

Quester Capital Management Limited

Registered number 2454345

Directors' report and financial statements
for the year ended 31 March 2007

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Directors' report and financial statements

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Directors' report and business review

The directors present herewith the audited financial statements for the year ended 31 March 2007

Principal activities

The principal activities of Quester Capital Management Limited ("the Company") are the marketing, establishing, managing and operating of venture capital funds

Acquisition of Querist by NewMedia SPARK

Querist Limited and all of its subsidiaries was acquired by NewMedia SPARK plc on 11 May 2007. NewMedia SPARK is an AIM traded technology investment company focused on early stage investment in the ICT and media sectors and is one of the few specialist and successful companies with expertise similar to Quester.

The initial impact of the acquisition on the Company is expected to be minimal as revenue streams will still be derived from the companies under management, namely fees from the Venture Capital Trusts and University Funds. However, it is likely that the greater access to increased capital and the additional early stage investment expertise of NewMedia SPARK, will have an eventual positive impact on the funds under management and therefore the fee derived by the Company.

Review of business and future developments

There was a retained profit for the year ended 31 March 2007 of £7,936 (2006 - loss £210,212). The balance sheet shows a satisfactory position.

During the period the turnover of the company has increased by £41,000 as a result of new management fees from the Second Isis College Fund Limited Partnership, which was set up on 3 July 2006. There has been a lower service charge from Quester Services Limited explaining the decrease in administrative expenses and the resultant profit for the year.

The Company, as the manager of Venture Capital Trusts and University Funds, faces the risk of losing its status as manager. This risk is mitigated by investment management agreements with each trust or fund for a fixed period. No agreement is due to expire within the next year.

Dividends and reserves

The directors do not propose the payment of a dividend in respect of the year ended 31 March 2007 (2006 £nil). No interim dividends were paid or declared during the year (2006 £nil).

Directors

The directors of the Company during the year ended 31 March 2007 and since that date were

SHV Acland (resigned 11 May 2007)	JB Milne
A Betton (appointed 11 May 2007)	J Patel (appointed 11 May 2007)
JD Brooke	HWB Sallitt
A Carruthers (appointed 11 May 2007)	JA Spooner
CJ Gee	T Teichman (appointed 11 May 2007)
APG Holmes	ICS Wilcock (resigned 30 March 2007)
S Levi (appointed 22 November 2006)	MG Williams

Directors' interests in shares of group companies

During the year, no director held any beneficial interest in the share capital of the Company or of any group undertakings other than in Querist Limited, Quester Venture GP Limited and Quester Academic GP Limited. Full details of these interests are shown in the accounts of Querist Limited.

Auditors

RSM Robson Rhodes LLP (Robson Rhodes) merged its audit practice with Grant Thornton UK LLP ("Grant Thornton"). Robson Rhodes resigned as auditors on 30 July 2007 with the successor firm being Grant Thornton filling in the casual vacancy. A resolution to reappoint Grant Thornton as auditors of the company will be proposed at the forthcoming Annual General Meeting.

By order of the Board



A Betton
Director

33 Glasshouse Street
London W1B 5DG
30 July 2007

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 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, and
- 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors who held office at the date of approval of the Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditor's report to the shareholders of Quester Capital Management Limited

We have audited the financial statements on pages 5 to 12. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's shareholders, 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 shareholders 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 shareholders 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 (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).

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 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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company as at 31 March 2007 and of its profit for the year then ended,
- 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.

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants and Registered Auditor
London, England
30 July 2007

Profit and loss account

for the year ended 31 March 2007

	Note	2007 £	2006 £
Turnover	2	4,567,932	4,526,471
Administrative expenses		<u>(4,546,758)</u>	<u>(4,985,704)</u>
Operating profit/(loss)	3	21,174	(459,233)
Income from shares in subsidiary undertakings		331	63,531
Interest receivable and similar income		<u>30,587</u>	<u>82,673</u>
Profit/(loss) on ordinary activities before taxation		52,092	(313,029)
Tax on profit/(loss) on ordinary activities	5	<u>(44,156)</u>	<u>102,817</u>
Profit/(loss) on ordinary activities after taxation		<u>7,936</u>	<u>(210,212)</u>

There are no recognised gains and losses other than as shown above in the profit and loss account

Reconciliation of movements in equity shareholders' funds

for the year ended 31 March 2007

	2007 £	2006 £
Profit/(loss) on ordinary activities after taxation	7,936	(210,212)
Opening shareholders' funds	<u>16,291</u>	<u>226,503</u>
Closing shareholders' funds	<u>24,227</u>	<u>16,291</u>

