

**THE BRITISH VENTURE CAPITAL ASSOCIATION**

**ANNUAL REPORT**

**YEAR ENDED 31 MARCH 2002**



**PKF**

# THE BRITISH VENTURE CAPITAL ASSOCIATION

## COMPANY INFORMATION

<b>Directors</b>	E.G.I.F. Truell
	M. J. Queen
	D. Thorp
	J.G. Clarke
	J.B. Diggines
	A.M. Glover
	R.J. Green
	M.W. Joseph
	J. Mackie
	J.J. Nelson
	V. O'Brien
	I. Armitage
	M. Chamberlain
<b>Company Number</b>	1697461
<b>Registered Office</b>	Essex House
	12-13 Essex Street
	London
	WC2R 3AA
<b>Auditors</b>	PKF

# THE BRITISH VENTURE CAPITAL ASSOCIATION

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**THE BRITISH VENTURE CAPITAL ASSOCIATION**  
**CHAIRMAN'S STATEMENT**  
**YEAR ENDED 31 MARCH 2002**

Influencing Government, putting the arguments for fostering the enterprise culture our industry needs in order to prosper, is even more important when times are hard. So it is particularly pleasing that our membership has continued to grow this year.

The association now has a real voice which is increasingly heard at the highest level. My objective as Chairman this year has been to ensure that the association's aims and objectives are appropriate to our industry, which has grown in stature, an industry which has truly 'come of age'. Our Council's Away Day provided the ideal forum for a strategic review; and this has provided the basis for our work throughout the year. In particular we expanded the role of the Secretariat; and they have taken to their new Executive title and tasks with commendable skill.

The confirmation in the Budget of the enhancements to capital gains taper relief; and that holding periods prior to 6 April 2002 will qualify for the new regime, is a real triumph for BVCA campaigning. An effective CGT rate of 10% on business assets is genuine progress. The BVCA has been instrumental in achieving this by putting the case in a consistent, professional and realistic way over several years.

The Myners Report was a welcome recognition of our industry's contribution to the UK economy. Our publication *Economic Impact of Private Equity* was extremely well received. It was a real pleasure to have Government Ministers quoting our statistics such as the fact that private equity backed companies' sales rose by 27%, more than double those of the FTSE100 companies and investment by 24%, compared with a national increase of 8.8%. The number of people employed by private equity backed companies is now estimated at 2.7 million, equivalent to 15% of the current private sector workforce.

Investing in the production and promulgation of authoritative research is essential to our credibility and study. We expect to achieve the highest ever members' response to our Performance Measurement and Investment Activity reports this year - over 99% of the funds! This is a real tribute to the Executive's determination and the support of the overwhelming majority of our members.

We have raised significantly our public profile. This year saw the inauguration of the All Party Private Equity Group, which has attracted significant support and which we hope will go on to lead opinion in both Houses. We also had our first Women's Breakfast addressed by Virginia Bottomley MP and our first Chairman's Dinner attended by nearly 100 major opinion formers.

Keeping more closely in touch with members is a key objective. John Mackie, Chief Executive, has hosted a series of dinners for member firms to help us to understand the key issues for all our members. Our Annual Dinner at Grosvenor House saw a record 1400 attendees and we re-instituted the Private Equity Awards Dinner, which attracted a further 950. Regional dinners and new workshops also enjoyed considerable support, with growing numbers attending events at venues old and new, including Northern Ireland for the first time.

Training and professional development has seen the expansion of our suppliers. We are undertaking a wholesale review of all our courses so that they better meet the needs of individual members. This will be crucial as new FSA rules start to bite.

#### **Results**

A surplus of £160,312 was made in the year to 31 March 2002 (surplus £139,333 to 31 March 2001). We will be investing considerably in the move to new offices. It is time that the BVCA is able to welcome guests and members with meeting rooms and to work in a modern setting.

**THE BRITISH VENTURE CAPITAL ASSOCIATION**  
**CHAIRMAN'S STATEMENT**  
**YEAR ENDED 31 MARCH 2002**

**Council, Committees and Executive**

David Thorp will retire at the AGM. He has been a hard act to follow and we will miss his valuable reflective advice.

John Mackie and his team at the Executive have taken on a considerable number of new initiatives and events over the last year and have again delivered in a highly effective way.

All Council and committee members give significant time and effort to the work involved in supporting our industry. My thanks to all of them for their substantial contribution. Their firms and colleagues also deserve mention for giving their support.



Edmund Truell  
BVCA Chairman  
Chief Executive  
Duke Street Capital

13 May 2002



**THE BRITISH VENTURE CAPITAL ASSOCIATION**  
**COMMITTEE MEMBERS**  
**YEAR ENDED 31 MARCH 2002**

BVCA Committee Members who served during the year.

