of the Board



A.D. Perree
Secretary

Palamon Capital Partners, Ltd.

Year ended 31 December 2007

Statement of Directors' Responsibilities

The Directors are required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss for that period. The Directors consider that in preparing the accounts the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed, subject to any explanations and any material departures disclosed in the notes to the accounts.

The Directors consider that the Company has adequate resources to continue in operation for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the accounts.

The Directors are responsible for ensuring that the Company keeps proper accounting records, which disclose, with reasonable accuracy at any time, the financial position of the Company. The Directors are also responsible for the Company's system of internal financial control, safeguarding of assets and have a general responsibility for taking such steps as are reasonably open to them and which they deem appropriate to safeguard the assets of the Company and to seek to prevent and detect fraud and other irregularities.

So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware. Each Director has taken all the steps that he ought to have taken in his duty as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



A.D. Perree
Secretary

28 April 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PALAMON CAPITAL PARTNERS, LTD

We have audited the financial statements (the "financial statements") of Palamon Capital Partners, Ltd for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the 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 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. 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 or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

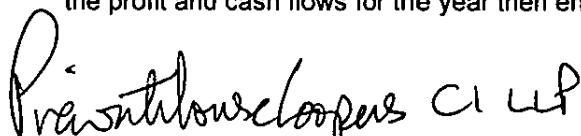
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of the profit and cash flows for the year then ended.


PricewaterhouseCoopers *CLLP*
Chartered Accountants

30 April 2008

Palamon Capital Partners, Ltd.

Profit and loss account for the year ended 31 December 2007

	Note	2007 £	2006 £
Revenue			
Profit share		5,228,251	5,039,000
		<hr/>	<hr/>
		5,228,251	5,039,000
Expenses		(5,088,162)	(4,919,406)
		<hr/>	<hr/>
Operating profit	2	140,089	119,594
Interest receivable and similar income		9,427	42,362
Interest payable and similar charges	3	(96,567)	(111,253)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		52,949	50,703
Tax on profit on ordinary activities	6	(30,997)	(19,803)
		<hr/>	<hr/>
		21,952	30,900
		<hr/>	<hr/>
Profit for the financial year		21,952	30,900
		<hr/>	<hr/>

There are no recognised gains and losses other than the profit for the financial year
Accordingly, a statement of total recognised gains and losses is not presented

All results derive from continuing operations

There is no material difference between the profit and loss on ordinary activities before taxation
as reported and their historical cost equivalents

The notes on pages 9 to 15 form part of these financial statements

Palamon Capital Partners, Ltd

Balance sheet as at 31 December 2007

	Note	2007 £	2006 £
Fixed assets			
Investments	7	200	200
Tangible fixed assets	8	997,008	1,233,494
		<hr/> 997,208	<hr/> 1,233,694
Current assets			
Debtors	9	1,650,620	2,510,447
Cash at bank and in hand	10	234,122	268,939
		<hr/> 1,884,742	<hr/> 2,779,386
Creditors Amounts falling due within one year	11	(2,000,773)	(3,153,855)
Net current liabilities		<hr/> (116,031)	<hr/> (374,469)
Total assets less current liabilities		<hr/> 881,177	<hr/> 859,225
Net assets		<hr/> 881,177	<hr/> 859,225
Financed by:			
Called up share capital	13	1	1
Share premium	14	1,235	1,235
Revenue reserves	14	879,941	857,989
Total shareholders' funds		<hr/> 881,177	<hr/> 859,225

The notes on pages 9 to 15 form part of these financial statements

These financial statements were approved by the Board of Directors on 28 April 2008 and signed on its behalf by



P J J Le Vesconte (Chairman)

28 April 2008

Palamon Capital Partners, Ltd.

Cashflow statement for the year ended 31 December 2007

	Note	2007 £	2006 £
Net cash inflow from operating activities	15	149,962	1,194,007
Return on investments and servicing of finance			
Interest received		9,427	42,362
Interest paid		(89,583)	(245,514)
Taxation paid		(62,542)	(18,452)
Net cash inflow before capital expenditure		7,264	972,403
Capital expenditure			
Payments to acquire tangible fixed assets		(68,081)	(1,187,590)
Proceeds on disposal of tangible fixed assets		26,000	775
Decrease in cash in the year	10	(34,817)	(214,412)

The notes on pages 9 to 15 form part of these financial statements

Palamon Capital Partners, Ltd.

Notes to the Financial Statements

1.1 Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. The going concern basis has been adopted, which assumes that the Company will continue in operational existence for the foreseeable future having adequate funds to meet its obligations as they fall due.

1.2 Revenue

Revenue is recognised in the period in which it is earned.

