

**THE BRITISH VENTURE CAPITAL
ASSOCIATION**

ANNUAL REPORT

YEAR ENDED 31 MARCH 2005



Company Number: 1697461

THE BRITISH VENTURE CAPITAL ASSOCIATION

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YEAR ENDED 31 MARCH 2005

PKF

THE BRITISH VENTURE CAPITAL ASSOCIATION

COMPANY INFORMATION

Directors	A.M. Glover J.C. Andrew I. Armitage M. Chamberlain O.O. Kolade J.D. Mackie V. O'Brien K. Reynolds J. Taylor R. Selkirk
Company Number	1697461
Registered Office	3 Clements Inn London WC2A 2AZ
Auditors	PKF (UK) LLP Farringdon Place 20 Farringdon Road London EC1M 3AP

THE BRITISH VENTURE CAPITAL ASSOCIATION

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THE BRITISH VENTURE CAPITAL ASSOCIATION
CHAIRMAN'S STATEMENT
YEAR ENDED 31 MARCH 2005

The British Venture Capital Association (BVCA) represents the overwhelming majority of UK based private equity and venture capital firms. The industry is by far the largest in Europe and second only in size on the world stage to the United States. The private equity and venture capital industry is a major driver of the UK economy, being invested in every sector across all regions of the country.

The BVCA has four principal areas of operation - Research, Membership, Training and Public Affairs & Press. Each of these areas has continued to expand its operations to meet the ever increasing need to service the membership as well as to meet the continually increasing pressure for more information about the work of the BVCA and the industry.

The accounts show that for the year 31 March 2005 the BVCA made an operating profit of £259,058 (2004: £246,576).

The year saw membership steadily increase from its already record high level to 176 full members and 170 associate members.

During the course of the year a number of staff changes have been absorbed by the Executive without affecting the overall quality of the BVCA's work. In addition the Chief Executive, John Mackie, notified the Council that he intended to step down and the process for appointing a successor was put into place. There will be other better opportunities to record the BVCA's thanks to John for the contribution he has made to the organisation and the industry over the last five years, but it is appropriate to note that here as well.

Representing the industry to government and the press is a major part of our work. The last year has seen the run up to and the results of a General Election. This has inevitably placed a special demand on the BVCA for comment and information at a particularly sensitive time in the political cycle. The year has also been marked by a number of particularly challenging public policy issues for the industry, ranging from the Pensions Act through to the ongoing issues arising from Schedule 28AA. We also continue to campaign for the industry to be deregulated or for the regulatory burden on our industry to be reduced to a level more commensurate with the risk involved. We have also supported the increasing desire on the part of UK business for active initiatives to reduce red tape. In response to repeated requests from members the Executive is also increasing the amount of direct work it does with the European Commission and Parliament.

We staged a number of well attended member events during the year in London and across the regions. The fourth Chairman's Dinner was attended by the Rt. Hon. The Lord Mayor of London and the Annual Dinner was again attended by a record number of guests.

Our training courses continue to be both well attended and well received. We have appointed a new Head of Training and Professional Development and continue the work of renewing and refreshing the courses as appropriate.

THE BRITISH VENTURE CAPITAL ASSOCIATION
CHAIRMAN'S STATEMENT (continued)
YEAR ENDED 31 MARCH 2005

Research is one of the cornerstones of the BVCA's activity. In addition to our well established annual reports - Economic Impact Survey, Report on Investment Activity and The Performance Measurement Survey - we have also undertaken a number of other projects which include the BVCA Commission on how to improve the understanding of business and entrepreneurship in our education system, Creating Success from Technology Spin-outs and The London Markets and private equity-backed IPOs. These reports will be published over the coming months. We continue to monitor and gauge member's views and opinions through the regular quarterly YouGov surveys.

The updated and completely revised website (www.bvca.co.uk) is up and running and has been well received.

The changing economic and political climate in the United Kingdom and continental Europe means the year ahead will be at least as challenging as the one that has just gone, but I have no doubt it will continue to offer the BVCA and its members new and exciting opportunities. The BVCA continues to be well placed to meet these challenges and to effectively represent and serve the membership. I would encourage all members to participate in the events and activities the BVCA organises.

I would like to record my thanks to the Executive for their hard work over the last year and to my colleagues who serve on the Council and the committees of the BVCA, without whose voluntary work we could not function.

