

Company Registration No. 2512083 (England and Wales)

HARBOURVEST PARTNERS (UK) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999



HARBOURVEST PARTNERS (UK) LIMITED

COMPANY INFORMATION

Directors	Edward W. Kane D. Brooks Zug
Secretary	Martha D. Vorlicek
Company number	2512083
Registered office	1-11 Hay Hill, Berkeley Square, London W1X 7LF
Auditors	Ernst & Young Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH
Bankers	National Westminster Bank Plc, P.O. Box 4ND 18A Curzon Street London W1A 4ND

HARBOURVEST PARTNERS (UK) LIMITED

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HARBOURVEST PARTNERS (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999

The directors present their report and financial statements for the year ended 31 December 1999.

Principal activities

The company has continued to be engaged by Hancock Venture Partners Inc. as its representative in the United Kingdom, Continental Europe and the Pacific Rim countries through a consulting agreement. Acting as a representative, the company performs various advisory and liaison functions for Hancock Venture Partners Inc. With effect from 28 January 1997, the company has provided similar services to HarbourVest Partners LLC following a change of beneficial ownership, and has continued to provide services under run-off arrangements to Hancock Venture Partners Inc.

Results and dividends

The profit for the year after taxation amounts to £80,118 (1998: £57,428) and has been transferred to reserves.

The directors do not recommend the payment of a dividend.

Directors

The following directors have held office since 1 January 1999:

Edward W. Kane
D. Brooks Zug

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 December 1999	1 January 1999
Edward W. Kane	1	1
D. Brooks Zug	1	1

Year 2000

Plans were developed, designed and implemented to enhance our computation and other systems prior to the end of the millennium to ensure that the impact of the Year 2000 did not cause significant errors in the accounting records or adversely impact operations or service.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Ernst & Young be reappointed as auditors of the company will be put to the Annual General Meeting.

HARBOURVEST PARTNERS (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999

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 accounts;
- 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 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.

By order of the board



Martha D. Vorlicek

Secretary

11 April 2000

HARBOURVEST PARTNERS (UK) LIMITED

AUDITORS' REPORT

TO THE SHAREHOLDERS OF HARBOURVEST PARTNERS (UK) LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with 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 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 of the state of the company's affairs as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Registered Auditor

 11 April 2000

Rolls House,
7 Rolls Buildings,
Fetter Lane,
London
EC4A 1NH

HARBOURVEST PARTNERS (UK) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1999

	Notes	1999 £	1998 £
Turnover	2	1,250,205	974,163
Administrative expenses		(1,136,550)	(885,603)
Profit on ordinary activities before taxation	3	113,655	88,560
Tax on profit on ordinary activities	4	(33,537)	(31,132)
Profit on ordinary activities after taxation	10	80,118	57,428

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

HARBOURVEST PARTNERS (UK) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1999

	Notes	1999 £	£	1998 £	£
Fixed assets					
Tangible assets	5		43,646		44,500
Current assets					
Debtors	6	554,336		258,259	
Cash at bank and in hand		53,529		162,987	
		<u>607,865</u>		<u>421,246</u>	
Creditors: amounts falling due within one year	7	<u>(261,035)</u>		<u>(155,388)</u>	
Net current assets			346,830		265,858
Total assets less current liabilities			<u>390,476</u>		<u>310,358</u>
Capital and reserves					
Called up share capital	9		5,000		5,000
Profit and loss account	10		385,476		305,358
Shareholders' funds - equity interests	11		<u>390,476</u>		<u>310,358</u>

The financial statements were approved by the Board on 11 April 2000

Edward W. Kane

Edward W. Kane
Director

D. Brooks Zug

D. Brooks Zug
Director

HARBOURVEST PARTNERS (UK) LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1999

	1999 £	1998 £
Net cash (outflow)/inflow from operating activities (Note 1)	(60,645)	54,856
Taxation	(26,075)	(26,018)
Capital expenditure		
Payments to acquire tangible assets	(22,738)	(8,756)
Receipts from sales of tangible assets	-	18,544
Net cash (outflow)/inflow for capital expenditure	(22,738)	9,788
Net cash (outflow)/inflow before management of liquid resources and financing	(109,458)	38,626
(Decrease)/increase in cash in the year (Note 2)	(109,458)	38,626

HARBOURVEST PARTNERS (UK) LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1999

1	Reconciliation of operating profit to net cash (outflow)/inflow from operating activities	1999	1998
		£	£
	Operating profit	113,655	88,560
	Depreciation of tangible assets	23,592	19,074
	Profit on disposal of tangible assets	-	(13,555)
	Increase in debtors	(296,077)	(85,363)
	Increase in creditors within one year	98,185	46,140
	Net cash (outflow)/inflow from operating activities	(60,645)	54,856
2	Analysis of net funds	1 January 1999	Cash flow 31 December 1999
		£	£
	Net cash:		
	Cash at bank and in hand	162,987	(109,458)
	Debt:	-	-
	Net funds	162,987	(109,458)
3	Reconciliation of net cash flow to movement in net funds	1999	1998
		£	£
	(Decrease)/increase in cash in the year	(109,458)	36,688
	Cash inflow from increase in debt	-	-
	Movement in net funds in the year	(109,458)	36,688
	Opening net funds	162,987	126,299
	Closing net funds	53,529	162,987