All operations arise from continuing activities

The notes on pages 7 to 12 form part of these financial statements

Balance sheet

as at 31 March 2007

	Note	2007 £	2007 £	2006 £	2006 £
Fixed assets					
Investments in subsidiary undertakings	6	33,650		33,650	
Preferred return	7	<u>146,853</u>		<u>-</u>	
			180,503		33,650
Current assets					
Debtors	8	919,862		688,758	
Cash at bank		<u>683,460</u>		<u>81,782</u>	
		1,603,322		770,540	
Creditors: amounts falling due within one year	9	<u>(1,534,504)</u>		<u>(562,805)</u>	
Net current assets			68,818		207,735
Creditors: amounts falling due after more than one year	10		<u>(225,094)</u>		<u>(225,094)</u>
Net assets			<u>24,227</u>		<u>16,291</u>
Capital and reserves					
Called up share capital	11		16,510		16,510
Profit and loss account	12		<u>7,717</u>		<u>(219)</u>
Shareholders' funds attributable to equity interests			<u>24,227</u>		<u>16,291</u>

The notes on pages 7 to 12 form part of these financial statements

These financial statements were approved by the Board of Directors on 30 July 2007 and signed on its behalf by



A Betton
Director

Notes to the financial statements

1. Principal accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The Company is exempt from preparing group accounts under Section 228 of the Companies Act 1985. These accounts therefore present information about the Company only and not about its group. The ultimate parent undertaking in whose consolidated accounts the Company is included is Querist Limited (see note 14).

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard 19.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the realised gains or losses on translation are included in the profit and loss account.

Investments

Investments in subsidiary undertakings are stated at cost.

Preferred return

Under the terms of the partnership agreement of Quester Venture GP Partnership ("the General Partner"), the part of the priority profit share that will accrue to the third party (see note 10) is contingent on a preferred return being received by investors in the Quester Venture Partnership Fund ("the Fund") of which Quester Venture Participations Limited is the limited partner in the General Partner and is also a 100% subsidiary of the Company.

The Company as the parent of Quester Venture Participations Limited and manager of the General Partner takes on the liability due to the third party and hence shall receive the preferred return due from the partnership.

In accordance with FRS 12 paragraph 66 and 67, the preferred return has been recognised as an asset along with the liability due to the third party as the company has access to future economic benefit (see note 6).

2. Turnover

Turnover represents the amounts (excluding value added tax) derived from the management and operation of venture capital funds and the provision of management or advisory services to third parties.

3. Operating profit

Auditor's remuneration (both for audit and other services) is paid for by another group undertaking.

Notes to the financial statements *(continued)*

4. Directors' emoluments and employees

The Company had no employees during the year (2006 nil) and directors' emoluments were paid and borne by another group undertaking

5. Tax on profit/(loss) on ordinary activities

	2007 £	2006 £
UK corporation tax at 30% (2006 30%)	-	-
Tax repayment due on carry back of current year tax losses	-	(53,563)
Group relief receivable on surrender of tax losses to group undertakings	-	(116,706)
Prior year over accrual	-	(1,548)
	-	(171,817)
Release of deferred tax asset	(44,156)	69,000
Tax credit	(44,156)	(102,817)

Reconciliation of profit/(loss) on ordinary activities to taxation	2007 £	2006 £
Profit/(loss) on ordinary activities before tax	52,092	(313,029)
Tax on ordinary activities at standard UK corporation tax rate at 30% (2006 30%)	15,628	(93,909)
Tax effect of		
Dividends from group undertakings	(99)	(19,060)
Expenses not deductible for tax purposes	(44,157)	(57,300)
Adjustments to tax charge in respect of previous periods	-	(1,548)
Trading losses utilised in the year	28,628	-
Corporation tax payable/(refundable) for the year	-	(171,817)

Notes to the financial statements (continued)

6. Investments in subsidiary undertakings

Cost and valuation

	At 1 April 2006 and at 31 March 2007 £
Quester Venture Participations Limited	24,999
Quester Venture GP Limited	7,523
Quester Academic GP Limited	118
Quester Venture Managers Limited	<u>1,010</u>
	<u>33,650</u>

At 31 March 2007 the Company held an interest in the nominal value of the allotted shares as stated below (all companies registered in England and Wales unless otherwise stated)

Name of subsidiary undertaking	Principal activity	Description of shares held
Quester Venture Participations Limited	Investment company holding interests in venture capital funds managed by the Company	100 % of ordinary shares
Quester Venture GP Limited	General partner of Quester Venture GP Partnership Company registered in Scotland	100% of preference shares 100% of 'A' ordinary shares
Quester Academic GP Limited	General partner of Quester Academic GP Partnership and of venture capital limited partnerships	100% of preference shares 100% of 'A' ordinary shares
Quester Venture Managers Limited	General partner of a venture capital limited partnership	100% of ordinary shares