In particular I would also like to thank my predecessor as Chairman, Anne Glover, who gave unstintingly of her time and energy to carry our work forward. During her period as Chairman, and with much direct personal work by her, we have with the EVCA and our French counterparts, AFIC, brought to a successful conclusion the process of developing joint Valuation Guidelines. This is a substantial and important achievement for our industry domestically and internationally.



Vince O'Brien
Chairman
BVCA
13 June 2005

THE BRITISH VENTURE CAPITAL ASSOCIATION
COMMITTEE MEMBERS
YEAR ENDED 31 MARCH 2005

BVCA Committee Members who served during the year.

Investor Relations Committee:

Ian Armitage (HgCapital), Janet Brooks (ECI), Anthony Cecil (KPMG), David Hutchings (Axa Private Equity), Julian Knott (Electra Partners Europe), Brian Linden (Cinven), Steven Scott (Penta Capital), Hanneke Smits (Adams Street Partners).

Legal & Technical Committee:

Jeryl Andrew (Advent Venture Partners), David Baylis (Norton Rose), Maurice Dwyer (Wragge & Co), Roger Gregory (Nabarro Nathanson), Catrina Holme (Cazenove Private Equity), Barry Lawson (Bridgepoint Capital), Robert Ohrenstein (KPMG), Steve Parkinson (Ernst & Young), Lawrie Watts (PricewaterhouseCoopers), Simon Witney (S J Berwin), Sue Woodman (Alchemy Partners LLP).

Regional Committee:

Kevin Reynolds (Bridgepoint Capital), Mark Advani (ISIS Equity Partners), Steven Carle (LDC), Wendy Harrison (DLA), Barrie Hensby (NEL), John Hughes (KPMG), Calum Paterson (Scottish Equity Partners).

Regulatory Committee:

Margaret Chamberlain (Travers Smith), James Abell (Abingworth Management), Nigel Boyling (PPM Ventures), John Burgess (ABN AMRO Capital), Peter Cluff (Europa Capital Partners), Rick Humphries (ET Capital), Gordon MacLean (3i), Neil Peters (Parallel Venture Managers), Stephen Robinson (Macfarlanes), Buchan Scott (Duke Street Capital), Stephen Tilton (Apax Partners), Martin Williams (Quester Capital).

Taxation Committee:

David Williams (Sand Aire Private Equity), Mark Baldwin (Macfarlanes), David Cartwright (PricewaterhouseCoopers), Cathy Hargreaves (PricewaterhouseCoopers), Sue Haworth (Montagu Private Equity), Tim Hughes (PwC), John Moore (3i), Vince O'Brien (Montagu Private Equity), David Oldknow (Ernst & Young), Michael Trask (S J Berwin), Robert Kent (Freshfields), Jonathan Lowe (Permira), John Maxey (Deloitte & Touche), Paul Megson (KPMG), David Nicholson (Bridgepoint Capital), Kathleen Russ (Travers Smith), John Watson (Ashurst Morris Crisp).

Technology Committee:

Jo Taylor (3i plc), Simon Acland (Quester), Tim Brown (Alta Berkeley), John Heard (Intel Capital), Rob James (Prelude Technology), Ernie Richardson (MTI), Nick Talbot (KPMG), Simon Walker (Taylor Wessing).

Training and Professional Development Committee:

Wol Kolade (ISIS Equity Partners), Clive Austin (3i), Peter Brooks (Sovereign Capital), Tim Farazmand (LDC), John Handley (LDC), Simon Havers (Granville Baird), Tony Nash (LDC), Chris Tennant (IRRfc).

THE BRITISH VENTURE CAPITAL ASSOCIATION
NOTICE OF MEETING
YEAR ENDED 31 MARCH 2005

NOTICE IS HEREBY GIVEN that the twenty second Annual General Meeting of the British Venture Capital Association (BVCA) will be held at midday on Wednesday, 7 September 2005 at the registered office of the BVCA at 3 Clements Inn, London, WC2A 2AZ 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 2005, together with the Report of the Council and the Auditors' Report.
2. To re-elect M. Chamberlain, A. Glover, J. Mackie and V. O'Brien as directors.
3. To re-appoint PKF (UK) LLP as auditors and authorise the Council to fix their remuneration.

