

Registration number: 3880081

BRIDGEPOINT CAPITAL GROUP LIMITED  
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2007



# 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 2007

## 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. The directors are satisfied with the results for the year and anticipate activities to continue at similar levels. The Group operations expose it to certain financial risks. The Group has in place appropriate controls and procedures that seek to limit any adverse effects on the financial performance of the Group.

## Results and dividends

The results for the year and dividends are shown on page 4

The directors have paid a dividend of £10,788,000 (2006: £10,053,000). The retained profit of £23,075,000 has been transferred to reserves (2006: £1,423,000).

## Directors

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

A R Gibbons  
J R Hughes  
W N Jackson  
D R Shaw

## Charitable donations

During the year the group made charitable donations of £80,000 (2006: £22,000).

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss 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,
- 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.

## Report of the directors (continued)

### Statement of directors' responsibilities (continued)

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

By Order of the Board

A handwritten signature in black ink that reads "B. Lawson" followed by a horizontal line.

B Lawson  
Secretary

22 April 2008

# Independent auditors' report

## TO THE MEMBERS OF BRIDGEPOINT CAPITAL GROUP LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Bridgepoint Capital Group Limited for the year ended 31 December 2007 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.

### 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 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 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.

### 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 December 2007 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  
Chartered Accountants and Registered Auditors, London

22 April 2008

## Consolidated profit and loss account

For the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
<b>Fees and commissions receivable</b>		73,379	49,580
Fees and commissions payable		<u>(6,639)</u>	<u>(6,302)</u>
<b>Gross profit</b>		66,740	43,278
Administrative expenses		<u>(37,320)</u>	<u>(31,759)</u>
<b>Operating profit</b>	2	29,420	11,519
Profit on disposal of investments		-	787
Dividends received		1,340	1,204
Interest receivable		<u>2,519</u>	<u>1,402</u>
<b>Profit on ordinary activities before taxation</b>		33,279	14,912
Tax on profit on ordinary activities	5	<u>584</u>	<u>(3,436)</u>
<b>Profit on ordinary activities after taxation</b>		33,863	11,476
Dividends paid		<u>(10,788)</u>	<u>(10,053)</u>
<b>Retained profit for the financial year</b>	13	<u>23,075</u>	<u>1,423</u>

The results above relate to continuing operations

## Statement of total recognised gains and losses

For the year ended 31 December 2007

	2007 £'000	2006 £'000
Profit for the financial year	33,863	11,476
Foreign currency translation	<u>323</u>	<u>(53)</u>
<b>Total gains and losses recognised since the last annual report</b>	<u>34,186</u>	<u>11,423</u>

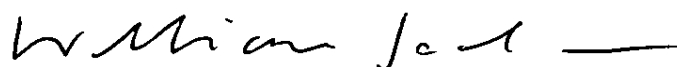
The notes on pages 8 to 18 form part of these financial statements

# Consolidated balance sheet

31 December 2007

	Notes	2007 £'000	2006 £'000
<b>Fixed assets</b>			
Intangible assets - goodwill	6	2,600	2,816
Tangible assets	7	1,543	1,739
Investments	8	17,099	13,218
		<u>21,242</u>	<u>17,773</u>
<b>Current assets</b>			
Debtors - due within one year	9	8,571	9,064
Cash at bank and in hand		45,324	26,263
		<u>53,895</u>	<u>35,327</u>
<b>Creditors Amounts falling due within one year</b>	10	<u>(38,743)</u>	<u>(38,225)</u>
<b>Net current assets (liabilities)</b>		<u>15,152</u>	<u>(2,898)</u>
<b>Total assets less current liabilities</b>		36,394	14,875
<b>Provisions for liabilities and charges</b>	11	<u>(2,599)</u>	<u>(3,668)</u>
<b>Net assets</b>		<u>33,795</u>	<u>11,207</u>
<b>Capital and reserves</b>			
Called-up share capital	12	23	25
Capital redemption reserve	13	14	12
Own shares held by ESOT	13	(822)	(4,976)
Other reserves	13	1,057	734
Profit and loss account	13	33,523	15,412
<b>Equity Shareholders' Funds</b>	13	<u>33,795</u>	<u>11,207</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