7. Preferred return

	2007 £	2006 £
Preferred return	<u>146,853</u>	-
	<u>146,853</u>	-

Under the terms of the partnership agreement the entitlement of the third party to part of the priority profit share, disclosed in note 10, is contingent on a preferred return being received by the investors in the Quester Venture Partnership ("The Fund") Quester Venture Participations Limited ("The Limited

Notes to the financial statements (continued)

Partner") is a limited partner in the Fund and as such falls within the definition of an investor. This entitles the Limited Partner to the preferred return on the same basis as other investors. As the 100% parent of the Limited Partner and manager of the Fund, the Company takes on the liability due to the third party and hence shall receive the preferred return due from the Fund.

8. Debtors

	2007 £	2006 £
Prepayments and accrued income	343,759	97,690
Amounts owed by group undertakings	500,592	471,755
Corporation tax repayment due	53,563	53,563
Other debtors	354	-
Deferred tax asset due after more than one year	21,594	65,750
	<u>919,862</u>	<u>688,758</u>

The deferred tax asset of 21,594 (2006 £65,750) arises due to expenditure recognised in previous years which is currently disallowable for tax purposes but which is expected to become allowable in future years.

9. Creditors: amounts falling due within one year

	2007 £	2006 £
Amounts owed to group undertakings	944,190	-
Accruals and deferred income	233,492	180,123
Irrecoverable VAT	107,054	26,653
Amounts owed to related parties	249,768	266,010
Other creditors	-	90,019
	<u>1,534,504</u>	<u>562,805</u>

The amount owed to related parties is an amount due to Quester VCT plc of £249,768 (2006 £266,010), being an advance payment of the management fee payable, in accordance with the management agreement referred to in note 12. At 31 March 2007, guarantees had been given in respect of group bank overdraft facilities of £75,000 (2006 £75,000) in respect of Querist Limited and its subsidiary undertakings of which £nil (2005 £nil) had been drawn down by the Group as at the year end.

Notes to the financial statements *(continued)*

10. Creditors: amounts falling due after more than one year

	2007 £	2006 £
Provision for third party interest in future priority profit share	219,165	219,165
Subordinated loan	5,929	5,929
	<u>225,094</u>	<u>225,094</u>

Under the terms of the partnership agreement of Quester Venture GP Partnership, part of the priority profit share in due course accruing to that partnership as general partner of Quester Venture Partnership ("the Fund"), which would normally accrue in turn to the Company's subsidiary Quester Venture GP Limited as its general partner, will, subject to certain conditions, accrue instead to a third party, in which case the amount so accruing will be £219,165 (2006 £219,165). Such entitlement will arise upon the investors in the Fund having received repayment in full of their loan commitments drawn down and the preferred return.

11. Called up share capital

	2007 £	2006 £
Authorised, allotted, called up and fully paid - ordinary shares of £1 each	<u>16,510</u>	<u>16,510</u>

12. Profit and Loss account

	2007 £	2006 £
At 1 April 2006	(219)	209,993
Retained profit/(loss) for the year	<u>7,936</u>	<u>(210,212)</u>
At 31 March 2007	<u>7,717</u>	<u>(219)</u>

Notes to the financial statements (continued)

13. Related party disclosure

During the year, the Group provided investment management services to three venture capital trusts, of which APG Holmes and, in two cases, JA Spooner were non executive directors. APG Holmes and JA Spooner waived their entitlement to directors' fees in respect of each of these trusts. APG Holmes was reappointed as a director of Quester VCT 5 plc on 24 April 2007.

The total fees receivable by Quester Capital Management Limited in respect of each of these agreements for the year under review are detailed below.

	Date of management agreement	2007 £	2006 £
Quester VCT plc	20 May 2005	1,000,646	1,067,206
Quester VCT 4 plc	30 October 2000	791,282	813,288
Quester VCT 5 plc	3 December 2001	513,601	520,220

As more than 90% of the voting rights of the Company are controlled by Querist Limited, the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions with entities which form part of the Group.

14. Cash flow statement

Under Financial Reporting Standard 1 (revised 1996) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own consolidated financial statements.

15. Ultimate parent company

The ultimate parent company is Querist Limited, which is registered in England and Wales. Querist Limited is the only undertaking into which the results of the Company are consolidated. Copies of Querist Limited accounts may be obtained from its registered office at 29 Queen Anne's Gate, London SW1H 9BU.

16. Post balance sheet events

On 11 May 2007, Querist Limited, of which the Company is a wholly owned subsidiary, was acquired by NewMedia SPARK plc, an AIM traded venture capital investment company. The terms of the Company's management agreements with the Venture Capital Trusts and University Funds remains unchanged.