

THE BRITISH VENTURE CAPITAL ASSOCIATION

ANNUAL REPORT

YEAR ENDED 31 MARCH 2003



PKF

THE BRITISH VENTURE CAPITAL ASSOCIATION

COMPANY INFORMATION

Directors	R. J. Green M.J. Queen E.G.I.F. Truell J.C. Andrew I. Armitage M. Chamberlain A. M. Glover M.W. Joseph O.O. Kolade J. Mackie V. O'Brien
Company Number	1697461
Registered Office	3 Clements Inn London WC2A 2AZ
Auditors	PKF New Garden House 78 Hatton Garden London EC1N 8JA

THE BRITISH VENTURE CAPITAL ASSOCIATION

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THE BRITISH VENTURE CAPITAL ASSOCIATION
CHAIRMAN'S STATEMENT
YEAR ENDED 31 MARCH 2003

The UK's private equity and venture capital industry is the largest and most dynamic in Europe, and second only in size to the US in the world.

The British Venture Capital Association (BVCA) represents the overwhelming number of UK based private equity and venture capital firms. This year saw the largest ever membership with a total of 326 member firms - 170 full members and 156 associate members.

The 170 full members invest in around 10,000 companies. These 10,000 companies employ around 3 million people - c.16% of the private sector workforce. The private equity and venture capital industry is a major driver of the UK economy.

The BVCA has four principal areas of operation - Research, Membership, Training and Public Affairs & Press. Each of these areas has expanded its operations this year to meet the new challenges and expectations of our growing membership and the increasing impact of the industry on the UK's economy.

Indeed on all fronts 2002-2003 has been an energetic and challenging year for the BVCA. We conducted a survey of the membership to gain their views on the work we do and the service we provide. Overall the results were very positive but the survey is a useful indicator of where we might improve our service.

Representing the industry to Government and the press is a major part of our work. The last twelve months has seen a significant rise in the profile of the BVCA in the national print and broadcast press. We have been energetic in putting our case to Government for continued reform of the Capital Gains Tax regime and to reduce the level of 'red tape' and bureaucracy we have to deal with. The increasing impact of European legislation and regulation means that we are working more closely than ever before with the Commission and its officials.

We staged a number of well attended member events during the year, which included regional as well as London based events. The Annual Dinner was the best attended ever with 1,500 members and their guests enjoying a memorable evening. The Chief Secretary to the Treasury, the Rt. Hon. Paul Boateng, M.P., was our guest and speaker at the second Chairman's Dinner. We were pleased too to be able to welcome the Science Minister, Lord Sainsbury, to our second Women's Breakfast.

The year has seen a complete review of the training courses we offer. We have brought them up-to-date and introduced new courses as well. For example, the introduction of the Non-Executive Director Course has proved very popular and successful.

Research is a very important part of our work. The annual Economic Impact Survey, Performance Measurement Survey and the Investment Activity Report are now well established as three authoritative pieces of work on our industry. In addition we have introduced an Economic Impact Survey of VCTs and, with AltAssets, conducted a survey of the UK's leading institutional investors.

We have also introduced a quarterly survey of the confidence and attitude of our members, in conjunction with YouGov.

During the year we moved the Executive to new offices. The old Essex Street offices had long been unsuitable and overcrowded. The new premises not only provide a better environment for the Executive to work in but provide a professional and presentable place for the BVCA to hold meetings and present the industry. We have also refreshed the way we present our publications and website with new colours and a new logo.

THE BRITISH VENTURE CAPITAL ASSOCIATION
CHAIRMAN'S STATEMENT (continued)
YEAR ENDED 31 MARCH 2003


Results

The accounts show that in the year to 31 March 2003 a loss was made of £153,842 (surplus of £160,312 to 31 March 2002). This was actually better than budget and was intentional given the considerable level of reserves.

The year ahead is going to be a challenging one for private equity and venture capital but one that will also provide many opportunities. The BVCA is better placed than ever before to support its members in meeting those challenges. I would encourage all members to participate in the events and activities the BVCA organises.