22 April 2008


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

# Balance Sheet

31 December 2007

	Notes	2007 £'000	2006 £'000
<b>Fixed assets</b>			
Investments	8	<u>24,300</u>	<u>20,419</u>
<b>Current assets</b>			
Debtors - due within one year	9	3,088	569
Cash at bank and in hand		<u>579</u>	<u>1,243</u>
		3,667	1,812
<b>Creditors. Amounts falling due within one year</b>	10	<u>(21,292)</u>	<u>(24,791)</u>
<b>Net current liabilities</b>		<u>(17,625)</u>	<u>(22,979)</u>
<b>Total assets less current liabilities</b>		6,675	(2,560)
<b>Net assets (liabilities)</b>		<u>6,675</u>	<u>(2,560)</u>
<b>Capital and reserves</b>			
Called-up share capital	12	23	25
Capital redemption reserve	13	14	12
Own shares held by ESOT	13	(822)	(4,976)
Profit and loss account	13	<u>7,460</u>	<u>2,379</u>
<b>Equity Shareholders' Funds (Deficit)</b>	13	<u>6,675</u>	<u>(2,560)</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

22 April 2008

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

## Consolidated cash flow statement

For the year ended 31 December 2007

	Notes	2007		2006	
		£'000	£'000	£'000	£'000
<b>Net cash inflow from operating activities</b>	14a		<u>31,128</u>		<u>20,454</u>
<b>Returns on investments and servicing of finance</b>					
Dividends received		1,340		1,204	
Interest received		<u>2,519</u>		<u>1,402</u>	
<b>Net cash inflow from returns on investments and servicing of finance</b>			3,859		2,606
<b>Taxation</b>					
UK Corporation tax received (paid)		13		(765)	
Overseas tax paid		<u>(134)</u>		<u>(756)</u>	
<b>Net cash outflow from taxation</b>			(121)		(1,521)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(326)		(1,621)	
Disposal of other investments		-		787	
Fixed asset investments acquired		(11,214)		(4,264)	
Fixed asset investments disposed		<u>7,333</u>		<u>7,281</u>	
<b>Net cash (outflow) inflow from capital expenditure and financial investment</b>			(4,207)		2,183
<b>Dividends paid</b>			(10,788)		(10,053)
<b>Net cash inflow before financing</b>			<u>19,871</u>		<u>13,669</u>
<b>Financing</b>					
Purchase of own shares		<u>(810)</u>		<u>(8,473)</u>	
<b>Net cash outflow from financing</b>			(810)		(8,473)
<b>Increase in cash in the year</b>	14b		<u>19,061</u>		<u>5,196</u>

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



# Notes to financial statements

For the year ended 31 December 2007

## 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 on a going concern basis under the historical cost convention and in accordance with applicable accounting standards and the Companies Act 1985

### 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 impairment

No profit or loss account is presented for the parent company as permitted by section 230 of the Companies Act 1985. The company's profit for the financial year ending 31 December 2007, determined in accordance with the Act was £20,846,000 (2006 - £16,013,000)

### c) *Tangible fixed assets*

Fixed assets are depreciated so as to write off their cost, on a straight line basis, over their estimated useful lives as follows

Motor vehicles	5 years
Computers, furniture and other	3 to 5 years
Leasehold improvements	Over the lease term

### 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 on an accruals basis.

## 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 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.

#### k) Revenue recognition

Revenue principally comprises fees from the management of venture capital investments. Fee income is stated net of VAT. Income is recognised on an accruals basis.

### 2. Operating profit

Profit on ordinary activities before taxation is stated after charging

	2007 £'000	2006 £'000
Amortisation and amounts written off goodwill	216	216
Depreciation and amounts written off tangible fixed assets	528	368
Operating lease rentals		
- plant and machinery	52	41
- other	739	1,097
Auditors' remuneration		
- Group	138	144
- Company	18	18
Other fees paid to auditors	<u>544</u>	<u>954</u>

### 3. Staff costs

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

	2007 Number	2006 Number
Directors	4	4
Executives (including Directors of subsidiary undertakings)	64	59
Administrative staff	<u>43</u>	<u>38</u>
	<u>111</u>	<u>101</u>

## Notes to financial statements (continued)

### 3. Staff costs (continued)

Employee costs (including directors) for the year amounted to

	2007 £'000	2006 £'000
Wages and salaries	10,299	8,425
Staff bonuses	11,500	8,395
Social security costs	3,185	2,427
Pension costs	1,954	1,415
Other staff costs	673	776
	<u>27,611</u>	<u>21,438</u>