Dated 13 June 2005

Registered Office
3 Clements Inn
London WC2A 2AZ

By order of the Council



V.O'Brien
Chairman



J. Mackie
Chief Executive

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
REPORT OF THE COUNCIL
YEAR ENDED 31 MARCH 2005

The Council presents its annual report on the affairs of the Association, together with the financial statements and auditors' report for the year ended 31 March 2005.

Results

The Association made a profit for the year of £259,058 (2004 - £246,576).

Principal activity and business review

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 private equity and venture capital projects; and to provide information about members to those seeking private equity and venture capital funding.

The Chairman's statement on pages 1 and 2 gives a review of the Association's activities during the year.

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, up to a maximum of £5 per member.

Directors

The following directors served on the Council during the year:

R.J. Green	(resigned 1 April 2005)
A.M. Glover	(Chairman to 1 April 2005)
J.C. Andrew	
I. Armitage	
M. Chamberlain	
O.O. Kolade	
J.D. Mackie	
V. O'Brien	(Vice Chairman to 1 April 2005) (Chairman from 1 April 2005)
K. Reynolds	
J. Taylor	
D. Williams	(appointed 8 September 2004; resigned 9 March 2005)

THE BRITISH VENTURE CAPITAL ASSOCIATION
REPORT OF THE COUNCIL (continued)
YEAR ENDED 31 MARCH 2005

Basis of preparation

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Appointment of Auditors

On 23 May 2005 PKF transferred their business to PKF (UK) LLP, a limited liability partnership. Under section 26(5) of the Companies Act 1989, the Company consented to extend the audit appointment to PKF (UK) LLP from 23 May 2005. Accordingly, the audit report has been signed in the name of PKF (UK) LLP, and a resolution for the reappointment of PKF (UK) LLP will be proposed at the forthcoming annual general meeting.

By order of the Council



V.O'Brien
Chairman



J. Mackie
Chief Executive

13 June 2005

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;
- 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 MEMBERS OF THE BRITISH VENTURE CAPITAL ASSOCIATION

We have audited the financial statements of The British Venture Capital Association for the year ended 31 March 2005 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.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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 company's affairs as at 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PKF(UK) LLP

PKF (UK) LLP
Registered Auditors

London, UK
16 June 2005

THE BRITISH VENTURE CAPITAL ASSOCIATION
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2005

	Notes	2005 £	2004 £
TURNOVER	2	2,540,989	2,509,428
Cost of sales		(962,506)	(935,214)
GROSS PROFIT		1,578,483	1,574,214
Administrative expenses		(1,381,927)	(1,359,869)
OPERATING PROFIT	3	196,556	214,345
Interest receivable and similar items	5	77,163	39,155
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		273,719	253,500
TAXATION	6	(14,661)	(6,924)
PROFIT FOR THE FINANCIAL YEAR		259,058	246,576

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 2005

	Notes	2005 £	2004 £
FIXED ASSETS			
Tangible	7	94,588	102,668
CURRENT ASSETS			
Debtors	8	200,506	268,872
Investments	9	1,300,000	800,000
Cash at bank and in hand		151,748	275,310
		<u>1,652,254</u>	<u>1,344,182</u>
CREDITORS: amounts falling due within one year	10	(654,585)	(608,311)
NET CURRENT ASSETS		<u>997,669</u>	<u>735,871</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,092,257</u>	<u>838,539</u>
CREDITORS: amounts falling due after more than one year	11	(5,340)	(10,680)
NET ASSETS		<u><u>1,086,917</u></u>	<u><u>827,859</u></u>
CAPITAL AND RESERVES			
Profit and loss account	12	<u>1,086,917</u>	<u>827,859</u>
SHAREHOLDERS' FUNDS		<u><u>1,086,917</u></u>	<u><u>827,859</u></u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002)

The financial statements were approved by the board on 13 June 2005

Signed on behalf of the board of directors



V. O'Brien Chairman



J. Mackie Chief Executive

THE BRITISH VENTURE CAPITAL ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2005

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 the Financial Reporting Standards for Smaller Entities (effective June 2002).

(b) Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts. Membership fees are recognised in the period to which they relate. Payments for courses or events are recognised as and when the relevant course or event takes place.