The new members of the team at the Executive have settled in well over the last year and are all making significant contributions. I would like to record my thanks to all the Executive for their hard work on our behalf over the last year. I would also like to thank my fellow Council members and all the members of the BVCA's Committees who give up their time and contribute so much. We are lucky to have their support. We have been able to welcome several new members of Council over the last year who will bring fresh ideas and thinking to our debates.

Finally I would like to thank my predecessor as Chairman, Michael Queen, for his many valuable contributions during his period of office.



Richard Green
Chairman
BVCA

12 May 2003

THE BRITISH VENTURE CAPITAL ASSOCIATION
COMMITTEE MEMBERS
YEAR ENDED 31 MARCH 2003

BVCA Committee Members who served during the year.

Investor Relations: Michael Queen (3i plc), Ian Armitage (HgCapital), Paul Castle (MTI), Julian Knott (Electra Partners Europe), Brian Linden (Cinven), John McCrory (Westport Private Equity), Vicky Mudford (Aberdeen Murray Johnstone), Steven Scott (Penta Capital).

Legal and Technical: Jeryl Andrew (Advent Venture Partners), Jonathan Diggines (Aberdeen Murray Johnstone), David Baylis (Norton Rose), Maurice Dwyer (Wragge & Co.), Tim Farazmand (Catalyst), Roger Gregory (Nabarro Nathanson), Barry Lawson (Bridgepoint Capital), Robert Ohrenstein (Deloitte & Touche), Ian Smart (Grant Thornton), Lawrie Watts (PricewaterhouseCoopers), Simon Witney (S J Berwin), Sue Woodman (Alchemy Partners), Geoff Yates (Addleshaw Goddard).

Regional: Michael Joseph (Lloyds TSB), Kathy Greenwood (WL Ventures), Wendy Harrison (DLA), John Hughes (KPMG), 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 Capital), 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 (Montagu Private Equity), David Cartwright (PricewaterhouseCoopers), Ashley Greenbank (Macfarlanes), Cathy Hargreaves (PricewaterhouseCoopers), Sue Haworth (Montagu Private Equity), John Moore (3i plc), David Oldknow (Ernst & Young), John Power (Deloitte & Touche), Simon Pudge (Royal Bank of Scotland), Christopher Spray (Atlas Ventures), Michael Trask (S J Berwin).

Technology: Anne Glover (Amadeus Capital Partners), Simon Acland (Quester), Jeryl Andrew (Advent Venture Partners), Alastair Conn (Northern Venture Managers), Dr. Joy Duffen (Avlar Bioventures), Michael Elias (Kennet Capital), John Heard (Intel Capital), Rob James (Prelude Technology), Peter Keen (Merlin Biosciences), Gordon Murray (London Business School), John Simpson (Aberdeen Murray Johnstone), Nick Talbot (KPMG), Jo Taylor (3i plc), Darren Thompson (Barclays Ventures), Simon Walker (Taylor Wessing), Bruce Westbrook (DLA), Mark Wignall (GLE Development Capital).

Training and Professional Development: Richard Green (Kleinwort Capital), Simon Havers (Granville Baird), Sue Hunter (3i plc), Wol Kolade (Isis Equity Partners), Tony Nash (Lloyds TSB Development Capital), Chris Tennant (IRRfc).

THE BRITISH VENTURE CAPITAL ASSOCIATION
NOTICE OF MEETING
YEAR ENDED 31 MARCH 2003

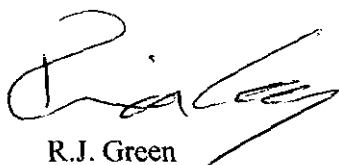
NOTICE IS HEREBY GIVEN that the twentieth Annual General Meeting of the British Venture Capital Association (BVCA) will be held at midday on Wednesday, 11 June 2003 at the registered office of the BVCA at 3 Clements Inn, London, WC2A 2AZ for the transaction of the following business:

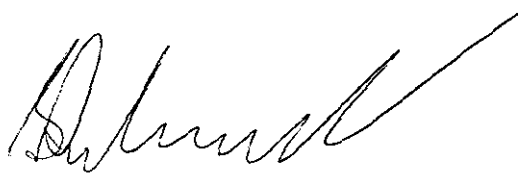
1. To lay before the members of the Association the financial statements for the year ended 31 March 2003, together with the Report of the Council and the Auditors' Report.
2. To re-elect J.C. Andrew, M. Chamberlain and O.O. Kolade as Directors.
3. To re-appoint PKF as the auditors and authorise the Council to fix their remuneration.