#### *Directors' remuneration*

Directors' remuneration was as follows

	2007 £'000	2006 £'000
Directors' fees, salaries and other benefits	970	907
Performance related bonus	1,550	1,118
	<u>2,520</u>	<u>2,025</u>
Pension contributions	<u>49</u>	<u>47</u>
Total emoluments of highest paid director (including pension contributions)	<u>1,299</u>	<u>943</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 2007, pension contributions of £1,291,000 (2006 - £895,000) 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

	2007	2006
	£'000	£'000
The tax charge for the year comprises		
Corporation tax - UK	62	6
Under provision for corporation tax in previous year	18	1
	<u>80</u>	<u>7</u>
Corporation tax - Overseas	405	595
Total current tax	485	602
Deferred tax (credit) charge	(1,069)	2,834
	<u>(584)</u>	<u>3,436</u>
Profit on ordinary activities before taxation	<u>33,279</u>	<u>14,912</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006 - 30%)	9,984	4,474
Effects of		
Expenses not deductible for tax purposes	242	277
Under provision for corporation tax in previous year	18	1
Income not charged to UK corporation tax	(9,968)	(8,420)
Capital allowances for period in excess of depreciation	7	(19)
Other timing differences	(296)	113
Income not in accounts charged to corporation tax	-	214
Partnership allocation	35	30
Tax losses unutilised	2,012	4,022
Tax losses utilised	(1,713)	(218)
Overseas tax in excess of standard UK corporation tax rate	164	128
Current tax charge for period	<u>485</u>	<u>602</u>

### 6. Goodwill

	Group
	£'000
<b>Cost</b>	
Beginning and end of year	<u>4,329</u>
<b>Amounts written off</b>	
Beginning of year	1,513
Amortisation	216
End of year	<u>1,729</u>
<b>Net book value</b>	
At beginning of year	<u>2,816</u>
At end of year	<u>2,600</u>

## Notes to financial statements (continued)

### 7. Tangible fixed assets

The movement in the year was as follows	Leasehold Improvements	Motor Vehicles	Computers, Furniture and Other	Total
Group	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
Beginning of year	1,042	34	1,652	2,728
Foreign exchange movement	-	2	42	44
Additions	-	9	317	326
Disposals	-	(37)	(28)	(65)
End of year	<u>1,042</u>	<u>8</u>	<u>1,983</u>	<u>3,033</u>
<b>Depreciation</b>				
Beginning of year	(104)	(34)	(851)	(989)
Foreign exchange movement	-	(2)	(33)	(35)
Charge	(193)	-	(335)	(528)
Disposals	-	36	26	62
End of year	<u>(297)</u>	<u>-</u>	<u>(1,193)</u>	<u>(1,490)</u>
<b>Net book value</b>				
Beginning of year	<u>938</u>	<u>-</u>	<u>801</u>	<u>1,739</u>
End of year	<u>745</u>	<u>8</u>	<u>790</u>	<u>1,543</u>

### 8 Fixed assets investments

Group	Other Investments	Total
	£'000	£'000
Beginning of year	13,218	13,218
Additions	11,214	11,214
Disposals	(7,333)	(7,333)
End of year	<u>17,099</u>	<u>17,099</u>

Company	Subsidiary Undertakings	Other Investments	Total
	£'000	£'000	£'000
Beginning of year	7,204	13,215	20,419
Additions	-	11,214	11,214
Disposals	-	(7,333)	(7,333)
End of year	<u>7,204</u>	<u>17,096</u>	<u>24,300</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 Sapphure Investments (Guernsey) Limited ("Sapphure") 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 £1,775m (2006 - £1,144m), minority interests by £1,775m (2006 - £1,144m) and profit before tax by £428m (2006 - £847m).