**High Tech:** Anne Glover (Amadeus Capital Partners), Jeryl Andrew (Advent Venture Partners), David Cartwright (PricewaterhouseCoopers), Alastair Conn (Northern Venture Managers), Michael Elias (Kennet Capital), Rob James (Prelude Technology), Peter Keen (Merlin Biosciences), Dr Gordon Murray (London Business School), John Simpson (Aberdeen Murray Johnstone), Jo Taylor (3i plc), Darren Thompson (Barclays Ventures), Bruce Westbrook (DLA), Mark Wignall (GLE Development Capital)

**Investor Relations:** Michael Queen (3i plc), Dr Paul Castle (MTI), Patrick Cook (3i plc), Brian Linden (Cinven), John McCrory (Westport Private Equity), Vicky Mudford (Aberdeen Murray Johnstone), Janine Nicholls (Primary Capital), Julian Knott (Electra Partners Europe), Steven Scott (Penta Capital)

**Legal and Technical:** Jonathan Diggines (Aberdeen Murray Johnstone), David Baylis (Hammond Suddards), Maurice Dwyer (Wragge & Co.), Tim Farazmand (Royal Bank Development Capital), Jonathan Gregory (GLE Development Capital), Barry Lawson (Bridgepoint Capital), Robert Ohrenstein (Andersen), Graeme Robinson (Ernst & Young), Ian Sellars (Schroder Ventures), Ian Smart (Grant Thornton), Laurie Watts (PricewaterhouseCoopers), Sue Woodman (Alchemy Partners), Geoff Yates (Addleshaw Booth & Co.), Rustom Kharegat (Andersen)

**Regional:** Michael Joseph (Lloyds TSB Development Capital), Kathy Greenwood (WL Ventures), Wendy Harrison (DLA), Calum Paterson (Scottish Equity Partners), Gary Tipper (Aberdeen Murray Johnstone)

**Regulatory:** Margaret Chamberlain (Travers Smith Braithwaite), James Abell (Abingworth Management Ltd.), Nigel Boyling (PPM Ventures), John Burgess (ABN- Amro Private Equity), Peter Cluff (Europa Capital Partners), Peter Laszlo (BPEP), Gordon MacLean (3i plc), Neil Peters (Parallel Ventures), Stephen Robinson (Macfarlanes), Stephen Tilton (Apax Partners & Co.), Martin Williams (Quester Capital)

**Taxation:** Vince O'Brien (HSBC Private Equity), David Cartwright (PricewaterhouseCoopers), John Butterfill MP (House of Commons), Sue Haworth (HSBC Private Equity), Ashley Greenbank (Macfarlanes), Cathy Hargreaves (PricewaterhouseCoopers), John Moore (3i plc), John Power (Deloitte & Touche), Christopher Spray (Atlas Ventures)

**Training and Professional Development:** Richard Green (Kleinwort Capital), John Davie (BVCA), Simon Havers (ABN Amro Development Capital), Sue Hunter (3i plc), Wol Kolade (ISIS), Tony Nash (Lloyds TSB Development Capital), Chris Tennant (UBS Capital)

**THE BRITISH VENTURE CAPITAL ASSOCIATION**  
**NOTICE OF MEETING**  
**YEAR ENDED 31 MARCH 2002**

NOTICE IS HEREBY GIVEN that the nineteenth Annual General Meeting of the British Venture Capital Association will be held at midday on Wednesday 12 June 2002 at The Savoy, The Strand, London, WC2 for the transaction of the following business:

1. To lay before the members of the Association the financial statements for the year ended 31 March 2002, together with the Report of the Council and the Auditors' Report.
2. To re-elect M.Chamberlain as Director.
3. To re-appoint PKF as the auditors and authorise the Council to fix their remuneration.

Dated 15 May 2002

Registered Office

Essex House  
12-13 Essex Street  
London WC2R 3AA  
E.G.I.F. Truell

By order of the Council

  
Chairman

Note:

A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, to vote on his behalf. A proxy need not be a member of the Association. Appointment of a proxy will not preclude a member from attending and/or voting at the meeting. A form of proxy should be lodged at the Association's registered office not less than 48 hours before the time of the meeting.

**THE BRITISH VENTURE CAPITAL ASSOCIATION**  
**COUNCIL REPORT**  
**YEAR ENDED 31 MARCH 2002**

The Council submits its report and the financial statements for the year ended 31 March 2002.

**Results and dividends**

The profit for the year, after taxation, amounted to £160,312 (2001 - £139,333 ).

**Members and Council**

The Association has no share capital. Each of its members however has undertaken to meet any unpaid liabilities or obligations of the Association in the event of dissolution, upto a maximum of £5 per member.