Dated 12 May 2003

Registered Office
3 Clements Inn
London WC2A 2AZ

By order of the Council


R.J. Green
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
COUNCIL REPORT
YEAR ENDED 31 MARCH 2003

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 2003.

Results

The Association made a loss for the year of £153,842 (2002 - Profit £160,312).

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:

E.G.I.F. Truell	(Chairman to 12 June 2002)
M.J. Queen	(Vice Chairman until 12 June 2002, then Chairman until 31 March 2003)
R.J. Green	(Vice Chairman from 12 June 2002 to 31 March 2003)
J.C. Andrew	(appointed 3 September 2002)
I. Armitage	
M. Chamberlain	
J.B. Diggines	(resigned 3 September 2002)
A.M. Glover	
M.W. Joseph	
O.O. Kolade	(appointed 10 February 2003)
J. Mackie	
V. O'Brien	
D. Thorp	(resigned 12 June 2002)

THE BRITISH VENTURE CAPITAL ASSOCIATION

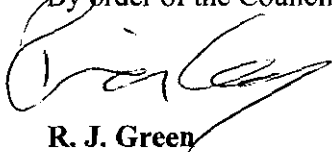
COUNCIL REPORT (continued)

YEAR ENDED 31 MARCH 2003

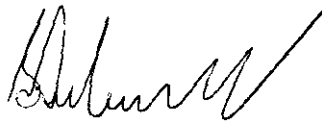
Basis of preparation

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

By order of the Council



R. J. Green
Chairman



J. Mackie
Chief Executive

12 May 2003

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 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 2003 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 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London, UK
12 May 2003

 **PKF**
Registered Auditors

THE BRITISH VENTURE CAPITAL ASSOCIATION
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2003

	Notes	2003 £	2002 £
TURNOVER	2	2,219,472	2,199,903
Cost of sales		<u>(1,031,662)</u>	<u>(939,888)</u>
GROSS PROFIT		1,187,810	1,260,015
Administrative expenses		<u>(1,375,346)</u>	<u>(1,145,138)</u>
OPERATING (LOSS)/PROFIT	3	(187,536)	114,877
Interest receivable and similar items	5	<u>40,734</u>	<u>56,794</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(146,802)	171,671
TAXATION	6	<u>(7,040)</u>	<u>(11,359)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(153,842)</u>	<u>160,312</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 2003

	Notes	2003 £	2002 £
FIXED ASSETS			
Tangible	7	149,614	28,748
CURRENT ASSETS			
Debtors	8	222,851	141,364
Investments	9	500,000	900,000
Cash at bank and in hand		156,066	16,091
		<u>878,917</u>	<u>1,057,455</u>
CREDITORS: amounts falling due within one year	10	<u>(425,887)</u>	<u>(351,077)</u>
NET CURRENT ASSETS		<u>453,030</u>	<u>706,378</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>602,644</u>	<u>735,126</u>
CREDITORS: amounts falling due after more than one year	11	<u>(21,360)</u>	<u>-</u>
NET ASSETS		<u><u>581,284</u></u>	<u><u>735,126</u></u>
CAPITAL AND RESERVES			
Profit and loss account	12	<u>581,284</u>	<u>735,126</u>
SHAREHOLDERS' FUNDS		<u><u>581,284</u></u>	<u><u>735,126</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 12 May 2003

Signed on behalf of the board of directors



Chairman



Chief Executive

THE BRITISH VENTURE CAPITAL ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2003

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.

(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 in the short term is regarded as being probable.

This represents a change in the accounting policy. No material change arises, however, in respect of the current year or previous year's deferred tax provision under the new policy.