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
Bridgepoint Capital Sp Zoo	Poland	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	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
<i>Amounts due within one year</i>				
Amounts owed by subsidiary undertakings	-	-	2,582	-
Tax recoverable	293	1,310	-	-
Other debtors	5,725	3,701	506	569
Prepayments and accrued income	2,553	4,053	-	-
	<u>8,571</u>	<u>9,064</u>	<u>3,088</u>	<u>569</u>

### 10 Creditors. Amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Amounts owed to subsidiary undertakings	-	-	13,145	14,177
Trade creditors	179	1,037	-	-
Group relief	-	-	1,010	298
UK Corporation tax and Social Security payable	336	238	-	7
Overseas Corporation tax payable	305	34	-	-
Other creditors	9,717	13,304	7,129	10,304
Accruals and deferred income	28,206	23,612	8	5
	<u>38,743</u>	<u>38,225</u>	<u>21,292</u>	<u>24,791</u>

## Notes to financial statements (continued)

### 11. Provisions for liabilities and charges

Group	Deferred Taxation 2007 £'000
At beginning of year	3,668
Credited in the year	(1,069)
At end of year	<u>2,599</u>

### 12. Called-up share capital

Company	2007 Number	2006 Number	2007 £'000	2006 £'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	804,750	8	8
YY Shares	1	1	-	-
	<u>5,804,751</u>	<u>5,804,751</u>	<u>58</u>	<u>58</u>
<i>Allotted, called-up and paid</i>				
Original ordinary shares of 1p each	1,698,250	1,915,750	17	19
Series II ordinary shares of 1p each	573,750	616,250	6	6
ZZ Shares	-	-	-	-
YY Shares	1	1	-	-
	<u>2,272,001</u>	<u>2,532,001</u>	<u>23</u>	<u>25</u>

During the year the company purchased and cancelled 217,500 Original ordinary shares and 42,500 Series II ordinary shares



## Notes to financial statements (continued)

### 13 Movement on shareholders' funds

Group	Share Capital £'000	Redemption Reserve £'000	Other Reserves £'000	Own shares held by ESOT £'000	Profit and Loss Account £'000	Total Shareholders' Funds £'000
<b>At 1 January 2007</b>	25	12	734	(4,976)	15,412	11,207
Retained profit for the year	-	-	-	-	33,863	33,863
Movement in own shares	(2)	2	-	4,154	(4,964)	(810)
Dividends paid	-	-	-	-	(10,788)	(10,788)
Revaluation of overseas subsidiary undertakings	-	-	323	-	-	323
<b>At 31 December 2007</b>	<b>23</b>	<b>14</b>	<b>1,057</b>	<b>(822)</b>	<b>33,523</b>	<b>33,795</b>

### Company

<b>At 1 January 2007</b>	25	12	-	(4,976)	2,379	(2,560)
Retained profit for the year	-	-	-	-	20,833	20,833
Movement in own shares	(2)	2	-	4,154	(4,964)	(810)
Dividends paid	-	-	-	-	(10,788)	(10,788)
<b>At 31 December 2007</b>	<b>23</b>	<b>14</b>	<b>-</b>	<b>(822)</b>	<b>7,460</b>	<b>6,675</b>

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

	2007 £'000	2006 £'000
Operating profit	29,420	11,519
Depreciation charges	528	368
Amortisation charges	216	216
Revaluation of overseas subsidiary undertakings	314	(51)
Decrease in debtors	493	5,724
Increase in creditors	154	2,655
Loss on sale of fixed assets	3	23
<b>Net cash inflow from operating activities</b>	<u>31,128</u>	<u>20,454</u>

#### b) Analysis and reconciliation of net funds

	1 January 2007 £'000	Cash flow £'000	31 December 2007 £'000
Cash at bank	<u>26,263</u>	<u>19,061</u>	<u>45,324</u>
		2007 £'000	2006 £'000
Increase in cash in the year		19,061	5,196
Net funds at 1 January		<u>26,263</u>	<u>21,067</u>
Net funds at 31 December		<u>45,324</u>	<u>26,263</u>

### 15. Operating Lease Commitments

Annual commitments under non-cancellable operating leases are as follows

	2007 Land and Buildings £'000	2007 Other £'000	2006 Land and Buildings £'000	2006 Other £'000
Expiry date				
- between two and five years	98	49	97	55
- after five years	1,153	-	1,133	-
	<u>1,251</u>	<u>49</u>	<u>1,230</u>	<u>55</u>

## Notes to financial statements (continued)

### 16. Related Party Transactions

a) The investments in Sapphire referred to in Note 8 are made up of loans of £16,693,000 and preference shares of £202,000 at the year end. The Company and Group received interest of £467,000 (2006 - £133,000) and preference dividends of £nil (2006 - £nil). £500,000 was included in debtors at the year end (2006 - £144,000). Sapphire has common shareholders with the Company.