**Principal activity**

The primary objectives of the Association are to act as a focus of members' views and interests in discussions with Government and other bodies; to provide a regular forum for the exchange of views among members; to act as a source of education and training for employees of member companies; to develop and maintain the highest standards of professional practice and ethics among member companies who have funds at their disposal for investment in venture capital projects and to provide information about members to those seeking venture capital funding.

**Directors**

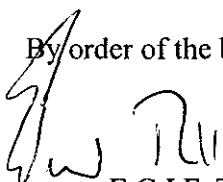
The following directors served on the Council during the year:

E.G.I.F. Truell	- Chairman
M. J. Queen	- Vice chairman
D. Thorp	
J.G. Clarke	- resigned 6 June 2001
J.B. Diggines	
A.M. Glover	
R.J. Green	
M.W. Joseph	
J. Mackie	
J.J. Nelson	- resigned 6 June 2001
V. O'Brien	
I. Armitage	
M. Chamberlain	

**Auditors**

During the year, Andersen resigned as auditors and PKF were appointed in their place. A resolution to reappoint PKF will be proposed at the Annual General Meeting.

By order of the board

  
E.G.I.F. Truell  
BVCA Chairman

13 May 2002



# **THE BRITISH VENTURE CAPITAL ASSOCIATION**

## **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 of the profit or loss of the company for that period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable 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 which disclose with reasonable accuracy at any time the financial position of the company 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
THE BRITISH VENTURE CAPITAL ASSOCIATION**

We have audited the financial statements of The British Venture Capital Association for the year ended 31 March 2002 which comprise the Profit and Loss Account, the Balance Sheet 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 are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Report of the Council 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 transactions with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Council and the Chairman's Statement. 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 United Kingdom Auditing Standards 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 of the state of the Association's affairs as at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London, UK  
13 May 2002

  
**PKF**  
Registered Auditors

**THE BRITISH VENTURE CAPITAL ASSOCIATION**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 MARCH 2002**

	Notes	2002 £	2001 £
<b>TURNOVER</b>	2	2,199,903	1,654,479
Cost of sales		(939,888)	(681,388)
<b>GROSS PROFIT</b>		<u>1,260,015</u>	<u>973,091</u>
Administrative expenses		(1,145,138)	(879,761)
<b>OPERATING PROFIT</b>	3	<u>114,877</u>	<u>93,330</u>
Interest receivable and similar items	6	56,794	58,402
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>171,671</u>	<u>151,732</u>
<b>TAXATION</b>	7	(11,359)	(12,399)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u><u>160,312</u></u>	<u><u>139,333</u></u>

All amounts relate to continuing operations.

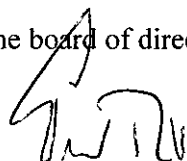
There were no recognised gains or losses for the year other than those included in the profit and loss account.

**THE BRITISH VENTURE CAPITAL ASSOCIATION**  
**BALANCE SHEET**  
**31 MARCH 2002**

	Notes	2002 £	2001 £
<b>FIXED ASSETS</b>			
Tangible	8	28,748	54,643
<b>CURRENT ASSETS</b>			
Debtors	9	141,364	54,238
Investments	10	900,000	650,000
Cash at bank and in hand		16,091	90,675
		<u>1,057,455</u>	<u>794,913</u>
<b>CREDITORS: amounts falling due within one year</b>	11	<u>(351,077)</u>	<u>(274,742)</u>
<b>NET CURRENT ASSETS</b>		<u>706,378</u>	<u>520,171</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><u>735,126</u></u>	<u><u>574,814</u></u>
<b>CAPITAL AND RESERVES</b>			
Profit and loss account	12	<u>735,126</u>	<u>574,814</u>
<b>SHAREHOLDERS' FUNDS</b>		<u><u>735,126</u></u>	<u><u>574,814</u></u>

The financial statements were approved by the board on 13 May 2002

Signed on behalf of the board of directors

  
Chairman

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**THE BRITISH VENTURE CAPITAL ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2002**

**1 ACCOUNTING POLICIES**

**(a) Basis of preparation of financial statements**

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

**(b) Turnover**

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts.

**(c) Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	over period of lease
Office equipment	3 - 5 years
Fixtures and fittings	2 years

**(d) Operating leases**

Operating lease rentals are charged in the profit and loss account on a straight line basis over the lease term.

**(e) Investments**

Investments represent money market deposits.

**(f) Foreign currencies**

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 ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

**(g) Deferred taxation**

Provision is made for deferred tax using the liability method to the extent that it is probable that a liability will crystallise.

**(h) Pensions**

The company contributes to employees personal pension plans and the costs are charged to the profit and loss account as incurred.

**(i) Deferred income**

Deferred income represents fees for courses and events to be held after the year end.