HARBOURVEST PARTNERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

1 Accounting policies

1.1 Accounting convention

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

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Leasehold	over the term of the lease
Plant and machinery	Computer software (straight line over 3 years), computer hardware (straight line over 4 years)
Fixtures, fittings & equipment	straight line over 4 years (Artworks, straight line over 10 years)

1.4 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.5 Pensions

The company operates a defined contribution scheme and charges all contributions to the profit and loss account as they fall due.

1.6 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity, of the provision of consulting services wholly undertaken in the United Kingdom, and is stated net of Value Added Tax.

3 Operating profit

	1999	1998
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	23,592	19,074
Operating lease rentals	86,011	82,372
Auditors' remuneration	5,500	4,000

HARBOURVEST PARTNERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

4	Taxation			1999	1998
				£	£
	U.K. current year taxation				
	U.K. corporation tax at 30% (1998 - 31%)			37,740	30,278
	Prior years				
	U.K. corporation tax			(4,203)	854
				<u>33,537</u>	<u>31,132</u>
5	Tangible fixed assets				
		Land and buildings Leasehold	Plant and machinery	Fixtures, fittings & equipment	Total
		£	£	£	£
	Cost				
	At 1 January 1999	34,405	46,124	37,437	117,966
	Additions	-	20,004	2,734	22,738
		<u>34,405</u>	<u>66,128</u>	<u>40,171</u>	<u>140,704</u>
	Depreciation				
	At 1 January 1999	12,414	34,572	26,480	73,466
	Charge for the year	6,437	11,825	5,330	23,592
		<u>18,851</u>	<u>46,397</u>	<u>31,810</u>	<u>97,058</u>
	Net book value				
	At 31 December 1999	<u>15,554</u>	<u>19,731</u>	<u>8,361</u>	<u>43,646</u>
	At 31 December 1998	<u>21,991</u>	<u>11,552</u>	<u>10,957</u>	<u>44,500</u>
6	Debtors			1999	1998
				£	£
	Amounts owed by parent undertaking			476,714	197,388
	Other debtors			47,712	38,796
	Prepayments and accrued income			29,910	22,075
				<u>554,336</u>	<u>258,259</u>

HARBOURVEST PARTNERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

7	Creditors: amounts falling due within one year	1999 £	1998 £
	Corporation tax	37,740	30,278
	Other taxes and social security costs	22,631	10,632
	Other creditors	-	17
	Accruals and deferred income	200,664	114,461
		<u>261,035</u>	<u>155,388</u>

8 Pension costs

The company operates a defined contribution pension scheme and charges all contributions to the profit and loss account as they fall due. No contributions were outstanding at 31 December 1999.

9	Share capital	1999 £	1998 £
	Authorised		
	20,000 Ordinary shares of £ 1 each	<u>20,000</u>	<u>20,000</u>
	Allotted, called up and fully paid		
	5,000 Ordinary shares of £ 1 each	<u>5,000</u>	<u>5,000</u>

10 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 1999	305,358
Retained profit for the year	<u>80,118</u>
Balance at 31 December 1999	<u>385,476</u>

11	Reconciliation of movements in shareholders' funds	1999 £	1998 £
	Profit for the financial year	80,118	57,428
	Opening shareholders' funds	<u>310,358</u>	<u>252,930</u>
	Closing shareholders' funds	<u>390,476</u>	<u>310,358</u>

HARBOURVEST PARTNERS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

12 Financial commitments

At 31 December 1999 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 1999	1998
	£	£
Expiry date:		
Within one year	42,500	42,500

13 Employees

Number of employees

The average monthly number of employees (excluding directors) during the year was:

1999 Number	1998 Number
6	7

Employment costs

	£	£
Wages and salaries	768,987	576,654
Social security costs	88,429	58,799
Other pension costs	47,070	37,755
	904,486	673,208

14 Control and Parent Undertaking

The parent company of the largest and smallest group of which HarbourVest Partners (UK) Limited is a member and for which group accounts are prepared is Harbour Vest Partners LLC, in the USA. These group accounts may be obtained from 44th Floor, 1 Financial Center, Boston, Massachusetts, USA.

15 Related party transactions

The company has taken advantage of the exemption given by Financial Reporting Standard No. 8 ("FRS 8") to subsidiary undertakings, 90% or more of whose voting rights are controlled within the group, by not disclosing information on related party transactions with entities that are part of the group, or investees of the group qualifying as related parties.