1.3 Depreciation

Depreciation is provided on tangible fixed assets on a straight-line basis to write off each asset to its net realisable value over its expected useful economic life. The following rates have been applied:

Furniture and fittings	20%
Office and computer equipment	33%
Accounting software	20%

Depreciation is not provided on artworks as the Directors are of the opinion that their estimated residual value is not materially different from cost.

1.4 Foreign currency translation

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

1.5 Defined contribution pension schemes

The company has organised a Group Personal Pension for its employees and makes a contribution to each employee's pension plan. Pension costs are charged to the profit and loss account in the period in which they arise.

1.6 Investments

Investments are stated at cost. Provision for a write down below cost will be made, if in the opinion of the Directors there has been an impairment in value.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

1.7 Deferred taxation

Deferred tax is accounted for on an undiscounted basis at expected tax rates on all differences arising from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying timing differences can be deducted.

1.8 Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

1.9 Reclassification of debtors

Trade debtors in 2006 as shown in note 9 have been reclassified to reflect the split between amounts due from the different Palamon entities. The reclassification provides better information. There is no impact on net assets or the profits for the year.

1.10 Service Agreement

Palamon Capital Partners Ltd has been engaged to provide services of an administrative nature to the other entities in the Palamon group and the parallel funds. The parallel funds include Palamon European Equity, L.P., Palamon European Equity 'B', L.P., Palamon European Equity 'C', L.P., Palamon European Equity 'D', L.P., Palamon European Equity II, L.P. and Palamon European Equity II "BOA", L.P., collectively known as the Parallel Funds.

2 Operating profit

	2007 £	2006 £
Operating loss/profit before taxation is determined after taking account of the following items		
Auditors' remuneration		
Audit services	9,392	8,910
Other services	116,686	39,190
	<hr/> 126,078	<hr/> 48,100
Net profit on foreign currency translation	(82,736)	(8,487)
Depreciation	288,481	244,862
(Profit)/loss on disposal of fixed assets	(9,914)	6,982
Operating lease rentals		
Land and buildings	608,795	510,892
Other	9,570	6,267
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements (continued)

3. Interest payable

	2007 £	2006 £
Interest payable on loans from Palamon Capital Partners, LP	96,567	111,253

4 Employees

	Note	2007 £	2006 £
Staff costs during the period			
Wages and salaries		1,376,235	1,483,852
Social security costs		163,733	150,319
Pension costs	16	106,202	100,686
		<u>1,646,170</u>	<u>1,734,857</u>
		2007 £	2006 £
Average number of persons employed		19	18

5 Directors' remuneration

Directors' remuneration of £53,800 (2006 £39,844) was paid to RBC Trust Company (International) Limited for directors' services

6. Tax on profit on ordinary activities

Tax on profit on ordinary activities comprised

	2007 £	2006 £
US tax on profits of the current year	70,699	68,528
Over provision for previous year	(2,304)	(8,664)
Current tax charge	<u>68,395</u>	<u>59,864</u>
Deferred tax	<u>(37,398)</u>	<u>(40,061)</u>
Tax on profit on ordinary activities	<u>30,997</u>	<u>19,803</u>

Notes to the Financial Statements (continued)

6. Tax on profit on ordinary activities (continued)

The current tax assessed for the year is higher than the standard rate of US corporation tax of 34% (2006 35%) applied to the profit on ordinary activities. The differences are explained below

	2007 £	2006 £
Profit on ordinary activities before tax	52,949	50,703
Taxation at standard rate of 34% (2006 35%) on profit on ordinary activities	18,003	17,746
Variation arising from effective tax rate of 34% (2006 31.8%)	-	(6,993)
Non tax deductible items		
Travel & entertainment expenses	15,298	20,545
Timing differences		
Accelerated capital allowances	37,398	37,230
Prior year tax credit	(2,304)	(8,664)
Tax charge for the current year	68,395	59,864

7 Fixed assets. Investments

	2007 £	2006 £
Investment in Palamon Capital Partners, LP	200	200

8 Tangible fixed assets

	Furniture & fittings £	Office, computer equipment & accounting software £	Artworks £	Total £
Cost				
Balance at 1 January 2007	1,083,764	495,165	125,565	1,704,494
Additions during year	31,210	16,597	20,274	68,081
Disposals during year	-	-	(16,086)	(16,086)
Balance at 31 December 2007	1,114,974	511,762	129,753	1,756,489
Depreciation				
Balance at 1 January 2007	181,310	289,690	-	471,000
Charged during year	218,016	70,465	-	288,481
Released on disposals	-	-	-	-
Balance at 31 December 2007	399,326	360,155	-	759,481
Net book value at 31 December 2007	715,648	151,607	129,753	997,008
Net book value at 31 December 2006	902,454	205,475	125,565	1,233,494