**(j) Cash flow statement**

Under the provisions of Financial Reporting Standard No. 1 (revised), the Association has been exempted on the basis that the Association qualifies as a small company under S.246 of the Companies Act 1985.

**THE BRITISH VENTURE CAPITAL ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2002**

**(k) Taxation**

The Association's transactions with its members are not subject to tax. Other transactions are taxable on a basis agreed with the Inland Revenue.

**2 TURNOVER**

Turnover arises entirely in the United Kingdom. The following is included in turnover:

	2002	2001
	£	£
Subscription income	1,143,280	1,033,938
Other income	1,056,623	620,541
Total	<u>2,199,903</u>	<u>1,654,479</u>

**3 OPERATING PROFIT**

The operating profit is stated after charging:

	2002	2001
	£	£
Depreciation of tangible fixed assets:		
- owned by the company	25,165	18,132
Audit fees	7,250	8,000
Operating lease rentals:		
- plant & machinery	4,744	4,951
- land & buildings	36,000	36,000
Pension cost	22,793	15,930
Loss on disposal of fixed assets	7,666	-
	<u>          </u>	<u>          </u>

**4 DIRECTOR'S EMOLUMENTS**

	2002	2001
	£	£
Director's emoluments	<u>115,000</u>	<u>74,559</u>

No directors (2001 - none) were members of company pension schemes.

**THE BRITISH VENTURE CAPITAL ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2002**

**5 STAFF COSTS**

Staff costs were as follows:

	2002	2001
	£	£
Wages and salaries	533,218	414,150
Social security costs	49,301	46,139
Other pension costs	22,793	15,930
	<u>605,312</u>	<u>476,219</u>

The average monthly number of employees during the year was:

	No	No
Executive	<u>10</u>	<u>10</u>

**6 INTEREST RECEIVABLE AND SIMILAR ITEMS**

	2002	2001
	£	£
Income from current asset investments	52,096	52,475
Bank interest receivable	4,698	5,927
	<u>56,794</u>	<u>58,402</u>

**7 TAXATION**

	2002	2001
	£	£
<b>UK corporation tax</b>		
Current tax on income for the period	11,359	11,782
Adjustments in respect of prior periods	-	617
Total UK taxation	<u>11,359</u>	<u>12,399</u>

**THE BRITISH VENTURE CAPITAL ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2002**

**8 TANGIBLE FIXED ASSETS**

	Leasehold improvements £	Office equipment £	Fixtures and fittings £	Total £
<b>Cost</b>				
At 1 April 2001	36,345	89,138	45,516	170,999
Additions	-	7,935	800	8,735
Disposals	(36,345)	(50,942)	(43,262)	(130,549)
At 31 March 2002	-	46,131	3,054	49,185
<b>Depreciation</b>				
At 1 April 2001	22,656	50,657	43,043	116,356
Charge for year	5,314	17,991	1,860	25,165
On disposals	(27,970)	(49,852)	(43,262)	(121,084)
At 31 March 2002	-	18,796	1,641	20,437
<b>Net book amount</b>				
At 31 March 2002	-	27,335	1,413	28,748
At 31 March 2001	13,689	38,481	2,473	54,643

**9 DEBTORS**

	2002 £	2001 £
<b>Due within one year</b>		
Trade debtors	56,824	-
Other debtors	35,583	10,359
Prepayments & accrued income	48,957	43,879
	<u>141,364</u>	<u>54,238</u>

**10 CURRENT ASSET INVESTMENTS**

	2002 £	2001 £
Money market deposits	<u>900,000</u>	<u>650,000</u>



**THE BRITISH VENTURE CAPITAL ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2002**

**11 CREDITORS**

	2002 £	2001 £
<b>Amounts falling due within one year</b>		
Trade creditors	87	25,336
Corporation tax	11,605	10,548
Other tax and social security	9,289	-
Accruals and deferred income	330,096	238,858
	<u>351,077</u>	<u>274,742</u>

**12 RESERVES**

<b>Profit and loss account</b>	<b>£</b>
At 1 April 2001	574,814
Profit for the year	160,312
At 31 March 2002	<u>735,126</u>

The Memorandum of Association of the Association prohibits any distribution of reserves to members.

**13 CAPITAL COMMITMENTS**

The Association has no capital commitments at 31 March 2002.

**14 OTHER COMMITMENTS**

At 31 March 2002 the Association had annual commitments under operating leases as follows:

	<b>Land &amp; buildings</b>		<b>Plant &amp; machinery</b>	
	2002	2001	2002	2001
	£	£	£	£
<b>Expiry date:</b>				
Between one and five years	106,801	36,000	4,744	5,572
	<u>106,801</u>	<u>36,000</u>	<u>4,744</u>	<u>5,572</u>