(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

Deferred taxation is provided on material timing differences between the incidence of income and expenditure for taxation and accounting purposes on a full provision basis.

Deferred tax assets are only recognised when they arise from timing differences where their recoverability is regarded as being probable.

(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.

THE BRITISH VENTURE CAPITAL ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2005

(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.

(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:

	2005 £	2004 £
Subscription income	1,517,684	1,461,500
Other income	1,023,305	1,047,928
Total	<u>2,540,989</u>	<u>2,509,428</u>

3 OPERATING PROFIT

The operating profit is stated after charging:

	2005 £	2004 £
Depreciation of tangible fixed assets:		
- owned by the company	34,276	52,151
Audit fees	8,000	7,000
Operating lease rentals:		
- plant & machinery	2,202	7,196
- land & buildings	129,579	132,257
Pension cost	<u>38,763</u>	<u>35,194</u>

4 DIRECTORS' EMOLUMENTS

	2005 £	2004 £
Directors' emoluments	<u>147,000</u>	<u>137,200</u>

No directors (2004 - none) were members of company pension schemes.

THE BRITISH VENTURE CAPITAL ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2005

5 INTEREST RECEIVABLE AND SIMILAR ITEMS

	2005 £	2004 £
Income from current asset investments	71,482	33,684
Bank interest receivable	5,681	5,471
	<u>77,163</u>	<u>39,155</u>

6 TAXATION

	2005 £	2004 £
UK corporation tax		
Current tax on income for the period at 19% (2004:19%)	14,661	6,924
	<u>14,661</u>	<u>6,924</u>

7 TANGIBLE FIXED ASSETS

	Leasehold improvements £	Office equipment £	Fixtures and fittings £	Total £
Cost				
At 1 April 2004	92,596	80,341	46,527	219,464
Additions	-	26,196	-	26,196
	<u>92,596</u>	<u>106,537</u>	<u>46,527</u>	<u>245,660</u>
At 31 March 2005	92,596	106,537	46,527	245,660
Depreciation				
At 1 April 2004	16,857	62,166	37,773	116,796
Charge for year	9,259	17,081	7,936	34,276
	<u>26,116</u>	<u>79,247</u>	<u>45,709</u>	<u>151,072</u>
At 31 March 2005	26,116	79,247	45,709	151,072
Net book amount				
At 31 March 2005	66,480	27,290	818	94,588
At 31 March 2004	75,739	18,175	8,754	102,668

THE BRITISH VENTURE CAPITAL ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2005

8 DEBTORS

	2005 £	2004 £
Due within one year		
Trade debtors	77,581	123,587
Other debtors	37,153	36,788
Prepayments & accrued income	85,772	108,497
	<u>200,506</u>	<u>268,872</u>

9 CURRENT ASSET INVESTMENTS

	2005 £	2004 £
Money market deposits	1,300,000	800,000
	<u>1,300,000</u>	<u>800,000</u>

10 CREDITORS

	2005 £	2004 £
Amounts falling due within one year		
Trade creditors	9,194	84,802
Corporation tax	14,660	6,924
Other tax and social security	37,824	52,954
Other creditors	6,047	5,340
Accruals and deferred income	586,860	458,291
	<u>654,585</u>	<u>608,311</u>

11 CREDITORS

	2005 £	2004 £
Amounts falling due after more than one year		
Other creditors	5,340	10,680
	<u>5,340</u>	<u>10,680</u>

THE BRITISH VENTURE CAPITAL ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2005

12 RESERVES

Profit and loss account	£
At 1 April 2004	827,859
Profit for the year	259,058
At 31 March 2005	<u>1,086,917</u>

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

13 CAPITAL COMMITMENTS

The Association had no capital commitments at 31 March 2005.

14 OTHER COMMITMENTS

At 31 March 2005 the Association had annual commitments under operating leases as follows:

	Land & buildings		Plant & machinery	
	2005	2004	2005	2004
	£	£	£	£
Expiry date:				
Between one and five years	<u>132,661</u>	<u>131,941</u>	<u>3,686</u>	<u>8,430</u>

15 TRANSACTIONS WITH RELATED PARTIES

Some Directors and Committee Members represent organisations which supply services to or purchase services from the Association or sponsor events. These transactions are either on an arms length basis or on terms favorable to the Association.