(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 2003

(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:

	2003 £	2002 £
Subscription income	1,178,063	1,143,280
Other income	1,041,409	1,056,623
Total	<u>2,219,472</u>	<u>2,199,903</u>

3 OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after charging:

	2003 £	2002 £
Depreciation of tangible fixed assets:		
- owned by the company	44,208	25,165
Audit fees	7,700	7,250
Operating lease rentals:		
- plant & machinery	4,744	4,744
- land & buildings	106,081	36,000
Pension cost	37,901	22,793
Profit/(loss) on disposal of fixed assets	5,351	(7,666)
	<u> </u>	<u> </u>

4 DIRECTORS' EMOLUMENTS

	2003 £	2002 £
Directors' emoluments	<u>118,766</u>	<u>115,000</u>

No directors (2002 - none) were members of company pension schemes.

THE BRITISH VENTURE CAPITAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2003

5 INTEREST RECEIVABLE AND SIMILAR ITEMS

	2003 £	2002 £
Income from current asset investments	37,320	52,096
Bank interest receivable	3,414	4,698
	<u>40,734</u>	<u>56,794</u>

6 TAXATION

	2003 £	2002 £
UK corporation tax		
Current tax on income for the period	7,299	11,359
Adjustments in respect of prior periods	(259)	-
	<u>7,040</u>	<u>11,359</u>

7 TANGIBLE FIXED ASSETS

	Leasehold improvements £	Office equipment £	Fixtures and fittings £	Total £
Cost				
At 1 April 2002	-	46,131	3,054	49,185
Additions	91,227	33,385	40,462	165,074
	<u>91,227</u>	<u>79,516</u>	<u>43,516</u>	<u>214,259</u>
At 31 March 2003				
Depreciation				
At 1 April 2002	-	18,796	1,641	20,437
Charge for year	7,700	21,461	15,047	44,208
	<u>7,700</u>	<u>40,257</u>	<u>16,688</u>	<u>64,645</u>
At 31 March 2003				
Net book amount				
At 31 March 2003	83,527	39,259	26,828	149,614
	<u>83,527</u>	<u>39,259</u>	<u>26,828</u>	<u>149,614</u>
At 31 March 2002	-	27,335	1,413	28,748
	<u>-</u>	<u>27,335</u>	<u>1,413</u>	<u>28,748</u>

THE BRITISH VENTURE CAPITAL ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2003

8 DEBTORS

	2003 £	2002 £
Due within one year		
Trade debtors	71,249	56,824
Other debtors	34,161	35,583
Prepayments & accrued income	117,441	48,957
	<u>222,851</u>	<u>141,364</u>

9 CURRENT ASSET INVESTMENTS

	2003 £	2002 £
Money market deposits	<u>500,000</u>	<u>900,000</u>

10 CREDITORS

	2003 £	2002 £
Amounts falling due within one year		
Trade creditors	(387)	87
Corporation tax	7,299	11,605
Other tax and social security	27,233	9,289
Other creditors	2,670	-
Accruals and deferred income	389,072	330,096
	<u>425,887</u>	<u>351,077</u>

11 CREDITORS

	2003 £	2002 £
Amounts falling due after more than one year		
Other creditors	<u>21,360</u>	<u>-</u>

Included within the above is £10,680 falling due after more than five years.

THE BRITISH VENTURE CAPITAL ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2003

12 RESERVES

Profit and loss account	£
At 1 April 2002	735,126
Loss for the year	(153,842)
At 31 March 2003	<u>581,284</u>

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

13 CAPITAL COMMITMENTS

The Association had no capital commitments at 31 March 2003.

14 OTHER COMMITMENTS

At 31 March 2003 the Association had annual commitments under operating leases as follows:

	Land & buildings		Plant & machinery	
	2003	2002	2003	2002
	£	£	£	£
Expiry date:				
Between one and five years	<u>106,801</u>	<u>106,801</u>	<u>4,744</u>	<u>4,744</u>

15 TRANSACTIONS WITH RELATED PARTIES

Some organisations represented by Committee Members supply services to the Association or sponsor events. These transactions are either on an arms length basis or on terms favorable to the Association.