Notes to the Financial Statements (continued)

9. Debtors

	2007 £	2006 £
Trade debtors *	188,041	337,451
Amounts due from Parallel Funds	180,167	1,151,165
Amounts due from Palamon Capital Partners, LP	572,759	-
Amounts due from other Palamon entities	14,733	162,780
Other debtors	332,709	674,976
Deferred tax	74,628	37,230
Prepayments and accrued interest	287,583	146,845
	<u>1,650,620</u>	<u>2,510,447</u>

* Comparative amounts relating to trade debtors have been reclassified to reflect the split between amounts due from the different Palamon entities See note 1 9

10. Reconciliation of net cash flow to movement in net funds

	2007 £	2006 £
Decrease in cash in the period	(34,817)	(214,412)
Movement in net funds in the period	<u>(34,817)</u>	<u>(214,412)</u>
Net funds at 1 January	268,939	483,351
Net funds at 31 December	<u>234,122</u>	<u>268,939</u>

11 Creditors. amount falling due within one year

	2007 £	2006 £
Trade creditors	175,517	835,736
Amounts due to Palamon Capital Partners, LP	728,126	1,245,744
Other creditors including taxation and social security	171,436	198,265
Corporation tax	65,446	59,593
Accruals and deferred income	860,248	814,517
	<u>2,000,773</u>	<u>3,153,855</u>

12. Deferred taxation

The movement in the deferred taxation asset during the year was

	2007 £	2006 £
Asset/(liability) brought forward	37,230	(2,831)
Deferred tax credit	37,398	40,061
Asset carried forward	<u>74,628</u>	<u>37,230</u>

Notes to the Financial Statements (continued)

12. Deferred taxation (continued)

The company's asset for deferred taxation consists of the tax effect of timing differences in respect of

	2007 £	2006 £
Excess of depreciation on fixed assets over taxation allowances	74,628	37,230

13. Called-up share capital

	2007 £	2006 £
Authorised		
1,000 Ordinary shares of U\$0 01 per share	6	6
Issued, called-up and fully paid		
20 Ordinary shares of U\$0 01 per share (fully paid)	1	1

14. Reconciliation of movements in shareholders' funds

	Share capital £	Share premium £	Revenue reserves £	Total shareholders' funds £
Balance at 1 January 2007	1	1,235	857,989	859,225
Profit for the financial year	-	-	21,952	21,952
Balance at 31 December 2007	1	1,235	879,941	881,177

15. Reconciliation of operating profit to net cash flow from operating activities

	2007 £	2006 £
Operating profit	140,089	119,594
Adjustment for non-cash and non-operating items		
Depreciation	288,481	244,862
(Profit)/loss on sale of fixed assets	(9,914)	6,982
(Decrease)/increase in creditors	(1,165,919)	79,186
Decrease in debtors	897,225	743,383
Net cash inflow from operating activities	149,962	1,194,007

Notes to the Financial Statements (continued)

16. Pensions

The Company has a company sponsored personal pension scheme, which at 31 December 2007 had 17 members (2006 15 members) Pension contributions amounted to £106,202 (2006 £100,686)

17. Related party transactions

The Company received a profit share of £5,228,251 for the year ending 31 December 2007 from Palamon Capital Partners, LP (2006 £5,039,000), of which £ nil (2006 £ nil) remained unpaid at the year-end

During the year Palamon Capital Partners, LP made loans of £4,710,633 in advance of profit share (2006 £4,708,371) towards the business expenses of the Company, of which £728,126 (2006 £1,245,744) remained outstanding at the year end Debtors included £14,663 (2006 £162,780) of cumulative business expenses paid by the Company on behalf of Palamon Capital Partners, LLP Any such payments are fully reimbursed

18. Commitments under operating lease

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as set out below

	Land and Buildings		Other	
	2007	2006	2007	2006
	£	£	£	£
Operating leases which expire within 2 to 5 years	-	-	9,570	6,267
Operating leases which expire after 5 years	576,240	480,200	-	-
	<u>576,240</u>	<u>480,200</u>	<u>9,570</u>	<u>6,267</u>

The Company signed a lease on its premises on 23 November 2005 No payments were made in 2006 as the company benefited from a rent-free period for the first fifteen months from November 2005 The annual rental thereafter is £576,240

The Company is currently undergoing a rent review and is in negotiations with the landlord who has advised of an uplift in the annual rental charge This potential increase in rent from 1 March 2007 to 31 December 2007 is estimated at £276,054 This has been accrued in the accounts to 31 December 2007

19. Ultimate controlling party

The ultimate controlling party is RBC Trustees (CI) Limited as trustee of the A Michael Hoffman 1999 Settlement and RBC Trustees (CI) Limited as trustee of the Louis G Elson 1999 Settlement